

COMMENTARY BY: ROBERT B. ZOELLICK ★ IRSHAD MANJI ★ DANIEL BARENBOIM ★ SERGEY LAVROV
JACOB WEISBERG ★ JOHN J. MEARSHEIMER ★ TOOMAS HENDRIK ILVES ★ PASCAL LAMY ★ RICHARD N. HAASS
KEVIN RUDD ★ AYAAN HIRSI ALI ★ LUIZ INÁCIO LULA DA SILVA ★ MICHAEL MANDELBAUM ★ BAN KI-MOON

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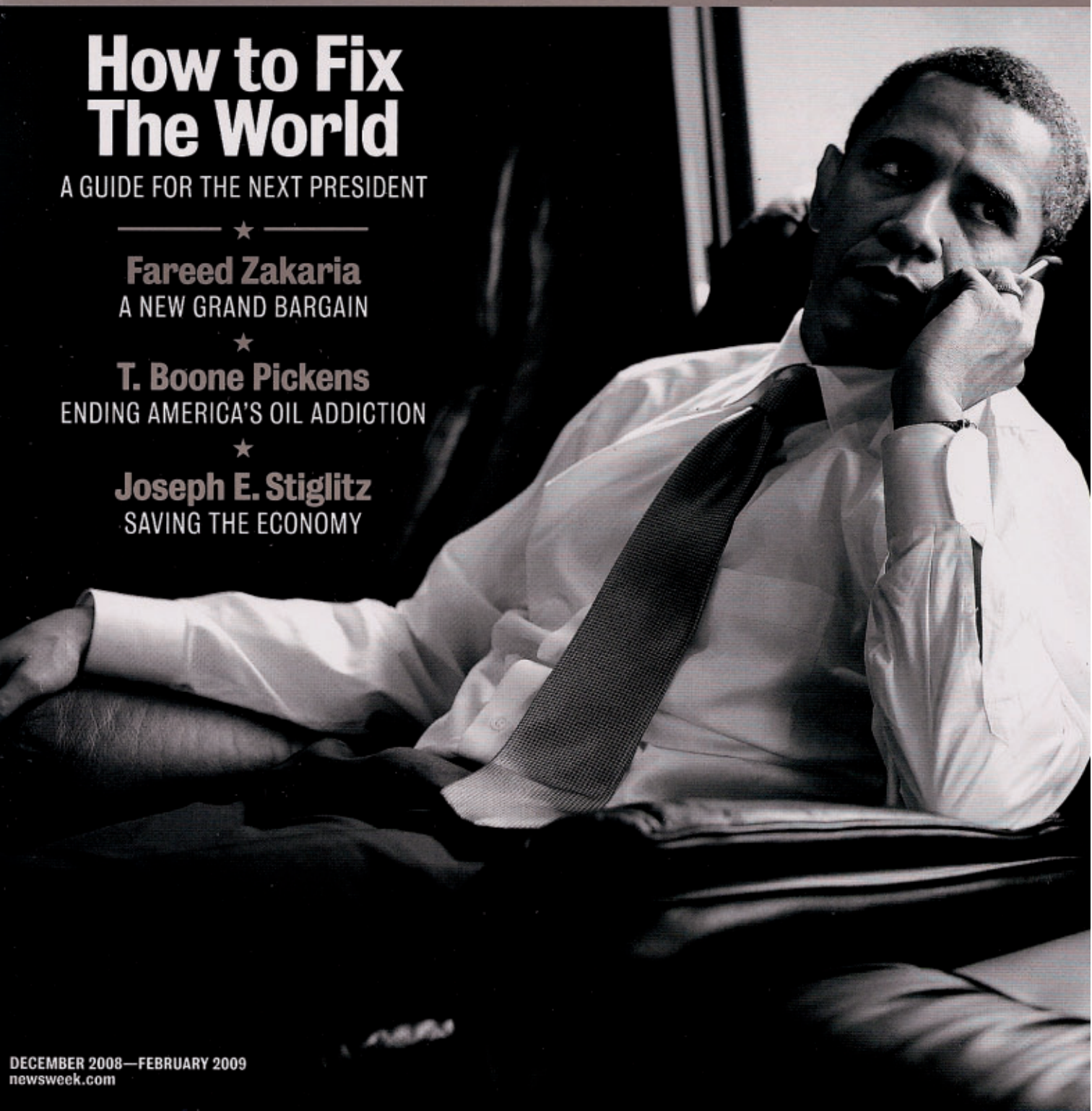
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FACTS & FIGURES



Area: 316 sq km
Capital: Valletta
Official Name: Republic of Malta

Climate: Mediterranean; mild, rainy winters; hot, dry summers

Population: 403,532 (July 2008 est.)

Languages: Maltese (official) 90.2%, English (official) 6%, multilingual 3%, other 0.8% (2005 census)

Currency: Euro since January 2008

GDP: \$9.4 billion (2007 est.)

Export Partners: Singapore 14.4%, Germany 13.7%, France 12.6%, US 11.3%, UK 10%, Hong Kong 6.1%, Japan 4.9%, Italy 4% (2007)

Source: CIA World Factbook



MALTA: WIND IN ITS SAILS

Since becoming an EU member in May 2004, the island archipelago has unfurled its full potential.



Malta is both old and new to Europe. A member of the European Union, the island archipelago 93km south of Sicily adopted the euro in January 2008. It brings a centuries-old maritime tradition to Brussels, as well as ancient trade links to the Middle East. The Maltese speak a Phoenician-derived language that is akin to Arabic. And since independence from Great Britain in 1964, most also speak fluent English. It is no surprise that the services sector, including tourism, amounts to 75% of GDP. But the real story from Malta is its 4-year-long economic expansion: Valletta has wind in its sails.

"We needed to make the quality leap in competitiveness. We needed to be in the heart of Europe," says Malta's Prime Minister Lawrence Gonzi. According to the IMF, GDP will grow 2.7% in 2008. The economy will expand by another 2.3% in 2009. Productivity gains and export diversification are behind the boom, as well as the liberalizing reforms of a newly elected government. Tourism, meanwhile, has helped bring down the current account deficit to 5.5% of GDP.

"We needed to make the quality leap in competitiveness. We needed to be in the heart of Europe."

Lawrence Gonzi, Malta's Prime Minister



Malta came in 4th in terms of inward FDI according to the UN World Investment Report of 2008.

With a population of just over 400,000, this is a country with incredible potential. Some manufacturing plants predate EU membership, including those of Baxter; Delarue and Europack. Investment has introduced higher value-added manufacturing over time, especially in pharmaceuticals. The forte here is the highly-skilled Maltese workforce. "It is the Maltese way to climb up the value chain and attract new industries," says Fenech.

"We believe that a small, open economy like ours can attract new industries and companies."

Tonio Fenech, Finance Minister



Malta has endowed itself with a modern tax system. In the last few years, anti-laundering legislation has monitored the surge in financial services. Banking has grown 30% in the last three years. Another area of phenomenal growth will be in ICT with the inauguration of SmartCity Malta, a hi-tech business park expected to generate 7,000 new jobs thanks to investors from Dubai. "The beauty of technology is that it is not transport dependent. Suddenly the sea around us is no longer an obstacle. With technology, our young generation can compete with the best accountants in Hong Kong," says Gonzi.

As it sheds some of its more traditional manufacturing niches, the country is evolving into a center for container trade, financial services and convention tourism. Brussels has not solved all of Malta's problems. But the EU serves as a new navigational map for the country's future direction.

With the global financial meltdown, the banking sector has not been impervious. However Malta has proven resilient because of its liquidity and funding profile. The upside is that the depreciating euro will again boost Maltese manufactured goods. "Where do we go from here? We want Malta to be a center of excellence," says Fenech.



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Lifestyle as a competitive edge

With no natural resources, Malta has had to carve itself a niche in manufacturing and financial services.

For much of the 20th century, the main source of revenue in Malta was a British naval base that controlled maritime traffic in this part of the Euro-Mediterranean. Industrial activity was minimal and tourism only anecdotal. But something happened when Malta gained independence from Great Britain in 1964. The pace of economic change handed the archipelago a golden opportunity.



"In the past 4 years, since Malta became an EU member, we have seen the face of industry change completely," says Alan Camilleri, Chairman of Malta Enterprise.

Today, manufacturing accounts for 17% of Maltese GDP. More than 200 international companies have settled in Malta to take advantage of its new edge in intermodal logistics. Malta Enterprise, the government vehicle that supports and promotes the development of enterprise in Malta, has played a key role in this development setting the incentives for foreign and local investors to attract and promote investment. On top of the low running costs, the Maltese House of Representatives implemented a tax agreement with the EU in 2007. The bill allows for a tax credit system that applies to all companies that pay dividends to their shareholders. Incentives like this explain why companies enjoy a rate of 15% on their direct investments here.

Malta's response to the challenge of globalization has been to promote higher value-added manufacturing and service activities. Apart from limestone, Malta has no natural resources of its own. In fact, the island nation imports 18,210 barrels of oil per day to keep its industrial cranes working at full-throttle. The electronics and pharmaceutical sectors, combined with short-break tourism, drive the economy forward. The proof that Malta has consolidated itself as a regional technology center of excellence is evidenced by SmartCity Malta. The knowledge-based township, backed by Dubai investors, is the largest ever foreign direct investment in Malta. Systems development, training specialization and service provision are already covered by Valletta in the Euro-Mediterranean. In relative terms, Malta has the highest percentage share of high-tech imports and exports of the entire EU.

He attributes the changes largely to globalization and the continuous search for profitable niches. But growth in FDI has more to do with the country's new image. "People usually see Malta as an excellent lifestyle destination, even for business. There is a versatility to doing business here that includes climate and security," says Camilleri. When expats relocate with their families, things suddenly become simpler: The ease of doing business has very much to do with scale. A deal in Valletta can be closed on a walk up the promenade, whereas in London it may take up to 3 months.

Behind the lifestyle is a motivated workforce. This is where Malta again resorts to its rich past as a cosmopolitan port of call. English is one of their official languages. In fact, the Maltese are so adept that local publishers have bemoaned the fragility of the local language, a direct descendant of Phoenician. The linguistic skills, therefore, should not be underestimated. When it comes to international economics, these are assets that can make or break an investment decision. A multinational will hire a Maltese engineering firm for part of a job and then

"There is a versatility to doing business here that includes climate and security."

Alan Camilleri, Chairman of Malta Enterprise.



realize that product design can also be outsourced. Camilleri is surprised by the amount of companies that have followed this route. He receives an average of 12 relocation requests per day for office or residential spaces on the island.

"My impression is that it took other countries 20 years to change and here the pace of change is much faster; perhaps because we need to react faster to changes on a global scale," says Camilleri. At Malta Enterprise, the staff has learned to anticipate the demand and think big. SmartCity is part of a new approach that seeks long-term value. Its success will depend on whether other investors use all the springboard qualities Malta has to offer.



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Secrets and Smiles

A visit to Malta immediately reveals why the islands are touted as "The Mediterranean's best kept secret".



Sailing below the bastions of Valletta. The village feast of St. Julian's. The magnificent Azure Window on the island of Gozo.

When it comes to possessing a rich, varied and colourful historic fabric, few countries on earth can compete with the Maltese islands. Woven beautifully over time, it all begins in the Neolithic Age, when island masons carved the limestone walls of the Ggantija temples on the island of Gozo. The 7,000-year-old free-standing complex is mankind's oldest free-standing construction.

The Neolithic complex is one of many architectural waves that shored on this repository of cultures for the ancient Mediterranean. Phoenicians, Carthaginians, Romans, Arabs, Normans, Spaniards, the Knights of St. John of Jerusalem, Napoleonic French and, finally, the British Empire—all have left an indelible mark upon the Maltese tapestry. Echoes of the past still reemerge in the language, food, customs and religion of the local population. If there is any doubt that Malta can surprise the unsuspecting tourist, it is thanks to

its unique heritage and its dizzying diversity. They become evident after the first leisurely walks through the old quarters of Valletta. It comes as no surprise, therefore, when one discovers that Malta is actively marketed as 'The Mediterranean's best kept secret'. Many people, especially in mainland Europe, have some idea as to where the islands lie. Very few, however, fully realize the stunning scope of the destination's heritage, hospitality and diversity.

Malta may be small in size, but it is a universe that quickly unfolds at your feet. Here, there are no exclusive tourist-designated areas. Visitors mingle with and absorb the local way of life completely and unencumbered. Head for the idyllic sister island of Gozo, or towards the 'Three Cities' of Vittoriosa, Senglea and Cospicua, if only to lose track of time. Or, alternatively, a visit to the old capital at Mdina and the fishing village of Marsaxlokk might be in order for a truly authentic Maltese experience.

Corinthia: a sixth sense for perfection

For someone who built his own house at age 17, building a hotel chain was just another incremental step. Alfred Pisani, the hotelier and founder of the Corinthia Group, is known for his perfectionist drive. With his positive energy and visionary talent, he is often referred to as the Cesar Ritz of his generation.

"The more you persevere, the more likely you are to achieve your goals," says Pisani. In 1968 he founded the Corinthia Group shortly after acquiring a dusty villa in Attard, in central Malta. At the time, the island was spearheading changes in the economy. Pisani seized the

Alfred Pisani,
Chairman and
Chief Executive
of Corinthia
Group



opportunity and transformed the Art Nouveau villa into a five-star Corinthia Palace, complete with a restaurant and shady verandas.

In the process, he played the role of banker, architect, consultant, interior decorator

and manager. Nowadays, Pisani remains very "hands on", despite being Chairman and CEO of 16 hotels in 9 different countries—including the UK and Hungary. The Group, with assets of one billion euros has diversified to include equity holdings, hotel management, international properties and catering services.

"We take the lead and just keep going at it. And so, we're looking at development everywhere. We just signed an agreement with a Russian company and set up an investment vehicle there. That's how the whole thing starts to move," says Pisani.

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The 5-month *Festa* season is the culmination of a year-long calendar of events that is chock-a-block, featuring theater, dance, art exhibitions, music, sport and historic reenactments, to mention but a few. The Maltese have a love of life that is nonpareil, and this is expressed in every aspect of the country's lifestyle. Succulent seafood and plates for all palates abound at Malta's many outdoor restaurants, whilst the local, delicious DOK wines are full to bursting with the sap of life.

"We're not exclusively a beach destination, so in that respect we can't compete with Turkey or Sharm el Sheikh. But we offer a secure location with a gregarious lifestyle and lots of outdoor dining," says Sam Mifsud, the Chairman of the Malta Tourism Authority (MTA). The archipelago certainly has a rare atmosphere which is authentic and yet cosmopolitan at the same time.

"We offer a secure location with a gregarious lifestyle and lots of outdoor dining."

Sam Mifsud, Chairman of the MTA

Best of all, nothing of note is ever more than half an hour away, from wherever you may be. At dusk, places like St. Paul's Bay will reposition you squarely in the 21st century. While St. Julian's, with its sophisticated hotels, has become a hub for business visitors who come to Malta for the many conferences and seminars but stay on for week-long retreats. "Last January was a record month for MICE tourism in Malta" says Sam Mifsud, the Chairman of the Malta Tourism Authority. "We have targeted a 5% growth for this year and another 5% increase for next year".

Malta and Gozo are becoming increasingly popular as a conference and incentive destination. All possible meetings' facilities and top-notch hotels are *de rigueur*, with a limitless array of events and activities to experience. Frequent flight connections to and from Malta are available from many European cities, whilst the close proximity of all things as well as the very mild off-peak seasons render the destination truly blessed in every sense.

Moreover, Malta is the land of smiles. Renowned for their hospitality, the Maltese are helpful to a fault and take great pains, whenever necessary, to render a visitor's stay that little bit more worthwhile. Malta's citizens are simply old hands at providing an uncontrived and effortless brand of friendliness... yet another factor that makes a visit to Malta so magically memorable.

Lucky to land in Malta

A short break in the island archipelago can easily turn into a couple of weeks. Time here has been suspended.

Over the course of history, many people have taken refuge in Malta. The reasons had less to do with short-break vacations than with large population shifts in the Mediterranean. But Phoenicians, Romans, Byzantines, Normans and the Knights of St. John were certainly lucky to land in this fertile archipelago. Their legacy is still apparent in local architecture and Malta's unique palette of colors.

Contrary to public opinion, Malta is not a beach resort. It may be small, but it is a sovereign nation with its own geopolitical intricacies. Another overlooked fact is that the nation is composed of five islands. Malta, Gozo and Comino have been inhabited since Neolithic times. Cominotto and Filfla, the smaller islets, have been turned over to wildlife.

Despite being the EU's southernmost member, Air Malta connects Valletta to major European capitals with 200 weekly flights. It is only 3 hours away from London and Frankfurt, and less than an hour away from Rome. Upon arrival at Malta International Airport, visitors can be ambling in Grand Harbour within minutes of arrival. They often find that time is not so much a commodity here as an extension of space. From the Hypogeum and the catacombs of St. Paul's to the open-air produce markets, it all seems to be in suspension.

Tourism and summits have a long tradition in Malta that go back to a Church synod held 2,000 years ago. Malta also served as the backdrop for the Bush-Gorbachev dialogue that ended the Cold War in the late 1980s. Ever since, the country has played host to EU summits, sessions of the British Commonwealth and hundreds of trade conferences.



The Blue Grotto, southern coast of Malta.



St. Julian's, Spinola Bay.

Thanks to Air Malta, established in 1973, the islands have increasingly drawn both conventional and non-conventional visitors. Its mandate is to contribute to the growth of the tourist industry. As a spot on the map 93km south of Sicily, Malta needs air links to communicate with the outside world. Over the past 35 years, the airline has also made it easier for Maltese to travel abroad on business. "In terms of tourists, our main market is the UK. We operate 3 daily flights to London and we also fly to Birmingham, Glasgow and Manchester," says Joe Cappello, CEO of Air Malta. Germany is the country's second-largest tourist market, with Italy, France and Austria close behind. Air Malta operates a modern fleet of Airbus 319 and 320, with average age of two years. "With low-fuel consumption, Airbus models are also environmentally friendly," Cappello adds.

"We're spearheading a new kind of tourism toward Malta."

Joe Cappello, CEO of Air Malta

Since 2006, Air Malta has a code-sharing agreement with Lufthansa. The airline has seen passenger volume grow from destinations like Frankfurt, Munich and Dusseldorf. But it also takes advantage of the German carrier's connections to far-flung cities like New York. Its agreement with Turkish Airlines (THY), meanwhile, has locked in new destinations to the Middle East.

"We're happy to be spearheading a new kind of tourism toward Malta," says Cappello. With everything the islands have in store for the unsuspecting traveler; a short break can quickly turn into a couple of weeks. Odysseus, the hero of Homer's epic tale, once landed on the island of Calypso (Gozo). And he stayed for 7 years. Time, after all, is a relative thing in Malta.

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The brainpower of a seafaring nation

In Malta, shipping dates back to the Bronze Age. But in the era of globalization, the island has turned to container trade and hi-tech services.

As they sailed past the Italian island of Pantelleria last October, four out of the top ten vessels at this year's Rolex Middle Sea Race were captained by Maltese sailors. An annual 606-mile race in the Mediterranean, the competition tests the mettle of rough-hewn navigators at a time of the year when weather is largely unpredictable.

Maritime trade is in the DNA of every Maltese. Shipping graffiti appears scrawled on the limestone walls of the Tarxien temples of southeastern Malta, built between 3000-2500BC. A Phoenician colony since the days of Carthage, the island emerged as a strategic port. It was the ideal port of call when the Mediterranean was at the center of world trade. Malta offers deep natural harbours and well-equipped ports. Since its economic shift of the 1980s, the transshipment industry has capitalized on the growth of the emerging Mediterranean economies. Malta acts as a transshipment hub for cargo destined to over 70 ports in the Mediterranean, serviced by a network of feeder vessels which connect with mainline services originating from South East Asia.



"Running an efficient operation is extremely important in the field of transshipment."

Austin Gatt, Minister of Infrastructure, Transport and Communications

Meanwhile, the Malta Freeport has committed to invest €150 million to increase the capacity of the terminal to more than 3 million TEUs per annum. "Running an efficient operation is extremely important in the field of transshipment. Much has improved in the last four years in terms of infrastructure. And that's why container trade has gone up dramatically," says Gatt.

British Common Law gives the maritime sector here an added competitive edge. The island was part of the Commonwealth until independence in 1964 and the inherited legal system inspires confidence. This is the kind of competitive lead that has allowed Malta to master the age of globalization.

Modern logistics

The MMA is in charge of creating a comprehensive package for maritime services. Established in 1991, the agency has endowed the logistics sector with an efficient business framework. It provides seaport operations with a transparent platform for business, whether it is container trade or passenger handling.

In its favour, Malta has always relied on its strategic location. To tap into new emerging patterns, the island relies on a well-established network of shipping agents, shipyards, maritime lawyers and maritime service providers offering a complete maritime package to service the international shipping trade within a

robust maritime legal framework. Upcoming plans for the MMA include the development of 1,000 new yachting berths, a new terminal for ferry passengers in Cirkewwa (western Malta) and the extension of cruise ship facilities in Grand Harbour, Valletta. Efficiency at operations of ports is essential to create an environment conducive for investment.



Proud to fly the Maltese flag.



Port of Valletta, Gardjola.



Marina, Msida.



MALTA MARITIME AUTHORITY

<http://www.mma.gov.mt>

The private sector, meanwhile, is involved in the second expansion of port infrastructure. Currently, all the cargo terminals are managed by private operators. As it continues to develop into a maritime center, the MMA is focusing on key sectors like cruise passenger handling, cargo transshipment and yachting. "The modernization process has led to extensive investment in ports, including a new cruise passenger terminal developed by VISET plc and a significant investment in container handling equipment by Malta Freeport," says Mark Portelli, the Chairman of the MMA.

In the shipping sector, the MMA has also noted a growing number of applicants wanting to fly the Maltese flag. "As ship owners recognize the benefits associated with EU standards, Malta has seen the number of vessels registered under the Malta flag grow," says Portelli.

Up the value chain

Long before joining the EU in May 2004, the government also began investing in ICT. Back in 1989 it was considered a politically risky move, but telecommunications companies have discovered Malta's versatile workforce. It also proved a boom for maritime services, which depend on communications skills. Despite its size, the competitiveness stems largely from the archipelago's broadband connectivity. Today, SmartCity Malta is the flagship ICT project in the southern half of the island. The plan is to tap into the emerging markets of Tunisia and Libya. Malta seems like the perfect springboard for companies seeking easy access to EU markets—whether from Egypt, India or Malaysia.

"It's a historic turning point for Malta. SmartCity symbolizes the end of the old economy and the beginning of a new one," says Gatt. Malta has undergone economic readjustments in the course of its long history. This latest shift, though, sets a new standard in terms of capital investments.

Value will increasingly shift from the naval shipyards to web-based know-how in industries as diverse as financial services and container feeder lines. Connectivity has no borders and creating a bridge to a continent that is only 290km away makes business sense. It is yet another move up the value chain.

"Let's make that jump! The Chinese are investing in Africa. And North Africa is a natural trading point for the Maltese—it has been for centuries," says Gatt.

Malta Freeport: 'we deliver'



The MFT is deepening the berth at its terminals to 17m in order to accommodate the latest generation of containerships built in South Korea.

Consider its size. Malta, an island nation of 400,000, serves as one of the major hub ports in the Mediterranean. This means two thousand ships berth at Malta Freeport Terminals (MFT) on their way to Rotterdam or Hamburg. In October 2004, MFT was privatized by way of a concession agreement signed with CMA CGM, the third-largest container shipping line in the world.

"We've acquired a significant amount of new business, which has put us back on the world map in maritime terms," says Uwe Malezki, the Managing Director and CEO. The container terminals do not target lower costs as a competitive advantage. They deliver the goods in real time. In an industry that measures productivity in crane lifts per hour, efficiency is the clear market differentiator.

Close to northern Africa, the goal of the Maltese has always been to replicate European business practices. Following organizational changes in 2001, the MFT implemented an ambitious IT program. It introduced Navis Spars and Navis Express, two software platforms to track containers. Malezki also expects to have 22 gantry cranes in operation in 2009.

"Technology is sure to evolve over the next few years, particularly in the area of container units requiring maintenance," says Malezki. But despite fast technological change, shipping remains a conservative business. As recently as two years ago, operators were reticent about servicing their own terminals. Now, most companies do so in order to optimize business processes. Intermodal logistics may be conservative at heart. But competitiveness is their prime mover.

"When Malta joined the European Union, it meant new possibilities for us to expand our business," says Malezki. Container handling and industrial warehousing were two of the niche markets tapped by the MFT. After all, the ability to adapt to changing trade patterns has always been a Maltese forte.

As a result, the MFT has seen business increase by 70% in the last three years. In 2009, it will handle over 2.5 million TEUs (Twenty-Foot Equivalent Units). Malezki thinks the best is still to come. To prepare, the MFT is deepening the berth at its terminals to 17m in order to accommodate the latest generation of containerships built in South Korea.

"Our target is to exceed 3 million TEUs by 2011, which I'm sure we can manage. We have a very large investment program of approximately €200 million (\$270.4 million)," says Malezki. Like a central bank, the MFT is responsible for smoothing the interface between shippers, terminal operators and port officials. This is just another way of saying that efficiencies at the micro level will be as important as getting things right at the macro level.

According to Malezki, relations with trade unions are good. With a staff of 660, the MFT is a large local employer: If one includes suppliers, the full number is over 1,000. All of them, including the crane drivers, speak fluent English—as indeed do most Maltese. "Having the right people at the right place is what makes things work. In the world of loading and unloading, you can have 20 high-tech cranes. But if the crane driver is not motivated, the crane is useless," says Malezki.

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