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Athens, 29 November-20 December 1967  
Provisional agenda, Item 1

RECENT DEVELOPMENTS IN INDUSTRIALIZATION  
IN THE MALTESE ISLANDS

by

A.H. Camilleri A.C.W.A., C.P.A.  
Cost Accountant,  
Ministry of Trade & Industry  
Malta

Submitted by the Government of Malta

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Athens, 29 November - 20 December 1967  
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SUMMARY

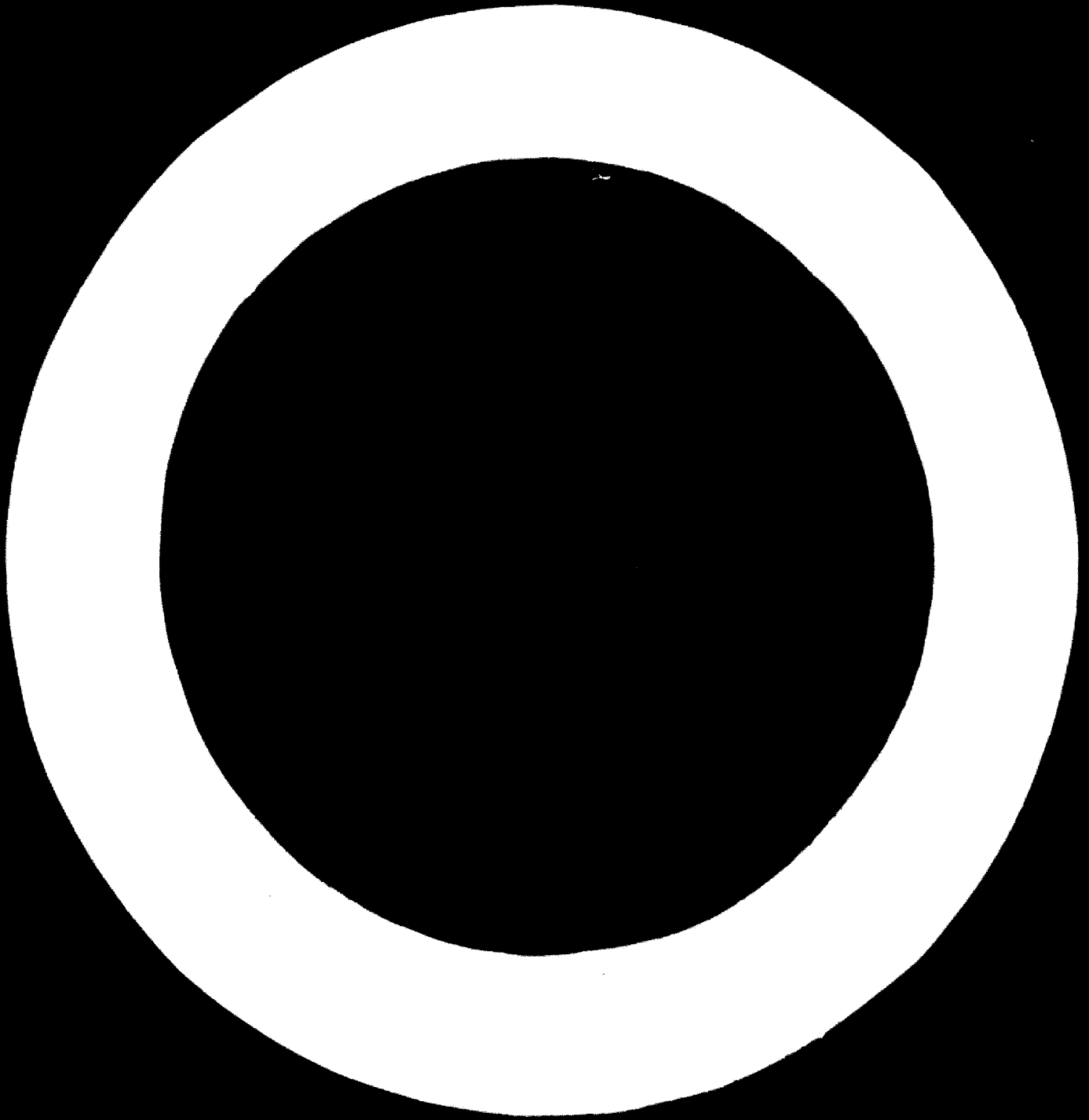
Prepared by

A.H. Camilleri  
Ministry of Trade and Industry  
Malta

Submitted by the Government of Malta

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1. The Maltese archipelago is in a period of transition changing from an economy based on military defence to one of economic viability based on its own resources. Programmes aimed at tourist trade as well as for industrial and agricultural development are under way, and are expected to help improve the economy.

#### Education

2. Education in the Maltese Islands is compulsory and free. Grammar schools prepare students up to the level of the general certificate of education. The Royal University of Malta, oldest in the Commonwealth outside of the United Kingdom, includes several faculties. However, as the development of industry depends on the availability of trained personnel in all branches of technology and administration, the Government of Malta has, over the past decade, concentrated on providing educational facilities that would prepare an adequate supply of trained personnel to fill the requirements of industry.

3. Several technical schools and technical institutes have been opened for boys and girls. Industrial training centres are offering "crash" programmes for older students in order to provide practical knowledge of skills for immediate vocational application. Three years ago, the first polytechnic institute in Malta was opened. It provides facilities for higher education in the technical field.

4. Numerous apprenticeship schemes have been put into operation and the Maltese Government is contributing towards the wages of apprentices. Although courses for supervisor-foremen and other positions are held regularly, they are not, unfortunately, being utilized to the extent desired.

#### Economy of Malta

5. A series of five-year plans have been launched in Malta with the aim of providing an infra-structure favourable to the development of a balanced economy. The emphasis in these plans has been placed on encouragement of industry, agriculture and tourism. At the same time, an Ordinance on Aids to Industries was enacted and a scheme has been launched to offer financial and fiscal incentives for setting up new industries or expanding existing ones.

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6. Satisfactory progress has been achieved in all three of these fields. A number of new industrial enterprises have been established in the islands. The amount of exports has risen rapidly, and new industries have given employment to an appreciable number of people.

7. Progress has also been achieved in agriculture even though this industry is handicapped by a scarcity of water and a limited area of land available for cultivation. Tourism has made great strides. Aided by government grants and loans, hotel accommodations have been expanded and diverse facilities have been developed such as a yacht marina, improved bathing beaches and catering services.

8. Some important events in the economic life of the islands have been the successful conversion of a naval dockyard into a commercial ship-repair yard, the signing of bilateral trade agreements and participation in overseas trade fairs.

#### Factors affecting industrial development

9. There is need to attract investment from foreign companies of good standing, because the problem of creating employment opportunities in Malta cannot be solved solely by expansion of existing Maltese companies. Moreover, it is necessary to acquire marketing techniques to penetrate into international competitive markets and to obtain technical know-how in unfamiliar fields. Thus far, the pattern of industrial development in Malta has been characterised predominantly by small-scale units. There is need to attract larger units, not only to create greater employment opportunities but also to avoid (through large-scale production), vulnerability in the competitive export market.

10. The main benefits that Malta can provide, over and above the inducements offered by other possible areas of development, are low cost of labour, adaptability of Maltese workmen to new skills, and a geographical position convenient for serving Middle Eastern and Mediterranean markets, as well as North, East and West African markets.

#### Formation of a development corporation

11. A development corporation is in the process of being set up. This corporation

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is expected to take over the task of industrializing Malta. In addition to providing finance where it is required, the corporation may participate in management, provide services to exporters, and advise industries how to set up a consultancy service for established industries.

#### Plans for a free port

12. A free zone is planned as a means of helping Malta towards economic independence. This free zone would be located at a deep-water harbour which is adjacent to an airport. It would promote business and industrial development.

The port equipment is designed to meet the needs of the operators of super-ships for bulk and container cargo and would make Malta a pivotal port for trans-shipment in the Mediterranean.

#### Possible new industrial activities

13. Malta is also looking into the possibility of new industrial activities. Some of these activities must necessarily be of the satellite production type, i.e. assembly in Malta of products to be returned to the United Kingdom, the United States, Italy and other countries. This type of production is, the least satisfactory; however, because of the risk of its being temporary. If conditions in a parent company change, production may no longer be required in Malta. Moreover, industries of this type are female-labour intensive and depend very heavily on the economy of a parent company.

14. Other activities under consideration are those which would influence foreign firms to take advantage of Malta's geographical position to serve neighbouring countries. For reasons connected with the development of trade in this area, it is essential that such activities involve more sophisticated manufacturing processes than are likely to be undertaken in such markets over the next decade. For this reason, and because of the need to find employment for male labour, it is necessary mainly to attract engineering-based industries.



### Incentives to industries

15. Apart from its natural advantages, Malta offers the following incentives to industrialists seeking a new field for development: a tax-free holiday for a period not exceeding ten years, plentiful labour, grants and loans, exemption from customs duties, a customs drawback scheme, imperial preference, customs tariff, no local taxes, apprenticeship schemes, and government-built factories at subsidized rents.

16. A prospective industry qualifies for assistance if it will create employment or increase the national product; if aid will be needed to establish the new industry, and if the new industry will be in a position to carry on without further help. This does not apply in the case of expansion projects which may qualify for further financial assistance.

### Official organizations

17. The main body involved so far in the promotion of and assistance to new industries has been the Department of Industry, assisted by the Aids to Industries Board of Malta and the Industrial Development Board in London. Most of this work will soon be taken over by the Development Corporation.

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## I. INTRODUCTION

1. Malta, after centuries of dependence on or domination by foreign nations, is now an independent State.
2. The island is undergoing a period of transition from an economy based on military defence to one of economic viability based on its own resources.
3. Present plan for touristic, industrial and agricultural developments are in the course of fruition and these will certainly help towards viability. Malta's geographical position, available labour force and political stability are the cornerstones on which planning towards this end can and must be based.
4. As a new country, Malta is exceptionally well prepared and equipped to take her rightful place in world commerce and industry. Very few countries start their existence with the comparatively high standard of living found in the Maltese Islands.
5. There is a highly efficient and dedicated civil service, a respected judicial structure, a low illiteracy rate and a constitution drawn on democratic lines. Further, under the terms of a ten-year mutual defence and assistance pact signed with Great Britain, the country has a rare opportunity to ensure a firm foundation upon which to build a sound economic structure.

### Education

6. Education is compulsory between the ages of six and fourteen; it is free in government schools. The grammar schools prepare students for the ordinary and advanced level of the General Certificate of Education (G.C.E.).

### Royal University of Malta

7. There are faculties of theology, law, medicine and surgery (including pharmacy), dental surgery, architecture and civil engineering, arts (including education, economics and public administration), and science. In 1966 the University had 750 students, 26 professors and 56 other teaching staff.

### Technical education and industrial training

8. The potential development of industry in Malta as elsewhere is closely related to the availability of men and women adequately trained in all branches of technology and administration. This fact has received constant recognition from the Government and the education authorities in Malta. Facilities now exist, or are in process of being catered for, which when fully operational should adequately supply the requirements of Maltese industry.

### Secondary technical schools

9. Initial misunderstanding existed about these colleges, as it was felt that their curriculum provided only craft training. They do, in fact, provide a much broader based education, not far removed from the established grammar schools. In the boys schools in Malta and Gozo the 1,600 pupils pursue a course to G.C.E. standard, and notable 'A' level successes have been achieved in woodwork, metalwork, technical drawing, chemistry and mathematics.

10. A similar school for girls was opened in 1959, and the total of students now exceeds 1,000. In addition to the normal training, special courses are held in housecraft, needlework, art, commerce and science. It would be difficult to overestimate the importance of this training for girls, since the uneven sex distribution of the Maltese population demands that women play a full part in the development of Maltese industry and commerce. Every attempt is being made to ensure that girls take advantage of existing facilities.

### Technical institutes

11. A new Technical Institute on which work was begun in 1963 is now accommodating 1,200 students. The institute provides a practical training in nautical and wireless telegraphy, tailoring, automobile engineering, cabinet making and mechanical and electrical engineering. The courses, in addition to the provision of practical work, aim at equipping the students with City and Guilds Certificates in their various subjects. It is envisaged that even this new building will not be adequate to meet the students' demands for secondary

technical education, and work has therefore begun on a second institute. Its courses will include agriculture and horticulture and it is expected to take a maximum of 1,000 students when completed.

#### The industrial training centre

12. The two-year course which this institution provided for boys between the ages of 16 and 18 is to be incorporated into the new technical institutes. Thus the centre will provide only ten-month courses for older students, intended to provide them with a practical knowledge of skills of immediate vocational application. Such courses are held in woodwork, welding and panel beating, and together enroll about 90 students for each ten-month session.

#### Higher education

13. Steps have been taken in recent years to overcome the imbalance which existed in the subjects studied at degree level. Whereas technological subjects were formerly poorly represented, there are now increasing facilities devoted to their study. The Royal University strives to maintain its high reputation in medicine, and the Malta College of Arts, Science and Technology (Polytechnic) has made increasing progress since it first received students early in 1964. By October 1964 the building programme was completed, and it was thus possible to introduce fuller courses in engineering - civil, mechanical and electrical, commercial art, catering and food technology, housecraft and art. All of these courses lead either to the B.Sc. of the Royal University, or the Higher Diploma, which is of degree standard. The Polytechnic has a capacity of 850 students.

14. Plans have been drawn up, and building begun, on two schemes which will further increase the facilities for higher education in the near future. As mentioned earlier, the second technical institute is already under way, and a new university at Msida enrolled its first students this year.

Apprenticeship schemes

15. Numerous schemes applying to apprenticeships have been put into effect, and the Maltese Government contributes towards apprentices' wages. Apprentices are required to attend for training at one of the institutes on a day release basis up to a maximum of one day a week. The education authorities feel that this does not allow for enough course training and the need is felt for more intensive course training.

Further requirements

16. Comprehensive facilities now exist for technical education in Malta. However, much more has still to be done.

17. There is a shortage of trained (degree) engineers in Malta. Although the Polytechnic has not been long established, it is thought that the degree engineering courses which it offers should be promoted more positively to ensure a higher number of enrolments in future. A total of fifteen students have qualified for engineering degrees in June 1966: six each in mechanical and electrical, and three in civil engineering. These figures must be increased appreciably to meet the needs of Malta's existing industries and any new ventures attracted.

Courses for supervisors, foremen etc.

18. The International Labour Office (ILO) set up supervisory courses in Malta which are now being run by the department of labour. However, these do not seem to be used as fully as would be desirable by both Maltese and foreign companies. There appears to be a need to promote the objectives and content of these courses with industrialists before full value can be obtained from them. The most appropriate promoting and co-ordinating body may be the Development Corporation when formed.

19. There appears to be a need for more organized and more purposeful vocational guidance. The popularity of some of the technical courses, for instance, for radio and television technicians and automobile engineers, is out of line with the job opportunities which exist in these fields. More important, the benefits of a technical education in the context of Malta's future development, do not yet seem to be clear to a great many Maltese parents.

20. It appears desirable to extend the advisory committee system which has been started to cover the field of technical education in general. Such committees could be staffed by educationalists, industrialists, union leaders and members of the commercial community and would have two main objectives:

To ensure that the courses offered are in keeping with the needs of the business and industrial community;

To take all possible steps to ensure that business and industry use all facilities available for technical education and industrial training as fully as possible.

#### MALTA'S ECONOMIC POTENTIAL

21. The need for a diversification of Malta's economic structure became evident during the post-war period. This necessity was further accentuated in 1958 when the United Kingdom decided to reduce her military commitments overseas. Full economic independence became the over-riding aim of Malta following the attainment of political independence in September, 1964.

22. In 1959 the First Five-Year Development Plan was launched with the principal aim of providing the infrastructure favourable to the development of a balanced economy so as to maintain and to improve existing standards of living. At the same time the Aids to Industries Ordinance was enacted and a scheme was launched to encourage the setting up of new industries or the expansion of old ones by the provision of grants and loans, income tax exemptions as well as by making available factories and industrial sites at subsidized or nominal rent.

23. The Second Five-Year Development Plan which started in 1964 aims at consolidating the results and continuing the objectives of the First Plan, in line with the long-term aim of creating a competitive economic structure largely oriented towards the export market. The accent is on the encouragement of industry, agriculture and tourism.

24. Three factors which necessitate an increased and immediate diversification of industry are Malta's lack of natural resources, her trade imbalance and her relatively large unemployment brought about by the reduction of the defence establishments. In this context, therefore, industries which require a large labour force or produce for export are especially welcome and will be given every assistance to set up in Malta.

25. The incentives offered are attractive and this is proved by the number of new enterprises which have established themselves in the island and the increasing range of new products being manufactured or processed. Since the inception of the Aids to Industries Scheme in 1959 government assistance has been extended to over 80 industries. Locally produced items include such diverse articles as assembled cars, household and office furniture, yarns and fabric, clothing, paints, flower cuttings, synthetic rubber seals and mouldings, detergents, frozen poultry, packaging materials, iron and steel bars and rods as well as structural engineering works. The aid approved in respect of these industries consists of £3.2m by way of grants and loans. This is apart from £2.1m representing the cost of government factories. When fully established these industries will give direct employment to about 6,000 persons.

26. The rapid growth in the island's exports of manufactured and processed goods illustrates the success of the government's industrialization programme. Exports have risen by almost 500 per cent from £1.18m. in 1959 to £6.20m. in 1965. Compared with the previous year the 1965 exports showed an increase of 41 per cent whilst exports by aided industries alone rose by over 68 per cent. This increase in exports has more than made up for the rise in total imports. It has in fact reduced the visible trade gap by over four per cent from £27.67m. in 1964 to £26.49m. in 1965 and as these new industries move gradually into full production the gap will be narrowed further.



27. Satisfactory progress has also been achieved in the agricultural field notwithstanding that this industry is handicapped by scarcity of water and the limited area of land available for agriculture. Production in the egg industry has become so high that demand has been fully met locally whereas in previous years 25m. eggs had to be imported annually. Potatoes and onions have long been traditional exports, and horticultural exports such as fresh cut flowers and glasshouse tomatoes have earned a good reputation abroad for several years. Wine, a comparative newcomer, is also a valuable earner of foreign currency.

28. Tourism is likewise making gigantic strides. Aided by government grants and loans, hotel accommodation has expanded and diverse facilities have been developed including the presence of a yacht marina, development of beaches and catering services. A car ferry service has been introduced between Malta and Sicily and B.E.A./Malta Airlines flights have been increased considerably. Spurred by the increasing number of tourists, Alitalia has also started operating a scheduled service between Italy and Malta.

29. Other important events in the economic sector of the island have been: the successful conversion of the former Admiralty Dockyard to a fully competitive commercial ship-repair yard; the introduction in 1964 of a new tariff based on the Brussels Nomenclature providing in particular for the duty-free importation of practically all raw materials and industrial machinery and equipment; Malta's accession to the General Agreement on Tariffs and Trade (GATT); the signing of bilateral trade agreements; and participation in overseas trade fairs.

30. Proposed for early implementation are the setting up of a development corporation to mobilise resources for industrial development and a central bank to exercise control over the monetary and credit system. A project for the creation of a limited free-port area is also receiving active consideration.

31. During the past few years Malta's move towards economic viability has gathered momentum. While it is meet and proper to state that industrial development has been substantially helped by the invaluable financial assistance provided by the United Kingdom, it must be strongly pointed out that no progress

could have been achieved had not the Maltese shown a great determination to adapt themselves to the new requirements. Another important factor contributing to this progress was the stability in management/labour relations in the industrial sector.

32. Although the performance during the last four years augurs well for the future, there is still a lot of ground to be covered before Malta can achieve a measure of economic viability. Malta cannot, however, meet the substantial capital investment necessary for its development without the co-operation of friendly nations. In view of her geographical situation in the centre of the Mediterranean, a focal point between East and West, Malta can render an excellent service to the development of international trade.

#### General factors affecting industrial development in Malta

33. A number of general factors with bearing on the industrial development of Malta are now discussed:

#### The need to attract foreign companies

34. While it would not be desirable in the long term for Malta's economy to be dominated by foreign-owned companies there is a clear need in the short term to attract investment from foreign companies of accepted standing. The following are the main reasons for this:

The urgent need of creating employment opportunities, by an increase in the tempo of industrialization; this could not be achieved solely by the expansion of existing Maltese companies, nor by new Maltese enterprises;

The need of acquiring the marketing skills necessary for the penetration of competitive international markets. Foreign companies could bring to Malta these markets, and their marketing skills. Such skills and experience would be acquired by Malta, through the foreign companies' Maltese employees, over a period of years. However, even though most foreign companies welcome the delegation of responsibility to local employees, marketing concepts and techniques cannot be acquired overnight;

The fact that the technical know-how for the diversification of the economy is not available. However, few substantial firms are prepared to sell know-how, either outright or by licence agreement, unless they are forced to do so by import or other governmental restrictions. Without a large home market Malta's bargaining power is limited, and foreign firms naturally seek to profit to the maximum extent from their know-how. For these reasons the widespread acquisition of foreign brand names and licences by Maltese companies is unlikely;

The pattern of industrial development so far in Malta has been one of predominantly small-scale units. There is a need to attract larger units, not only to create greater employment opportunities, but also to avoid, by larger scale of production vulnerability in the competitive export market towards which Malta must necessarily look.

#### The attractions of Malta to foreign companies

35. The main attraction of setting up in Malta is not labour availability, as ample supplies of labour are available in the development areas of industrialized Europe. Likewise the Government financial and fiscal inducements are not exceptional in relation to benefits obtainable elsewhere. It is thought that the main benefits which Malta can offer over and above the inducements offered by other development areas are as follows:

Low cost of labour;

Labour trainability and special skills;

Geographical position to serve Middle Eastern, Mediterranean, North, East and West African markets.

36. To these advantages may be added in certain instances, for instance for Italian firms, the benefit of qualification for Commonwealth Preference tariffs. There is also some attraction for American and Japanese firms anxious to achieve penetration into Southern Europe.

#### The need for more added value

37. The fragmentary pattern of development in Malta has resulted in a high throughput economy with insufficient value being added in Malta. It will be seen from the following table that, over the last few years and despite the export industries which have been set up, imports have in absolute terms risen more than exports.

Table 1  
Imports and exports 1961-1965  
(£thousands)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>Increase 1961-1965</u>
Import of goods . . . . .	28,980	28,294	30,196	34,546	34,620	5,640
Exports and re-exports of goods . . . . .	3,671	3,177	3,829	5,403	7,124	3,333

Source: National accounts of the Maltese Islands, 1965

38. It can also be seen from a breakdown of Malta's current export trade that most of the products exported are of the type which undergo light processing or fabrication only.

39. It will therefore be desirable in future to encourage complementary manufacturing processes whenever possible and to establish vertically structured industries. Thus assembly should lead if possible to component manufacture; and the textile industry should fill in its gaps. The existence of complementary industry would help considerably in the attraction of foreign industry.

The formation of a development corporation

40. The Government of Malta has now decided to set up a development corporation.

The main activities of this corporation are likely to be as follows:

Promotion of industrial opportunities in Malta, including publicity and the generation and follow up of enquiries;

Help and advice to new industries setting up;

A consultancy service to established industries in all aspects of industrial management;

Co-ordination and initiation of industrial and management training programmes;

Service to exporters;

Provision of finance for working capital, as well as participation in the equity of new businesses;

Participation in the management of wholly or partly-owned subsidiary companies.

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Export credits

41. The need for a guarantee system for export credits is also felt as fully satisfactory export performance could never be expected, particularly from the smaller firms, until a suitable guarantee system is in operation.

Malta free port

42. Malta free port, to be known as MEDPORT, a new limited free trading zone comprising a deep water harbour, adjacent to an airport, business and industrial developments, and a maritime law, is planned as a means of helping Malta towards economic independence.

43. Project Medport, is the result of a two-year investigation by a private company into means of helping the Maltese Islands to mitigate their economic problems.

44. The port plant is designed to meet the needs of the operators of the super-ships, for bulk and container cargo, that are being planned to ply between the United States, Europe, Australia and the Pacific and to make Malta the terminal for transshipment in the Mediterranean.

45. Initial port developments will cost more than £12 million and the full port development could cost £23 million. The overall complex could represent an investment of between £80 and £150 millions.

46. Malta may become one of the key points in the movement of big ships throughout the world. The port will take in not only the ships of so large tonnage that they cannot use the North Sea, but also of their successors on the drawing boards.

47. The main components of the free trade zone are:

- (a) An international deep water port;
- (b) A product distribution centre under free trade legislation with an adjacent product handling, manufacturing, assembling and storage area;
- (c) A bunkering terminal;

- (d) A maritime law to allow ships to fly under the Malta flag;
- (e) A petro-chemical complex;
- (f) Development of an adjacent air cargo and service terminal.

48. The project is based at Marsaxlokk in the south of Malta. The first phase of the port entails the enclosing of the natural deep harbour by two break-waters -- these will be among the deepest in the world -- and the construction of a 1,700 foot-long jetty with up to 60 feet depth of water, capable of handling 12 million tons of cargo a year. When fully constructed the projected port will be capable of handling 28 million tons a year, and will have a jetty with up to 80 feet depth of water. Modern handling plant will be available for bulk, container and general cargo.

49. The project will benefit Malta inasmuch as it will build up a permanent national asset, accelerate industrial development, reduce unemployment, earn foreign currency, reduce the cost of living and gain international prestige for the country.

50. MEDPORT is expected to set a new transport pattern that will prove to be highly beneficial also to the countries of the Mediterranean littoral.

51. Certain aspects of the free trade zone could become operative shortly after the concession is granted. It is expected that part of the port itself would be operating by the end of 1970.

#### Possible new industrial activities

52. A British consulting group has been asked for a provisional assessment of new industrial activities which may be suitable for Malta. This was based largely on the up-dated statistical information on imports into markets accessible from Malta, on considerations of general manufacturing and trading trends in these markets, and of the facilities which are available in Malta.

53. The activities suggested fall into two main categories:  
satellite production; and production for diversified markets.

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54. The category of staelite production, as for instance, assembly in Malta of products to be returned to the United Kingdom, was considered the least satisfactory of the two for the following reasons:

Most of the activities are female labour intensive;

The future of such activities would be heavily dependent on the economy of the parent country;

There would be some risk that such activities may be of a temporary nature, with the production no longer required in Malta if conditions in the parent country change.

55. However, despite these factors, the need to intensify the industrialization process in Malta dictates that such activities should be considered selectively and encouraged where appropriate.

#### Satellite production

56. Most of the activities suggested are those for which serious labour shortages are shown to exist in the United Kingdom. In many cases it is labour of a certain type which is short, and usually connected with occupations requiring a high degree of patience, manual dexterity and accuracy. In such cases the activities are not thought to be subject to a temporary bottleneck only, as it is known that there is now a permanent shortage of this type of labour throughout Northern Europe.

57. The manufacturing activities suggested as possibilities for Malta, and worth further investigation are as follows:

- Components for the motor industry;
- General engineering components;
- Glass fibre split tubing;
- Manufacturing or assembly of electrical and electronic goods and parts;
- Instruments and meters;
- Garments;
- Cuttings;
- Quality handmade cardboard boxes;
- Assembly of cameras and other photographic equipment;
- Optical instruments;
- Diamond cutting and polishing;
- Manufacture of toys;
- Quality glassware;
- Typesetting for punched tape;
- Gramophone records.

Production for diversified markets

58. Activities under this category would involve foreign firms taking advantage of Malta's geographical position to serve largely Mediterranean, Middle Eastern or African markets. For reasons connected with the development of trade in these areas, it is essential that these activities should involve more sophisticated manufacturing processes than are likely to be undertaken in such markets over the next five to ten years. For this reason, and because of the vital need to find employment for male labour, it is necessary to look predominantly for engineering-based activities, and most of the suggestions listed below involve engineering or heavy assembly.

59. Because of the pattern of development in the markets which can be served from Malta many of the possible activities are connected with the following industries:

- Oil;
- Water supply and water treatment;
- Electricity generation and supply;
- Construction;
- Communications;

60. These industries provide therefore a pointer to the types of foreign firms likely to have substantial markets in the areas which could be well served from Malta. The advantages to such firms of setting up in Malta, apart from the availability and cost of labour and the general investment incentives, would be their ability to offer a more rapid delivery service to their customers, and to run an after sales service for these areas from Malta. As many of the products sold to the industries referred to depend on a highly automated or capital intensive processes, with a consequential large-scale production, the field of possible activities for Malta is clearly less widespread than consideration of imports into these areas could suggest. The following suggestions will require further investigations:

- Metal manufactures;
- Scientific instruments;
- Manufacture or assembly of contractors' plant;
- Vehicle replacement parts;

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Telephone and telephone exchange equipment;  
Power station equipment and accessories;  
Hand and power tools and implements;  
Agricultural machinery and implements;  
Manufacture of water supply and treatment plant and pumps;  
Manufacture and servicing of oil drilling and allied equipment;  
Assembly of four-wheel drive vehicles;  
Assembly of light motorcycles;  
Industrialized building;  
Building of pleasure boats;  
Finishing of printing plates;  
Paper conversion products;  
Quality leather goods.

### Incentives to industries

61. Malta offers these basic advantages to industrialists seeking a new field for development:
- (a) Fine harbours in a strategic position at the cross-roads of the Mediterranean;
  - (b) A workshop within easy reach of the United Kingdom and Continental markets and the markets in the Mediterranean, Northern Africa and the Middle East;
  - (c) A ready supply of labour, male and female, available at just over half the United Kingdom cost;
  - (d) A healthy, sunny climate; Malta is in the sterling area and one of the members of the Commonwealth.
62. These natural advantages have been supplemented by a first development plan costing £29-1/4 million, while a second five-year development plan started in April 1964, involving a government investment programme of £38.4 million. A new structure of grants to manufacturers setting up factories in Malta, coupled with tax reliefs and exemptions, makes the islands an attractive territory for investment.
63. The 1959 Aids to Industries Ordinance and other measures are aimed at encouraging the expansion of existing concerns and establishment of new industries. The main features are mentioned below.

Plentiful labour

64. Malta is one of the few areas in Western Europe with no labour shortages.

Tax-free holiday

65. New industrial undertakings may be wholly exempted from paying income tax for a period of up to ten years.

Grants

66. Grants of up to 33 1/3 per cent and in certain cases up to 50 per cent of the cost of fixed capital assets (including new plant and machinery and buildings) may be made. These grants are not repayable and do not exclude the undertaking from income tax relief. Grants for training Maltese labour are also available. These grants cover part of the cost of training Maltese labour abroad or part of the cost of sending trained instructors to Malta. Interest-free loans are also available.

Customs duty reliefs

67. Undertakings may be granted exemption from customs duty, where this would otherwise be payable, on plant and machinery and on building materials for the construction of factories. Wherever possible total exemption or reduction in customs duty will also be granted on raw materials and in special cases on component parts.

Customs drawback scheme

68. Under the drawback scheme, import duties on certain raw materials and components used in production, on which outright exemption cannot be granted, may be refunded on the exportation of the product embodying the imported material. Alternatively, items meant to be incorporated in products intended for export markets may be allowed to enter on temporary importation against some security.

Imperial preferences

69. Malta-made goods are admitted into the United Kingdom either duty-free or at preferential rates. Exports to other parts of the Commonwealth also benefit from preferential treatment in certain cases.

Customs tariff

70. A new customs tariff drawn on the Brussels Nomenclature and aimed at providing favourable conditions for industry has been in force since August, 1964. Anti-dumping and countervailing duties may be imposed.

No local taxes

71. There are no local government rates or property taxes in Malta. There is a police licence fee of 5 per cent on the rent of the factory with a maximum of £50 per annum.

Apprenticeship scheme

72. An apprenticeship scheme exists under which the Government pays a subsidy to employers of apprentices.

Industrial estates

73. Sites connected to all mains are provided at extremely low rents starting from 10/- per 1,000 sq.ft. Standard ready-built factories are available at a rent of 9d. per square foot or 3 per cent of construction costs, whichever is higher, for an initial period of 16 years.

74. Under special conditions, factories can be built to applicants' specifications.

Conditions for granting aid

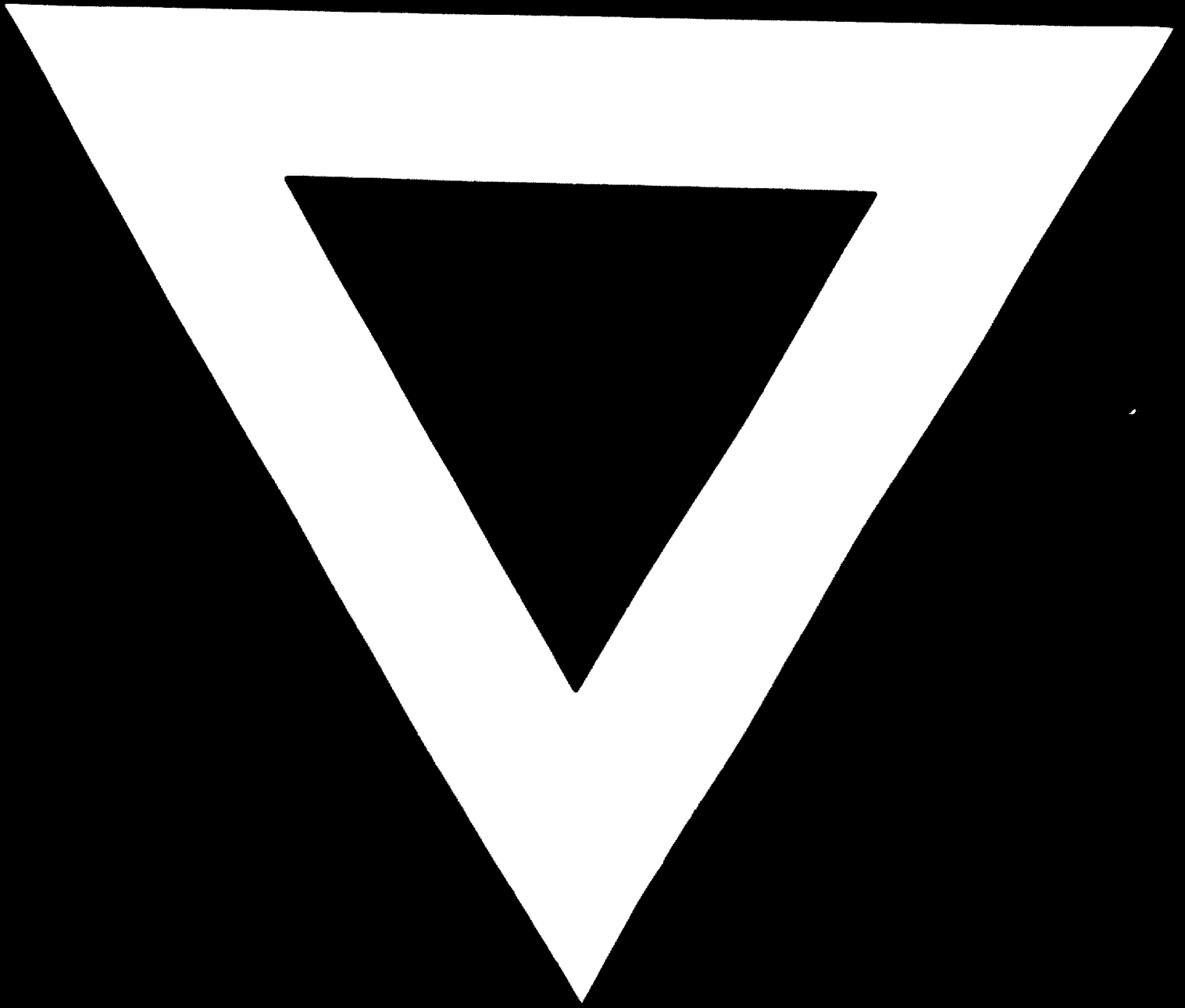
75. An undertaking qualifies for assistance under the Aids to Industries Ordinance if:

- (a) It is likely to create employment or increase the national product;
- (b) Aid is needed to establish the business;
- (c) It will be able to carry on without further help; this does not apply in the case of expansion projects which may qualify for further financial assistance.

Official organizations

76. Three bodies are involved so far in the promotion and assistance of new industries: The Department of Industry of the Malta Government; The Aids to Industries Board; and The Industrial Development Board in London.
77. Initially a project is studied by the Department of Industry on the basis of a questionnaire completed by the applicant for aid.
78. Following a preliminary appraisal, the application goes before the Aids to Industries Board, which is chaired by the Permanent Secretary to the Ministry of Trade and Industry assisted by the Director of Industry, four heads of government departments and three representatives, one each from the commercial, industrial and banking sectors.
79. The Industrial Development Board in London is generally consulted beforehand on matters of general policy and on other specific details concerning the nature of the industry. The members of the Board, who are drawn from various fields of activity in the United Kingdom, are residents of that country. As such their contribution is mainly to give those responsible for industrial development in Malta the benefit of their experience in the industrial field. It would seem that another purpose is to ensure that the disbursement of essentially British taxpayers' money is to some extent vetted and supervised by a United Kingdom based organization.
80. The final authority to grant aid is the Minister of Trade, Industry and Agriculture.





**8. 10. 71**