



SMALL STATES IN TRANSITION – FROM VULNERABILITY TO COMPETITIVENESS

MALTA

MANAGING THE TRADE SUPPORT NETWORK

Port of Spain, Trinidad & Tobago – January 2004

Defining the Trade Support Network (TSN)

In order to set the ground rules, a definition of what constitutes the 'Trade Support Network' within the Maltese context is probably in order. In the narrowest of senses, the TSN could be defined as the operation/s of the national business support organization/s. However, in the broadest of terms, the TSN could be described as all activities and policies which affect the ability of industry to successfully compete in international markets. Irrespective of which definition is used, the Maltese experience suggests that *both* have to be functioning well in order for a National Export Strategy to be effective. As a result, this paper will focus on both the narrow and broader definitions of the Trade Support Network (TSN).

Introduction to Malta

Malta is a small densely populated island of just over 316 square kilometres and a population of around 400,000 inhabitants. The Gross Domestic Product for 2003 is estimated to be slightly in excess of 10,000 US\$ per capita and is growing at around 3.4% per annum.

Export led industry in Malta really started to develop in the late 60's and early 70s. Until Malta's independence from Britain in 1964, the entire Maltese economy revolved around the servicing of the British armed and naval forces based in Malta. Indeed, as a British Colony, Malta's economy had never seriously looked at exporting, manufacturing or even tourism. Things changed rather quickly after the British forces started downsizing their presence in Malta during the 1950s and 1960s. These periods were marked by high unemployment and emigration as a result of the very painful restructuring of the Maltese economy. In retrospect, these pressures forced a newly independent Malta to restructure its economy via the development of a local manufacturing base, the attraction of foreign direct investment, and the birth of a budding tourism and leisure industry.

Huge progress was made during the space of a decade in terms of the infrastructure required to support manufacturing and tourism. Attractive investment incentives coupled by the then low wages in the country attracted significant foreign direct investment. The Governments of the time (1960s and 1970s) put into place a formal 'Import Substitution Policy' which gave indigenous firms an opportunity to benefit from some of the same operating and fiscal benefits as given to exporting firms, particularly foreign direct investors.

Without going into the merits of whether such a policy was technically advantageous or not to stimulate investment, quality, efficiency and productivity, one must admit that it left some very positive results. Indeed some of the strongest companies currently operating in Malta started up their lines in the sixties and seventies.

The globalisation of trade and business generally, during the last decade saw a multitude of markets dropping tariff and non-tariff barriers and opening up their economies. Malta's insularity coupled by the micro size of its home market left no other option for local policy makers to forge even closer relations with the nearest economic block, the European Union. Indeed, Malta's relations with the European Union were until very recently governed by Malta's Association Agreement with the European Community which dates back to the early 1970s. By virtue of this Association Agreement, much of what Malta produced was able to enter into the EU duty free, provided that certain rules of origin were met.

As part of its search for closer relations with the EU, Malta applied to become a Full Member of the EU in 1990. However the path to Membership was not a smooth one, due in part to internal political divisions concerning Full EU Membership or some other alternative arrangement with the EU. The matter has been conclusively resolved following a national referendum held in March 2003. Malta is therefore poised to become a Full Member of the European Union in May 2004.

Malta's EU Membership will also resolve a number of important border and market access issues that faced Maltese exporters to non-EU markets. As a result of EU Membership, Malta will gain much freer access to those markets and economic blocs in Eastern Europe, Africa, Asia and Latin America with whom the European Union has free trade agreements. This is expected to enhance Malta's competitive edge in these markets considerably.

The Trade Support Network - Government Agencies

This section focuses on the Trade Support Network (TSN) in terms of its narrower definition, that is, Government backed business support agencies of which there are three presently operational in Malta for the time being:-

- The Malta Development Corporation (MDC) - Malta's national agency to promote and attract foreign direct investment. Established in 1967.
- The Malta External Trade Corporation (METCO) – Malta's national trade promotion organization. Established in 1989.
- The Institute for the Promotion of Small Enterprise (IPSE) – National agency for the promotion of SMEs and industrial restructuring. Established in 1998.

Following an internal review exercise, a policy decision was taken during 2002 to integrate the functions of the MDC, METCO and IPSE within one organization called 'Malta Enterprise'. The new organisation is expected to become fully operative during the first quarter of 2004. Therefore, the functions of METCO, MDC and IPSE as described below will shortly be taken over by Malta Enterprise which will act as the national one stop shop combining the trade promotion, investment promotion and enterprise support functions. Having said this, it is anticipated that many of the core functions of the MDC, METCO and IPSE will be retained, probably in modified form, within the new organization.

Malta Development Corporation

MDC was set up in 1967 and is the autonomous government agency – responsible for attracting and supporting foreign direct investment (FDI) in Malta through:

- The organization of FDI promotional activities within target areas
- The administration of investment incentives legislation
- The building and upkeep factories and industrial estates

MDC is represented abroad through its own offices in Italy, France, Germany, and the USA, as well as by a number of representatives in other countries. The main purpose of this international network is that of promoting Malta's strategic position as an investment location.

The Malta Development Corporation is responsible for administering Malta's business incentives package as defined by Malta's Business Promotion Act, known as the BPA. The Act contains a series of fiscal and non-fiscal incentives designed to

promote and attract investment. Other assistance is also available via training grants, soft loans, and so forth. The BPA is being revised to make it fully EU compliant in terms of State Aid. As from 2004, the BPA will be administered by Malta Enterprise.

The MDC is also responsible for the development and upgrading of Malta's industrial zones. The MDC also provides industrial space and ready built factories to investors at very competitive prices. However, the MDC may be revising its policy in this area and there are indications that rents may come in line with prevailing commercial rates. In recent years, increasing costs combined with lower budgets have led to some curtailment of expenditure in the development and maintenance of industrial buildings and zones. Various private sector organizations, including the Malta Federation of Industry have voiced their concern on this matter since it is felt that such measures diminish Malta's attractiveness to new investors.

The main functions and services of the MDC will be incorporated (in modified form) within Malta Enterprise in 2004.

METCO

The Malta External Trade Corporation (METCO) was formed in 1989 as a limited liability company in partnership between Government and the private sector as represented by the Malta Federation of industry and the Malta Chamber of Commerce. An interesting feature of the METCO set up is the fact that its clients have the right to elect one of their own to represent them on METCO's Board of Directors on a bi-annual basis. Furthermore, all Board Members come from the private sector.

METCO serves as the national focal point for trade promotion and export development and its core Mission includes the following:

- To encourage the integration of Maltese business into the global economy;
- To enhance the capability of industry to realize international business opportunities;
- To act as a centre of trade and business information;
- To promote export orientated strategic alliances between local and foreign companies;
- To act as an advisor to Government on international trade matters; and
- To project Malta as a trading partner abroad.

The above Mission is fulfilled via the provision of a range of services at the enterprise level. These include a number of market penetration activities such as trade missions, marketing missions, international trade fair participation, and various other contact promotion programmes. In addition, METCO provides a comprehensive range of market information services including market research reports, selective dissemination of information and a Business Information Centre. It also provides export advisory services as well as a number of short term export management training programmes together with numerous workshops, seminars and publications on trade and export marketing matters. METCO is also host to Malta's Euro Info Centre which forms part of an international business support network financed by the European Union to promote transnational cooperation, particularly among SMES. Malta's Innovation Relay Centre is also hosted at METCO.

METCO has a membership client base of around 550 companies, of which over 85% are SMEs. The vast majority of METCO clients are indigenous, Maltese owned and

controlled companies. METCO charges fees for practically all of its services and recovers around 50% of its direct operating costs in this way. It also has two overseas offices in Dubai and Libya which are run on semi-commercial lines with services offered only to fee paying members.

The main functions and services of METCO will be incorporated (in modified form) within Malta Enterprise in 2004.

IPSE

The Institute for the promotion of Small Enterprises (IPSE) was set up in 1998 as a venture involving the Chamber of Commerce, the Federation of Industry, the Malta Development Corporation and the Government of Malta. IPSE was established in order to provide more focus on the restructuring needs of small scale industry in order for it to be able to withstand the pressures of a liberalised economy arising in part from Malta's entry into the European Union.

In the last ten years small companies in Malta have had to make the transition from a scenario of quasi total protectionism to an open market economy. This difficult transition necessitated the introduction of specialized financial and technical assistance programmes. As part of its brief, IPSE also encourages and assists the formation of new start-up ventures particularly those nurturing innovative concepts. This is facilitated through the Kordin Business Incubation Centre which seeks to promote industry start ups in information technology, renewable energy resources and biotech projects, among others.

IPSE's portfolio of services are normally aimed at companies, particularly SMEs which are/were directly affected by the lowering or removal of protection in sensitive industry sectors, such as food and furniture for example. IPSE offers the following main programmes of assistance:-

- Choosing to Compete
- Going For Growth
- Collaboration for Growth
- Gozo Small Enterprise Program
- The Kordin Business Incubation Centre

In essence most of these programmes provide financial assistance for restructuring purposes on the basis of an agreed and approved business plan. Most funding is provided on a matching basis. IPSE also runs a Loan Guarantee Scheme for those companies intending to restructure their operations.

IPSE also offers local small businesses assistance in formulating strategic business plans, as well as specialised diagnostic consultancy in technical, health & safety, environmental, training needs, HACCP (hazard analysis critical control points for food and beverage manufacturers) and information technology requirements.

The main functions and services of IPSE will be incorporated (in modified form) within Malta Enterprise in 2004.

Malta Enterprise

The policy decision to merge the formerly separate trade promotion, investment promotion and enterprise support functions into one organization, now called Malta Enterprise stems from the Government's desire to improve the overall effectiveness of these functions. The merger in progress also aims to enhance the prospects of synergies between the trade, investment and enterprise functions. This follows from the fact that these formerly disparate aspects have, in practice, become increasingly inter-dependent and inter-related in today's global business environment. In this respect, cost-cutting was a secondary consideration in the decision to merge.

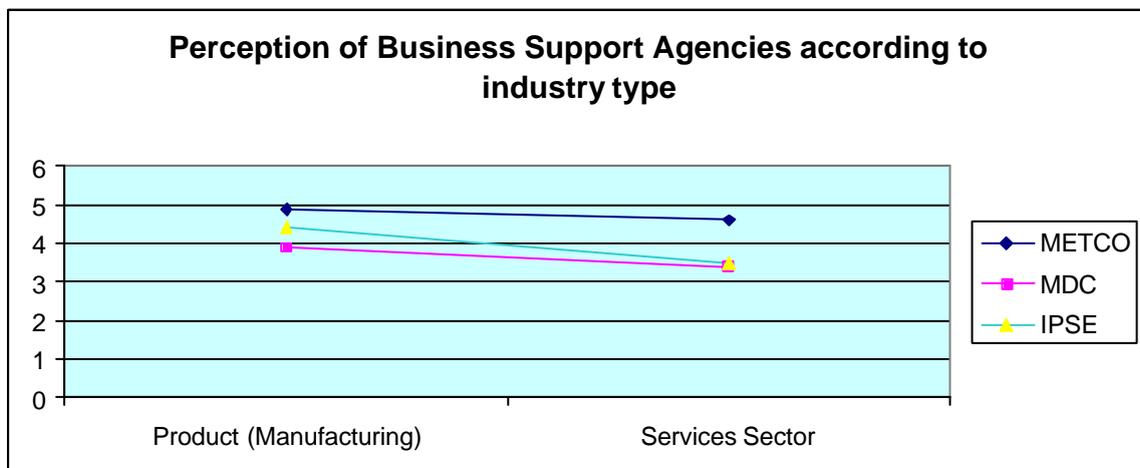
The Malta Enterprise Mission is "to enable enterprise to *maximise* Malta's *strategic resources* and capabilities to successfully compete *in uniquely targeted niches*."

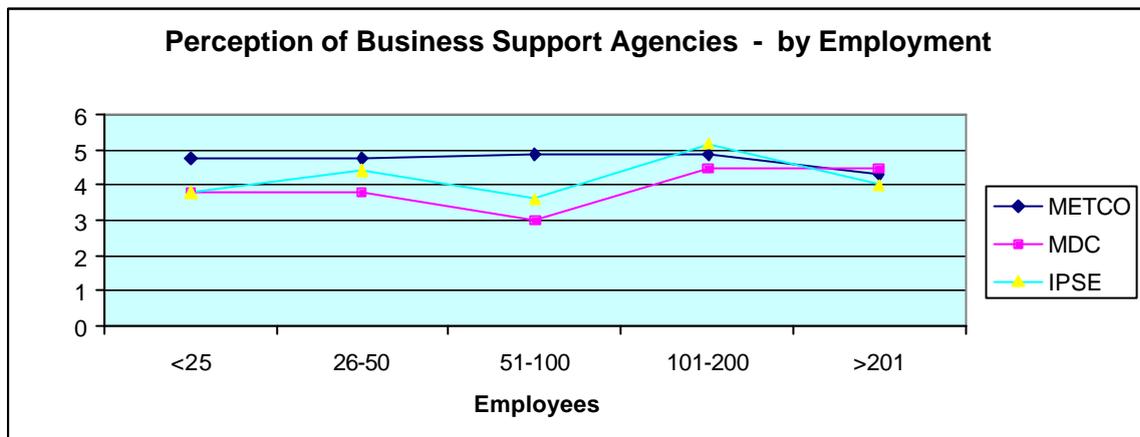
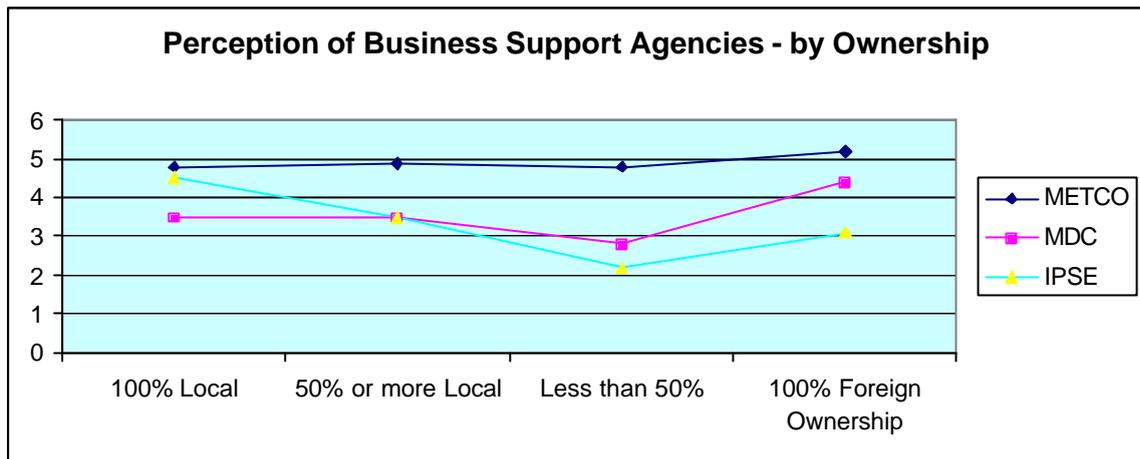
The establishment of a one stop shop was therefore a strategic response on the part of Government to counter the ever increasing competition in international markets for both trade and inward investment. It was also motivated in part to reduce some overlap that was beginning to appear in the operations of these organizations. The decision was also motivated in part by the differing levels of performance of the various organizations.

Assessing the Trade Support Network – Government Agencies

The Malta Federation of Industry took upon itself the responsibility of assessing how well the Trade Support Network was managed in Malta via an independent and comprehensive industry wide survey among its members in late 2002. The survey covered both the narrow and broad definitions of the Trade Support Network, and the results have proven to be an extremely useful means of impartially and independently benchmarking the performance of the various components of the Trade Support Network (TSN). The survey quantified and analyzed the perceptions of industry with respect to each of the Government controlled business support organizations which constitute the TSN in the narrower sense of the term.

Some of main results are revealing and self-explanatory. The maximum score or rating is 6 while the minimum rating or score is zero. The extremely high response rate to the survey (over 80%) confirms the statistical validity of the results, some of which are reproduced in graphic form overleaf.





Key Success Variables for Managing the Trade Support Network – Government Agencies

Although some caution should be exercised when generalizing, it may be argued that the degree to which the TSN (defined here as business support agencies supported by Government) is successful depends on the extent to which the TSN is aligned to the needs of industry at the enterprise level. In this regard, one may argue that on the basis of lessons learnt in Malta, there are several critical success factors, including the following:

- **Client Empowerment**
- **Three-Way Communication**
- **Benchmarking Performance**
- **Measuring Impact**

Client Empowerment

A pre-requisite to the successful management of the TSN is the need for an on-going mechanism whereby trade promotion organizations (TPOs) are able to gauge and assess the needs of industry directly from their clients, thereby empowering them. Such empowerment would enable TPO clients to have a real say in the formulation of policies as well as the operations of the organization itself, thus eroding the ‘us-and-them’ mentality that TPOs and their clients often experience.

The Maltese experience suggests that in the case of relatively small economies and countries, such 'client empowerment' may be achieved in a number of surprisingly simple and cost-effective ways including the following:

- the granting of direct representation to clients and private industry on the TPO's Board of Directors.
- the creation of a 'User' system whereby Users (i.e. clients) have an opportunity to elect one of their own to the Board of Directors at periodic (say bi-annual) intervals.
- the establishment of regular 'meeting' opportunities between industry (or specific enterprises, or industry sector groupings) and TPO personnel. Invitees to these meetings should not be restricted only to 'captains of industry' but to a cross section of the TPO's client base including small and micro-enterprises, experienced exporters as well as companies and entrepreneurs that are novices in international business.
- annual or semi- annual Users Meetings as well as periodic informal gatherings whereby the interaction between clients and TPO personnel at senior and operational levels is facilitated
- the creation of industry groupings or associations with the TPO supporting the interests of specific industry sectors and where necessary acting as their 'lobbyists' when their requests or needs impinge on national policy issues.

Three-Way Communication

The need for constant and regular channels of communication is vital to the successful management of the TSN. This has already been touched upon in the previous section, however it is worth repeating because it is so fundamental.

What the private sector does not want or need is lip service. It is pointless for Governments (or TPOs for that matter) to say or promise one thing and then do precious little to move from words into constructive action. It is not uncommon to see, Governments and TPOs fall in the trap of one-way communications systems, with exhortations to the private sector to invest more and to export more, while simultaneously allowing barriers to successful exporting and investment to remain in place.

It is probably not that unusual to find that companies are unable to fully utilize the services being provided by the TPO due to factors which affect export performance but which are outside the TPO's direct control. Thus for example, a potential exporter may be given ample opportunities to penetrate international markets via an assortment of tools and services provided by the TPO, only to find that it is unable to compete in specific markets simply because of certain costly in-border issues (such as excessively high cargo handling costs) over which the TPO does not have direct control. Therefore, the need for effective three way communication between the client, the TPO and Government, followed by concrete action to remove any obstacles, is crucial to the successful management of the TSN in both the broad and narrow meanings of the term.

Benchmarking Mechanisms

The Malta experience suggests that the setting up of reliable and impartial benchmarking mechanisms on the part of the TPO is another important pre-requisite to the successful management of the TSN. The need for a system whereby the TPO is in a position to obtain regular feedback directly from clients is most important. Indeed, it is extremely valuable for the TPO to obtain feedback, comments, suggestions and more importantly, *constructive criticism* from its clients. Criticism should be encouraged rather than discouraged.

There are various cost-effective and fairly straightforward feedback mechanisms that seem to be particularly suited to smaller countries and smaller TPOs. Some of these include the following:

- Regular and systematic company visits on the part of TPO personnel to clients as part of a non-formal feedback campaign. Sometimes, the feedback obtained on an informal and personal basis is much more revealing and productive.
- The issue of periodic surveys which could be mailed or emailed directly to clients requesting their comments or inputs on specific TPO policies, services and other aspects of their operations. It is important that these surveys should be undertaken on a regular basis in order to see whether there has been any improvement on a year by year basis. Such formal feedback mechanisms may also be combined with focus groups and structured personal interviews.
- The creation of Client Hotlines with direct (email or telephonic) access to the Chairman/CEO's Office in the event of complaints combined with a rapid response system whereby queries are answered (not merely acknowledged) within 24 hours
- The creation of Suggestion Hotline with direct (email and telephonic) access to the Chairman/CEO's Office so that ideas regarding service improvement or new service introductions could be sent directly to the top management of the TPO, combined with a rapid response mechanism whereby such queries are answered (not just acknowledged) within 24 hours

Measuring TPO Impact

While the gauging of performance on the basis of feedback from clients is obviously of central importance to the successful management of the TSN or TPO, measuring the impact of the TSN or TPO in terms of its success in helping companies to internationalise their operations is probably more important. Put simply, while positive performance assessments (in terms of client satisfaction) by TPO users are commendable, at the end of the day what one really needs are measurable and quantifiable results. This is the 'acid test' of the successful management of the TSN or TPO.

Measuring impact and quantifying results is often fraught with difficulties and is in many instances rather imprecise. However, the Maltese experience suggests that there are a number of practical and straight-forward impact measurement criteria that may be used, including the following:

- Growth in the numbers of 'new exporters' and/or 'first time' exporters over a specified period, say 3-5 years. While each TPO may use different definitions of what constitutes a 'new exporter' or a 'first time exporter', this is immaterial as long as the same definition is used over time.
- Increase in exports of indigenous companies over a specified period. Thus for example, in the case of Malta it is estimated that the growth in exports of companies whose operations are controlled from Malta (even if some of these are partly or wholly foreign owned) is estimated at over 90% between 1992 and 2002
- Favourable increase in the ratio of exports from locally controlled companies versus MNCs based in the host country
- Increases in exports (against set thresholds) to priority markets or regions as defined by the national TPO and which were accompanied by systematic marketing activities in these markets and/or regions by the TPO.
- Client-Rate of Return Ratios whereby the increase (or decrease) in the export sales of specific companies is compared to the amount of money spent by the TPO in providing services to specific companies over a specified time period.
- Increase (or decrease) in the number of companies (i.e. clients) that pay for the services of the TPO. The data can then be analysed on a sectoral basis and even by type of company in terms of turnover, employment levels and so forth. The bottom line is that if clients are required to pay for the services they procure from the TPO, then the increases (or decreases) in usage over time could serve as a fairly useful rule of thumb to gauge the impact the TPO is having on industry.

The above list of impact indicators is not exhaustive and what has proven useful in Malta may not always be applicable elsewhere. However, the Maltese experience suggests that in relatively small countries and economies, it is possible to obtain reasonably good indicators of impact, precisely because our economies are smaller while the number of economic players and TPO clients is also more manageable.

The Broader Trade Support Network - Constraints & Challenges

The success of a country's national export strategy, including that of a small island states like Malta, does not depend solely on the effectiveness of Government controlled business support organisations like METCO, IPSE, MDC or even Malta Enterprise. Indeed, to a significant degree, the success or otherwise of a country's national export strategy depends on the broader elements of the Trade Support Network (TSN).

These broader TSN elements include a host of 'Border' and 'Border-In' issues ranging from the utilities, telecommunications and port infrastructures to sea and air-freight issues, customs, taxation, bureaucracy, government induced costs and so forth. The salient features of each of these broader elements of the TSN within the Maltese context will now be discussed briefly. It is possible that a number of constraints, obstacles and challenges mentioned here will be similar to those of other small economies.

Border and Border-In Issues affecting the TSN

A number of local economic observers including private sector bodies such the Malta Federation of Industry have aired the view that the Maltese economy is suffering from a number problems related to various 'Border' and 'Border-In' issues that directly or indirectly affect the competitiveness in local industry.

Taxation and Fiscal Deficit

The first major problem refers to the Government's fiscal deficit that presently stands at around 5% of the Gross Domestic Product. Government's most recent budget estimates once more aim at increasing revenue from increased taxation. The rate of VAT was increased from 15% to 18% with effect from 1st January 2004. In line with advice given by the IMF that the country is already heavily taxed and that taxation should not be increased any further, most Employer organisations in Malta have expressed the view that the public deficit problem should not be addressed via additional increases in private or corporate taxation.

Private sector bodies such as the Malta Federation of Industry have suggested to Government that cuts in public spending would be preferable and probably more effective than increases in Government revenue generated via higher levels of direct and indirect taxation. Indeed, the private sector has suggested to Government that public expenditure could be curbed via reductions in the number of people employed with Government and through tighter controls on expenditure related to social services, health and unemployment benefits, for example. In addition to a speedier privatization of public sector monopolies (e.g. utilities, telecommunications etc), other proposals put forth to Government include a reduction in the number of public holidays in Malta. In this regard, Malta ranks number two in Europe, preceded only by Austria.

Utilities and Telecommunications

The supply of water, fuel and electricity remain in the hands of government monopolies. Many of these organisations have come under criticism for being bureaucratic, inefficient and overburdened with excessive employees. Furthermore, as a general rule the price of utilities and telecommunications in Malta probably ranks as one of the more expensive in Europe. Private sector organisations like the Malta Federation of Industry have argued that such a state of affairs undermines the effectiveness of the national export strategy by reducing export competitiveness.

Taking a look at the telecommunications sector in Malta by way of example, one notes that line telephony is still monopolised by a state controlled company. This public corporation is now under pressure to reduce its rates for overseas calls in order to be able to compete with the new service providers in the form of private voice-over-internet telecommunications companies. The telecommunications experience in Malta demonstrates that the best regulator to ensure optimum service at the most competitive cost is competition. Suffice to say that following the relatively

recent liberalization of the mobile telephony service in Malta, the costs for mobile calls has dropped by more than half.

Sea and Air Freight

Like all small island states, Malta has an inherent problem which undermines its export competitiveness arising out of its insularity. Malta's lack of any natural resources combined with the fact that the vast majority of its raw material requirements and industrial inputs have to be imported tends to push the cost of production upwards. In view of this, sea and air-freight issues play an extremely important role in determining Malta's export competitiveness.

In this respect, some private sector organisations including the Malta Federation of Industry have argued that Malta's national sea and airline carriers may have contributed to unnecessarily increasing the costs of such services to industry. Some observers have estimated that the cost of sea freight has increased by some 42% within the space of a few years. Not surprisingly various Employer associations have protested strongly about these increases which are compounded further by the rather prohibitive costs of handling and clearing of shipments from our ports. The bottom line is that since shipping and related costs are so important for an island state like Malta, Government must ensure that there is enough genuine competition in order to bring down prices in line with those being borne by competitors overseas. The comparative table shown overleaf speaks for itself.

Ports

Successive Governments in Malta have acknowledged that cargo handling charges in Maltese ports are substantially higher than they need to be. This is due in part to a long standing monopolistic situation and a highly unionized environment at the ports. As a consequence, many private sector associations and industry groups including the Malta Federation of Industry have lobbied for remedial action to be taken since these excessive costs inflate exporters' operating costs and undermine export competitiveness by increasing the costs associated with the importation of raw materials and the exportation of the final product. Unfortunately, little concrete action has been taken to resolve the matter, despite the fact that the country's economic survival depends almost totally on its ability to import and export in a cost-effective manner. The following comparative chart illustrates the point.

Port	Twenty Foot Containers		Forty Foot Containers	
	Rate in USD	Malta Price as a percent of those charged in other countries	Rate in USD	Malta Price as a percent of those charged in other countries
Malta	136	100%	216	100%
Marseilles	88	154%	88	245%
Barcelona	89	154%	104	208%
Rotterdam	63	214%	63	341%
Antwerp	45	306%	45	485%
UK	75	182%	110	197%

Source: FOI

Customs

Malta has made tremendous progress in terms of customs procedures in recent years. This has resulted in a much more streamlined and simplified process, however there is still room for significant improvement in terms of reducing bureaucracy and further minimizing the paperwork involved. The harmonisation of Malta's customs procedures with those of the European Union will undoubtedly help in simplifying the system and should make it even more efficient to trade in general. On a negative note, it is worth mentioning, that in a throwback to colonial times, the customs department like practically all Government departments in Malta work on reduced hours (half days) during the summer period. In this respect, there is something of a mismatch between the needs of industry and this ingrained practice. Although the Government seems to be reviewing this outdated custom, no clear indication has been given concerning its plans.

The Public Sector

Government remains the largest employer of the country. In fact if one were to combine the number of employees in public corporations (such as the utilities) with those employed directly by Government, these would represent over 30% of Malta's total gainfully employed. Although it is generally accepted that employment in the public sector needs to be reduced, there are staff shortages in the skilled and professional categories. There are also a number of cultural issues that have to be contended with, including a preference by many for secure but relatively lower paid public sector employment instead of more remunerative employment in the private sector.

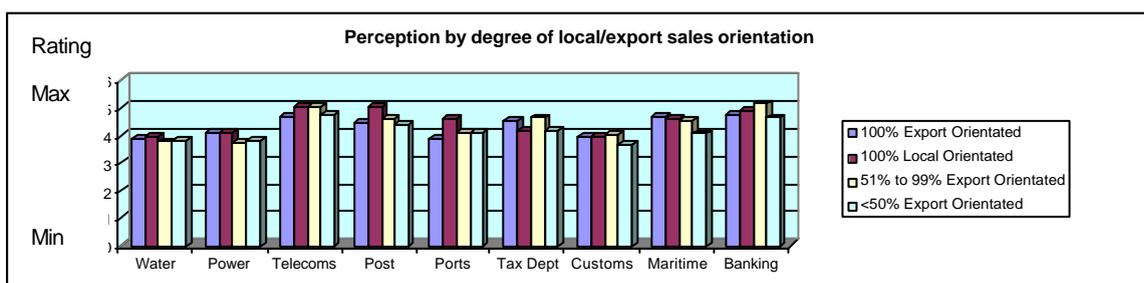
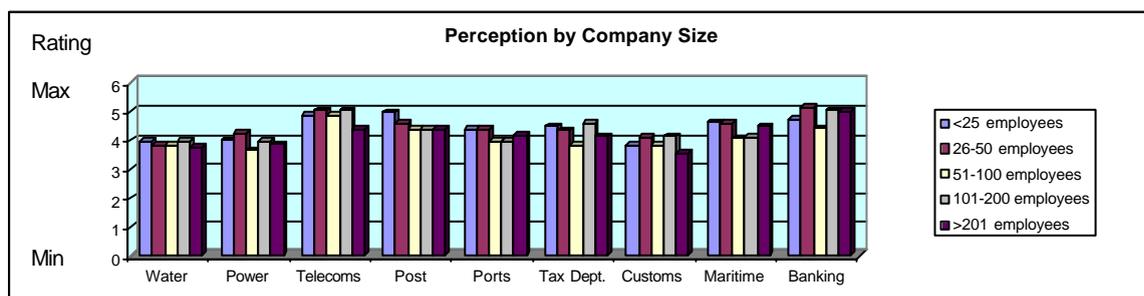
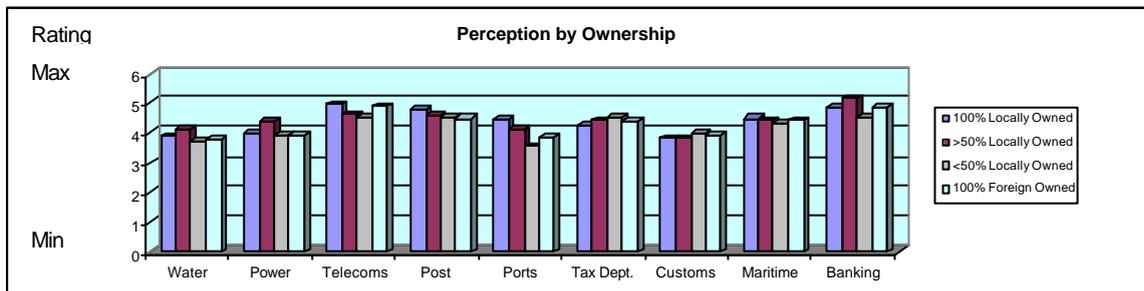
There are also other constraints facing Maltese exporters including the fact that Government departments work on reduced hours during the three month summer period. This creates certain bottlenecks for exporting companies which in turn increase costs. There are also a number of public sector services that are not always adequate. These include periodic power outages, time consuming customs clearance procedures, and inadequate standards and quality testing facilities. Fortunately, a number of these limiting factors which increase costs and undermine export competitiveness are now being addressed.

The Education System

One of the most important pillars supporting the economy, often omitted from the TSN analysis, is the educational system. In Malta, tertiary education output is increasing rapidly from year to year but the island still suffers from a relatively high drop-out rate. Indeed, the early drop-out rate in Malta is more than double the EU average of 19%. Furthermore, while the proportion of University graduates following technical and engineering based degrees is increasing, it is significantly lower than the present EU average. Employers' associations including the Malta Federation of Industry have also argued that something of a mismatch exists between the educational supply chain and the needs of industry. Indeed, it has been shown that while Malta's education system is producing an increasing number of graduates (with first and second degree qualifications), industry is still experiencing difficulties in recruiting middle management, technical and skilled personnel. As a consequence, the sometimes excessive cost and time required to recruit, engage and train such personnel tends to push operating costs upwards, thereby reducing export competitiveness.

Assessing the Broader Trade Support Network

The above comments on some elements of the broader Trade Support Network may also be reviewed within the context of the Malta Federation of Industry's recent survey on industry's perceptions of the TSN (described in a previous section) and which sought to quantify and measure the performance of the various entities (such as utilities, ports, customs etc) that together form part of the broader definition of the Trade Support Network (TSN). A selection of some of the results and findings are shown below.



Source: FOI Survey data as adapted - 2002

Conclusion

The dangers of generalizing the Malta experience have already been stated. Indeed, each country has unique and different political, economic, demographic and geographic variables. Having said this, it is felt that on the basis of the Malta experience, the successful management of the broadly and/or narrowly defined TSN depends on the acceptance and adoption of three, largely self-evident, principles:

- The TSN should be backed by practical and tangible Government support which would allow the TSN to be in a position to meet its stated objectives
- The TSN's philosophy and policies should be aligned with the needs of industry, and not vice versa
- The TSN's operations, services and facilities should be geared to fulfilling the needs of industry (i.e. clients) at the enterprise level, and not vice versa

Ultimately, the Malta TSN experience suggests that for the network to be successful, the broader components of the TSN have to be aligned with the strategies and operations of the various business support organisations. The success of any country's national export strategy goes well beyond the ability of the various business support agencies and TPOs to provide efficient and cost-effective services to industry. Therefore, irrespective of how well organised (or well funded) the local business support agencies are, these are unlikely to be completely successful in their endeavours unless the crucial 'Border' and 'Border-In' constraints and other limiting factors are overcome first.

Chances are that the private sector will thrive and expand in international markets without much help from TPOs and other Government business support agencies provided that some (if not all) of the most troublesome 'Border' and 'Border-In' issues and bottlenecks are successfully resolved. The Malta experience seems to suggest that the long term success of a country's national export strategy depends increasingly on its ability to resolve internal issues first. Once these internal obstacles and constraints are removed, local business support agencies and TPOs are likely to find that they are able to produce tangible results much more quickly and at a considerably lower cost to the country.