

Meeting No. 1.
PERSONAL

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MALTA

Malta has the difficult problem of how to match her acquisition of independence with economic prosperity, or at least stability, without which the political gain will prove to be illusory.

Malta has four distinct advantages over other countries which have gained independence recently:

- A. A well educated population (there is far less illiteracy in Malta than anywhere else in the Mediterranean)
This means that the labour force is not only hard working but is able to adjust itself easily to the needs of modern industry;
- B. A good nucleus of executives either in Malta or now working abroad and able to return if required to assist in the development of the country;
- C. Considerable capital reserves in the shape of bank deposits abroad (largely in the U.K.) and amounting to some £100M;
- D. Revenue from abroad represented by the earnings of expatriate Maltese;

At the same time Malta has three great disadvantages:

- A. A poor agricultural industry;
- B. No mineral wealth or natural raw minerals e.g. (the search for oil has just been abandoned);
- C. No other country depends on Malta for services or supplies of any kind;

Malta, like Scotland and Ireland, has hitherto exported its greatest asset - human material - and like these countries the standard of living at home is still too low to attract back this potential source of wealth.

Malta, therefore, can only solve her economic and social problems by finding new sources of revenue. The quinquennial plan of 1959 attempted to re-establish the economy but has only been partly successful. Each newly liberated country has tried to solve its economic problems by creating new light industries for consumer goods, and by attempting to create an export trade to earn foreign exchange. While Malta with her excellent labour force must continue with her attempts to achieve both of these objectives, she should at the same time exploit three other possibilities to the full. Neither of these needs heavy capital investment but what is required is to exploit the geographical and physical situation of Malta.

The potential sources are:

- (1) The establishment of Malta as a centre for international finance.
- (2) The development of the tourist industry: and
- (3) The creation of a Maltese National shipping flag.

While none of these ideas is novel, it is suggested that they are all worthy of the detailed study and immediate attention of the Government.

(1) Malta as an international finance centre.

Penal taxation and complicated international tax conventions have forced thousands of companies to establish bases abroad in such places as Nassau and Vaduz. Nestle, for instance, one of the biggest companies in the world, has formed a separate company (Unilac) in Panama for the specific purpose of acting as the owner of the other Nestle companies except for the Swiss company itself.

Europe again counts in international finance. Malta has the greatest attraction in that she is not only near to Europe, but is part of Europe and has played an historic role in its history.

Now that Malta is independent she needs only to offer comparable technical advantages to outrival any of the other finance centres of the World. Nassau, Curacao and Panama are far away; Monte Carlo has its acute domestic problem, and Beirut has always the Syrian threat. Gibraltar, which has recently started to develop as a finance centre, is in turn dominated by Spain, and the proposed Russian shipyard in the Bay of Tangier will be only thirty miles away.

Malta has no such disadvantages. The recent reforms in company law in Malta can be taken as the first step in the promotion of Malta to a leading position in international finance. All that is really necessary now is the establishment of a simple code, both legal and fiscal, to enable foreign companies, trust corporations trustees, and individuals to assume a legal residential base in Malta. The legislation required could be substantially modelled on that of Nassau, and would:

- A. Grant precise rights to the foreigner seeking to establish a residence;
- B. Make specific limited requirements of the foreigner in return for the rights granted e.g. the payment of an initial registration fee and thereafter of an annual fixed fee;
- C. Grant local tax exemption except for that part of the business of the foreigner actually carried on in Malta.
- D. Provide an easy formula for the formation of companies in Malta; this would include a method of ensuring secrecy of operation e.g. by the use of Nominee shareholders.

- E. Facilitate the growth of a Secretariat able to handle a rapid increase in registrations and subsequent administration:
- F. Ensure that foreign banks, insurance and finance companies, were of the proper status before allowing them to commence business in Malta, but thereafter allowing them full freedom of operation without any form of interference:
- G. Guarantee complete banking security and secrecy to the foreigner.
A similar provision in Swiss law has contributed enormously to the growth and power of Swiss Banks and Switzerland;
- H. Ensure that the privileges would be guaranteed by the State whatever political party might come into power in the country.
- I. Allow complete freedom for international currency payments and operations so long as these are consistent with the Exchange Control requirements of the Sterling Area. Similar reliefs, so far as appropriate, might be allowed to foreign individuals, and perhaps even to returning Maltese expatriates, to encourage them to bring back to Malta the capital which they have acquired abroad.

Although the companies operating from Malta would not themselves be large employers of labour it is inevitable that other business would be attracted by them to Malta. In any event the Government has nothing to lose as no investment is required. Malta need not join the queue for credit at the World Bank. She can herself become a banking centre for the World.

(2) Malta as a tourist centre.

The wonderful climate of Malta already attracts tourists as distinct from permanent residents, and it is appreciated that the Government is well aware of the value of the tourist trade. However, it is thought that a much more energetic programme could be adopted. There would be an increase of tourism following on the creation of the financial centre, but what is really needed is more accommodation and easier transport to and from Malta. Air transport is particularly important. It is recommended that the new hotels should not be palatial as this represents far too heavy a capital investment.

(3) The creation of a National Maritime Flag.

Other countries such as Panama, Liberia, and Costa Rica, have gained very much by the adoption of a shipping flag granting privileges to foreign fleet owners. Special additional benefits would be granted to those shipowners whose ships being registered under the flag of Malta also use the dockyard and/or a minimum of Maltese personnel. A national flag would not be unnatural for Malta in view of its splendid harbour facilities on which already so much endeavour has been spent. Again the fact that Malta is part of Europe would be of great psychological importance. It is proposed, therefore, that the above mentioned objectives should be the subject of an immediate study so that if approved the necessary legislation could be passed without delay.