

Executive Summary and Recommendations
on
The Commercial and Economic Diplomacy Role
of
Malta's Representations Overseas
by
The Board of Review

June 2013

Preamble

By letter dated 29th April 2013, Mr. Joseph Cole, Permanent Secretary at the Ministry for Foreign Affairs, informed the following officers that they have been nominated as members to the Board of Review of Malta's Representations Overseas:

Professor Stephen Calleya, Director, MEDAC

Ambassador George Doublesin

Ambassador Giovanni Miceli

Mr Dennis Vella, Head, Malta Enterprise

The said letter states that 'in view of Government's declared intentions to push for an export-driven economy and to attract foreign direct investment to Malta, the Ministry for Foreign Affairs is embarking on a stock-taking exercise of Malta's Representations Overseas in order to enhance their role and enable them to achieve the set of objectives.'

Thus, the main proposals in this summary focus on achieving these aims.

1.0 Executive Summary

- (a) Malta's Representations Overseas (MROs) at present consist of 21 Embassies, 4 Permanent Representations, 3 High Commissions, 5 Consulates General/ Consulates, 1 Commercial Office/Consulate and 1 Representative Office.
- (b) The very important role of the political and consular activities of the MROs is beyond dispute. This traditional approach is also evident in the mission statement and the content of the website of the Ministry for Foreign Affairs (MFA).
- (c) In addition to their core political and consular roles, the MROs have been regarded primarily as facilitators in business and commerce, culture exchanges, tourism promotion, sports contacts and other matters, and it is in this role that they have, in general, been successful.
- (d) Commercial diplomacy is often confused with economic diplomacy and other types of diplomacy such as trade diplomacy and financial diplomacy. Economic diplomacy is primarily concerned with general economic policy issues and trade agreements. Even though both have an overarching economic objective, commercial diplomacy is much more specific in providing support to businesses.
- (e) The strategic objectives of the MFA list a number of economic targets in support of business development. The 2013 Electoral Manifesto of the Labour Party also supports the further development of the MROs to promote Malta's commercial and economic interests in Europe as well as in other countries and continents that are developing at a fast pace. This also applies to areas and countries that Malta still has to target.
- (f) The political and consular roles will remain core elements of the MROs, even if several political and economic developments, among which Malta's membership of the European Union, the continuing recession in the Eurozone, the global financial crises and the increasing competition and globalisation are likely to lead to the foreign representations of our country taking a different focus and perspective.
- (g) Malta, like other countries in the European Union and indeed the whole world, faces a number of fiscal, structural and economic challenges that demand more aggressive efforts to generate foreign direct investment (FDI) and encourage small and medium-sized enterprises (SMEs) to expand and look beyond its shores. A recent report about Malta by the International Monetary Fund highlights the fact that further growth requires greater efforts to generate foreign direct investment and business growth.

- (h) Global economic trends indicate a stark development in demand from emerging markets, principally China and other regions in Asia, Africa and South America. Malta should monitor and act on them in search of new opportunities.
- (i) Most of the Ministries for Foreign Affairs of other countries are structured in such a way as to undertake the traditional, yet important, roles of political and consular work. However, an increasing number of States is now seen to be moving into the more challenging mission of facilitating and participating in the economic development of the country.

One can read this clearly in the mission statements and set-up of the Ministries for Foreign Affairs of Denmark and Canada, to mention but two countries that have opted for a direct link between the Ministry for Foreign Affairs and that for External Economic Relations, in terms of strategy and support.

- (j) A number of recommendations are presented that include measures to increase coordination and efficiency internally at the MFA and to improve its exposure and visibility with stakeholders. The role of the MFA is an important link to the various business institutions and authorities that this Board has consulted. However, all agree that there is still much room for further networking and synergy between them and the MFA.
- (k) An important recommendation concerns the training that should be provided to Maltese Diplomats, whatever their rank or position, be they experienced hands or recently recruited, with priority given to those who are about to be posted overseas. The Ministry has to ensure that the most up-to-date and accurate information about Malta's present and future economic development is correctly set out. In this regard, a proposal for a short-term training course, conducted by Malta Enterprise should be undertaken immediately. The Ministry already has preparations underway for this short-term course. The Board has also made recommendations for the medium and long-term courses, with MEDAC taking a leading role.
- (l) MFA will retain its important and pivotal role as facilitator to the several stakeholders, among them public and private bodies, Chambers, Authorities, Enterprises, etc. In those countries where Malta is directly represented, or where Consulates General, Consulates and Honorary Consulates are present, this central role will remain pivotal. The support extended to Malta Enterprise (ME), FinanceMalta, Malta Tourism Authority (MTA), Transport Malta (with regard to maritime services) and other entities, in their efforts to generate FDI, increase

tourism, and other initiatives, will remain. These are the specialist organisations that MFA will continue to support.

- (m) In spite of the goodwill shown by all parties interviewed by this Board, or who provided feedback, it appears that the synergy between the above-mentioned organisations (public or private) and MFA does not come up to the desired level. Nor is it results driven.

It is therefore being proposed that the MFA sets up a Joint Stakeholders Working Council. The MFA should then take a leading role and together with the main public organisations active abroad promote Malta holistically. The aim is clearly to avoid duplication and achieve synergy by adding value to the individually organised business events abroad.

- (n) The MFA, in its role of co-ordinator, and acting through the Joint Stakeholders Working Council, should lead overseas a 'Partner Country' initiative on an annual basis. The principle being applied here is that a team effort achieves better results than uncoordinated individual efforts. Malta's resources are limited and this team approach, targeting selected strategic countries (i.e. selected because they offer better opportunities for Malta in terms of business development, tourism etc.) should lead to a better image and branding for Malta, based on a longer term (one year) in contrast to one-offs and *ad hoc* individual events.
- (o) Next year Malta commemorates special anniversaries for four of its national historical events, namely, Independence, Republic and Freedom Days as well as EU Membership. It is proposed to set up a National Anniversaries Fund with the participation of the private sector that could contribute, financially or in kind, and participate in the national events to be held abroad by the MROs. If successful, this Fund could be extended to other national events.
- (p) The Board of Review is also proposing a more pro-active approach concerning business development. The function of attracting Foreign Direct Investment should remain the remit of ME and the Ministry will extend its role as facilitator including the allocation of space in its Missions for ME officials and other public agencies, as and when required. It is being proposed, however, that in those countries where ME does not have a resident or even a visiting official/expert (for operational and strategic reasons) but where MFA is present with permanent premises, then the latter should take a more pro-active role in consultation with ME.

- (q) Moreover if, as is sufficiently evident, MFA's strategy is to become more directly involved in business development, the Board proposes that it consults with ME in the matter of shifting resources, currently earmarked for the internationalisation of SMEs, to the MFA in order for it to fully exploit the presence of its MROs.

The Board of Review believes that MROs could contribute more directly by using their network to achieve results and support SMEs in their export promotion and internationalisation efforts.

- (r) The Board firmly believes that MFA can achieve its enhanced mission statement through the various recommendations made herein. In order to do this, it should put together a team of competent persons to guide this drive for economic/commercial diplomacy. Therefore, a proposal is hereby being made for MFA to set-up a Commercial and Economic Diplomacy Unit composed of at least three persons, of whom one person would have experience in business promotion and development and another in market research.

- (s) Finally, it is important that, in addition to matters related to human resources, both this Unit as well as the Ministry's Missions overseas be allocated a budget that is sufficient to implement this pro-active strategy. It is unlikely that the desired results will be achieved if MFA depends entirely on other public agencies for funding.

2.0 Conclusion and Recommendations

2.1 Training

Bearing in mind that the Ministry for Foreign Affairs has made manifest to the Board of Review its emphasis on the need to have all of Malta's Representations Overseas (with the exception of New York, Geneva and Strasbourg in view of their multilateral role) concentrate as far as possible on commercial and economic diplomacy, the Board therefore recommends that, as soon as is feasible, the following actions be considered on a short- and medium-term basis:

2.11 Immediate/short term – ongoing training

Training programmes used to be organised in the past; however, these have been discontinued. The MFA Management reports of meetings held during April 2013 emphasised the importance of training.

Hence, a series of intensive training programmes should be launched for officials who are already posted or about to be posted abroad. This training needs to be set up principally with Malta Enterprise, but also with the participation of other business organisations such as FinanceMalta, Malta Tourism Authority, Chamber of Commerce, Enterprise and Industry, Gozo Business Chamber etc.

Indeed, during the Board's meeting with the Chairman of Malta Enterprise, the latter submitted a proposal for an immediate training programme for those Diplomats scheduled to be posted abroad soon. On the MFA agenda, there also seems to be the proposal of postings with diplomatic representations of other countries abroad for training purposes. This is considered as a very positive initiative and should be encouraged.

2.12 Training in the Medium Term

The Director of MEDAC has observed that the Academy, which has trained a significant number of students at Masters level in Diplomatic Studies, several of whom eventually choose a career in Malta's Diplomatic Corps, seems to primarily attract Arts/Law graduates. On only a few occasions has it attracted graduates in economics, business studies or related subjects. One major reason may be that such graduates find better paid work in Law firms and in the banking sector or in business etc. If MEDAC is to attract such a pedigree of

students, it needs to undertake a well-planned campaign that aims to provide a stronger emphasis on economic diplomacy during its Masters programme.

Currently, International Economics is one of the five core academic disciplines of the Masters programme that MEDAC offers. The other disciplines are International Relations, International History, International Law and Diplomacy. Consideration should be given to creating a more focused International Economics component at MEDAC by establishing a Chair in Economic Diplomacy that will be able to coordinate such a programme of study.

This measure is a medium-term initiative as it would take a minimum of 2 years before such students graduate. Furthermore, this measure does not address the training of Diplomats already employed by MFA. For these serving diplomats, in-house training is required as explained in the reference above where a proposal for short-term training programmes has been made.

2.13 Training for the EU 2017 Presidency

In co-ordination with the Ministry for European Affairs, the MFA should consider introducing schemes that will help it address the necessity to attract a high number of qualified personnel that will be required to ensure a smooth functioning of Malta's 2017 EU Presidency. In addition to providing specialised EU Presidency training to MFA officials on an on-going basis, the MFA should also introduce more flexible recruitment schemes for personnel that will be required at numerous different levels of engagement.

One such scheme would be to recruit graduates (MEDAC and others) on a multi-year contract during which time they would also receive specific training related to tasks they will be required to perform during the EU Presidency itself. It is advisable to coordinate this training initiative with other European Institutions experienced in this area. Consultation with the local institutions well informed about EU funding is also recommended for funding purposes.

2.2 Setting up of a Commercial and Economic Diplomacy Unit

The current internal set-up of the MFA does not seem to provide the right resources and structure to achieve the additional aims of commercial and economic diplomacy. It is important that a Commercial and Economic Diplomacy Unit be set up and competent

professionals be identified to lead this Unit in a distinctive and fruitful manner within the Ministry. It is essential that the core team be recognised as a specialised unit within a central structure.

This Unit should consist of, at least, one person already experienced in business promotion and development and another preferably well-versed in market research. One other person should provide administrative and executive support.

The Board of Review strongly recommends that the new Unit and the MROs should be allocated a sufficient budget to implement this pro-active strategy. Otherwise, the norm to depend on other agencies for funding is unlikely to lead to the desired results. No one should be subordinate in such a collective approach.

Looking ahead, the MFA should become less dependent on ME for intelligence gathering and implementation of its commercial and economic diplomacy agenda overseas. Developing its own competences in this sector should not be seen through a 'zero sum game' analytical lens. Better trained future MFA economic and commercial Diplomats will complement and not replace or duplicate the support ME will always be able to provide and obtain from the Ministry.

The enormous opportunities that the international political economy of the twenty-first century offers require such a multifaceted strategic approach, albeit in a coordinated and synergistic way.

2.3 Relations with the Business Institutions

The feedback that the Board received from the business agencies shows their appreciation of the central role played by the MROs as touch base and facilitators for market information and field support. However, more could be done.

An important pillar of commercial and economic diplomacy is the role played by Malta Enterprise as the main public agency to promote foreign direct investment and export promotion. Business development in terms of promoting foreign direct investment and the internationalisation of SMEs offers an interrelated yet distinctive approach in the mediums used to reach the target audience. The former is more focused on a sectoral basis with contacts with senior management who have a decision making role in strategic development and investments. In the case of the latter, the country/sectoral approach applies with contacts more likely to be with the purchasing department/middle

management. In both cases, desk and field research, followed by one-to-one contacts is a must.

The feedback provided by the Chairman of ME has been very positive with the agency willing to support and assist the MFA to exploit further the presence of MROs. In fact, a Memorandum of Understanding with ME, signed 26th May 2011, already exists dealing with cooperation in logistics and other support (similar to the MOU with the MTA signed 11th June, 2012).

The Board of Review believes in closer cooperation between the MFA and ME and it is proposing the setting up of a **Joint Stakeholders Working Council** that should meet on a regular basis with a set of objectives to be achieved including;

- better coordination of the overseas events where MROs and Consuls/Hon. Consuls could be of assistance
- better coordination with ME's overseas consultants, known as 'multipliers'
- a team effort on strategic approaches with emerging countries
- identifying high value business opportunities in traditional and emerging countries
- better synergy in the utilisation of resources
- identifying those countries where the MFA can take a more leading role in FDI especially where ME is not targeting investment promotion
- research and targeting of business leads and follow up

The Council, under the Chairmanship of the MFA, should endeavour to hold regular meetings with all stakeholders. The Board believes that this is an important recommendation for a more effective and central role by the MFA.

2.4 A Direct Role in External Trade

If the MFA is willing and prepared to take a more pro-active approach in the promotion of external trade, the Board is proposing that the MFA will initiate discussions with ME to consider taking responsibility for the activities related with the overseas promotion of SMEs that could include export promotion, technology transfer, business information, match-making and networking initiatives for goods and services.

In essence, it would result in the following:

- ME staff currently coordinating the services for the internationalisation of SMEs are seconded to the MFA

- The Government will allocate to MFA sufficient funds on an annual basis to cover the operational budget of the programmed events
- ME will continue administering the incentives related with the internationalisation of SMEs i.e. the part-refund of eligible expenses as per current guidelines and legal notices.

The main benefits of this proposed set-up are expected to include the following:

- ME will focus exclusively on FDI as a specialist function. The MROs will continue to provide full support as requested by ME. Globally, there are agencies that deal both with FDI and export promotion/internationalisation whereas there are others where the functions are kept separate.
- The MROs will be directly involved in the promotion of SMEs abroad and, together with the new staff transferred from ME who are already experienced and trained in this area, one can work out a plan of action on a country/sectoral basis with MROs and the Consuls/Hon Consuls.
- The publication of a monthly newsletter with information on business aspects, sectors, country updates and business leads, will raise the profile of the MFA and its MROs with the local business community.
- To further increase the direct link and exposure of the MROs, a 'meet your Ambassador' event will be held on an annual basis with Ambassadors selected by the MFA. Over a period of 3-5 days, one-to-one meetings will be held with those companies that are interested in doing business with those particular countries where the selected Ambassadors are serving. This will be followed up with a plan of action in consultation with the private companies and the MFA.

Implementation of this proposal would result in a fundamental strategic shift for both the MFA and the ME. However, it would create a new impetus not previously experienced by the MROs and should result in more dynamic commercial and economic diplomacy. More discussions on this proposal would be required even at political level.

The Board wishes to record that this proposal has not been communicated to Malta Enterprise, either formally or informally.

2.5 Branding

Branding a country is an important yet difficult task. Building a brand and a positive image for a country is a costly, long-term process. Yet, one can introduce measures that could facilitate this process in a step by step approach. The following are some of the suggestions that will help raise the profile of commercial and economic diplomacy within the MFA:

2.51 Partner Country Events

It is proposed that a 'Partner Country' event be organised overseas by the Joint Stakeholders Working Council under the auspices of the MFA on an annual basis. The principle that as a team more can be achieved applies here. A number of agencies including Malta Enterprise, FinanceMalta and MTA, organise events abroad in targeted countries separately. Naturally, these will continue to be so in view of the different business audiences being sought.

However, the idea is to introduce a more coordinated and structured approach towards one particular country over a one year period. Such a team approach coupled with other initiatives that could include political, cultural, sports, social events etc., will result in a more enhanced image building, visibility and branding of Malta in the selected country.

This country branding approach could be promoted under the ThincMalta brand, already used by ME and FinanceMalta, or using one of the following: BusinessMalta, MaltaMore, ThemeMalta or TeamMalta.

It is expected that printed material and communication with the 'Partner Country' will be branded for this purpose. In terms of financial resources, each participating entity will manage its budget for its own events, though it is not excluded that each public entity would make a contribution to a central fund to ensure an ongoing programme of events and promotion throughout the year.

The Board would like to propose the following Partner Countries for the next 5 years, namely UK 2014, China 2015, Germany 2016, Kuwait/UAE 2017 and Libya 2018. These are being recommended on the basis of their current importance to Malta in terms of political, business and commercial links and also the potential these countries could offer for further growth.

2.52 National Anniversaries Fund

Next year, Malta celebrates 50 years of Independence, 40 years since becoming a Republic, 35 years since Freedom Day and 10 years from becoming a member of the EU. These are days of national historic importance and undoubtedly the MFA and the MROs will play an important part in their political role abroad in commemorating these anniversaries.

The Board of Review is of the opinion that these celebrations should be supported by the private sector as it also stands to gain through publicity and potential networking abroad .

In this regard, the Board is recommending the setting up of a National Anniversaries Fund with the participation of the private sector, through a public call, to contribute financially or in kind for the events to be held overseas by the MROs.

The expected benefits for the companies that contribute to this fund include prestigious exposure locally and abroad, a positive image with their clients overseas, the inclusion of the name of the sponsoring companies on the MFA website, invitations and other promotional material. Annex P reproduces an invitation card issued recently by the British High Commission that depicts clearly how this sponsorship of events works and how sponsors are publically thanked.

In the Board's opinion, this public-private partnership modality for National Day's celebrations next year should be used as a 'pilot case' and if successful, it could be extended to future annual events, including the ones connected with Malta's 2017 Presidency and the 2018 Valletta Culture City of Europe.

2.53 The Ministry's Communication Tools

Nowadays, the website of any entity is the first point of reference for those seeking information. The website of the MFA, including the site of the respective MROs, is no exception. Indeed, any person abroad interested in Malta (either for business, tourism, personal or other purposes) will surely check the website of the respective MRO for the relevant information. Hence it is very important that the website be user-friendly and updated on a regular basis. It is also essential that the website will provide a more prolific perspective of the commercial and economic dimension of Malta.

There is no doubt that MROs are already contributing positively towards Malta's development in various ways and enhancing the image of the Ministry. Thus, the communication unit within the Ministry responsible for the media should highlight more the achievements of the Ministry as well as those of the MROs.

Indeed, the communication unit ought to identify specific contributions by MROs and transform them into news items of value for the general public through press releases, press conferences, public consultations and even an online newsletter published regularly.

2.6 The Future of MROs

Malta's resources are limited and hence focus is a 'sine qua non'. There is no doubt that political and consular matters consume the bulk of time and resources of MROs. The Board of Review is recommending the following strategic actions to upgrade the performance of MROs for them to achieve a better output in terms of commercial and economic activity.

2.61 The 1+1 Minimum Requirement

For reasons known to all, Malta cannot be present throughout the world. Hence, it is important to maximise Malta's presence in all the current MROs. The Board believes that it is essential that MROs that are bilaterally accredited and represented by a single MBO be immediately supplemented by an additional officer in order to better perform their task in commercial and economic diplomacy.

MROs should have at least a senior Diplomat (Ambassador/High Commissioner) and one junior officer, both of whom should ideally be trained in commercial and economic diplomacy.

2.62 Roving Ambassadors

The Board of Review wishes the MFA to consider appointing Roving Ambassadors to cover a region/countries where no MRO has been established. This could be considered for the emerging countries in South America, Central/South Africa, parts of Asia and parts of Eastern Europe where a decision to open an Embassy, will be taken at a more opportune time.

The main role of a Roving Ambassador would be to assess opportunities for enhancing political, commercial and economic relations with these countries. This function requires support from Head Office both administratively and financially for the selected person(s) to be able to identify, contact, meet and follow up on the leads generated. A Roving

Ambassador could be required to carry out even desk research to supplement that provided by Head Office and public agencies.

Roving Ambassadors will require a sufficient budget to cover regular visits to the countries represented in an effort to ensure maximum visibility and results of Malta's commercial and economic diplomacy.

2.63 Honorary Consuls

With regard to Honorary Consuls, there seems to be general consensus for an increase in the number of Honorary Consuls in both current and prospective countries of representation.

The selection of Honorary Consuls is important so that Malta's image in the city/country/region will be recognised positively. It is suggested that, together with ME and other strategic agencies such as FinanceMalta and the MTA, more Honorary Consuls be identified and appointed especially in those cities/countries/regions that offer good opportunities for FDI and business development. A plan of action with agreed targets, even modest ones, should be drawn up for those Honorary Consuls who are selected to represent Malta in important cities for commercial and economic approaches.

It is also suggested that the Ministry consider some form of public-private partnership for appointing Honorary Consuls, especially in those emerging markets where the time is not yet ripe to open a Consulate or an Embassy.

2.64 Strengthening of MROs

Based on the monthly reports presented by each MRO, feedback from the questionnaire, meetings held with the senior officials at MFA and business stakeholders, and data collected, the Board of Review is recommending the following strategic approach to the MROs;

(a) The Multilateral MROs

Brussels – Permanent Representation to the EU

Geneva – UN and its Agencies

Strasbourg – Council of Europe

New York – UN

In these MROs, due to their political and multilateral function, the proposed commercial and economic strategic approach is to maintain and offer support, including making office space available to those public agencies, such as ME that are targeting these cities or nearby ones for their business development efforts. The multilateral function is important and very demanding for the MROs and thus here the MROs should be no more than facilitators.

(b) The MROs with both a Bilateral and a Multilateral Role

The following MROs have both a bilateral and multilateral function;

Brussels - also responsible for NATO Affairs

The Hague - also responsible for OPCW, ICJ, ICC etc

Vienna - also responsible for OSCE, IAEA, UN Agencies based in Vienna

In 2012, incoming tourists from Austria, Belgium and The Netherlands amounted to circa 87,000 an increase of around 15% over 2010. Moreover, these three countries represented circa 8% of incoming students to Malta in 2012. Trade figures for 2012 also show an almost threefold increase in exports from Malta to these countries with a significant increase of the share attributed to the Netherlands (€76M in 2012 vs €21.5M in 2010).

The multilateral roles are an important function for these MROs and the proposed strategic approach is to supplement existing resources so that more focused and targeted efforts are directed to the commercial and economic opportunities with the full coordination of the public agencies in Malta.

(c) The Big Four – France, Germany, Italy and the UK

These MROs are located in countries that have historical and long-standing political and commercial relations with Malta. In 2012 the four countries combined received 21% of exports from Malta and accounted for 61% of incoming tourists and 44% of incoming students. These are some of the indicators that are found in Table 2 in Annex M. Thus these four countries are established markets for Malta, though with varying levels of success in commercial terms.

It is proposed that MFA increase its support to the public agencies already active in these markets and consider increasing resources to the MROs so that these may be in a better position to target commercial and economic diplomacy.

For record purposes, the MROs in London, Rome and Paris, also carry out a certain amount of multilateral work.

(d) The Countries in Political Transition, North Africa – Egypt, Libya and Tunisia

Recent developments in these countries have led to significant changes in the political, social, economic and commercial fabric of these countries. The process of democratisation is expected to take more time to evolve and therefore, one has to monitor developments while at the same time embark on new relationship building, both at the political and commercial levels.

In past years, Malta's relationship with the North African countries on the Southern Mediterranean shore had been relatively stable and positive. In the case of the MRO in Egypt, its function as Malta's interface with the League of Arab States and the African Union remains very necessary. Furthermore, in view of the increasing importance of the emerging countries in Africa, the presence of the MRO in Egypt remains very relevant.

With regard to Libya, over the past two decades a good number of Libyan state investments in Malta had led to the generation of several thousand jobs in Malta and in Libya itself. Similarly, over the past years, a good number of Maltese companies have invested money, time and energy in Libya.

Tunisia could offer opportunities in technology transfer and cooperation in niche sectors that the MRO has identified in the questionnaire received by the Board, which sectors include IT, Sciences and the opportunity for Tunisian companies to relocate in whole or in part in Malta.

In this environment, the presence of the MROs is important both as a link and a medium for potential new initiatives aimed to foster closer working relationships with the new political representatives and the traditional and new commercial sectors.

During this period of transition it is important that the Joint Stakeholders Working Council will identify the main business opportunities so that both the MROs and the public agencies will strive to achieve the maximum results possible.

In the case of Libya, the opening of the Consulate in Benghazi is a step in the right direction and at the opportune time this should be reinforced with an officer to coordinate the commercial and economic matters. Libya is a country that could offer vast opportunities to Malta and therefore, a multifaceted approach to this challenging market might be the right one in the short to medium term.

(e) Malta's Presence in Asia - China and India

Asia represents one of the fastest growing markets globally. Almost one third of the EU's projected growth in the next ten years is expected to originate from China.

Malta's political relations with China have always been strong and in view of the increasing importance of this 'new' economic superpower, the MFA should consider expanding its presence not just in Beijing but also in other commercial cities such as Shanghai (to start with) and other regional cities. As for commercial and economic relations, the current export figures to China of around €61M in 2012 and investments from China have still not reached the figures of the countries listed as the 'Big Four'. It is the opinion of the Board that more intelligence and market research is required to identify those high value business opportunities.

India is also an emerging market, and the presence of the MRO in New Delhi is relatively new. Trade statistics for 2012 show exports at less than €15M. Like China, India is a vast country, so that one may need to consider either a Consulate in a commercial city such as Mumbai and/or the appointment of more Honorary Consuls. Also, the input of the Joint Stakeholders Working Council is important to identify the high value business opportunities available there.

(f) Malta's Presence in the Gulf Region – Kuwait, Saudi Arabia and UAE

The Gulf Region is home to a number of affluent countries with huge mineral deposits, mainly oil and gas. The presence of a Maltese Embassy in Saudi Arabia, the biggest country in the Gulf Region, and of the Commercial Office/Consulate in Dubai has contributed to enhance political and economic relations with these countries. Yet, surely much more could be achieved, especially if the MROs receive clear, detailed guidance from the proposed Joint Stakeholders Working Council.

The MROs in Kuwait and Saudi Arabia should benefit from the 1+1 minimum requirement. This would enable them to focus on commercial and economic opportunities in a more sustainable manner. When it comes to the Gulf Region certain niche areas such as those pertaining to tertiary education and banking are already bearing results and show signs of further growth.

(g) Malta's Presence in North America – Canada and USA

The presence of the MROs in Canada and the USA plays a dual role, that of supporting the several thousands of first, second and third generation of Maltese communities in these countries as well as the political function. The Federation of Maltese Living Abroad estimates that the number of Maltese diaspora in Canada is 106,000 and in the USA it is 51,000.

Despite the economic slowdown experienced since 2008, Canada and the USA remain affluent and important markets for foreign direct investment. In fact, the USA is the No 1 country in the world that invests abroad, with over 3700 projects expected to be operational abroad in the period 2015-2016. Malta's challenge in North America is its low, almost flat profile, with the few who are aware of Malta know it only as a tourist destination.

In the Board's opinion, the MFA should consult with the Maltese public agencies active in this region to decide the way forward strategically. The proposed Joint Stakeholders Working Council should be the forum for this holistic approach. It is recommended that attention be given to the commercial and economic opportunities that can be identified in the Greater Toronto area where a large Maltese diaspora is also present.

Moreover, the Directorate at MFA set-up for the sole purpose of dealing with the diaspora has an important role to play in these countries and it might be the right medium here to generate potential business opportunities. More research on this matter is required by this Directorate in conjunction with the Commercial and Economic Diplomacy Unit and the Joint Stakeholders Working Council.

(h) Malta's Presence in Eastern Europe – Poland and the Russian Federation

Malta's presence in Eastern Europe is limited to two MROs, in Poland and Russia. The Embassy in Poland, although relatively new, provides encouraging statistics concerning the increasing number of incoming tourists and students reaching 20,000 and 1,800 respectively in 2012.

In the case of Russia, notwithstanding the good political relations Malta has developed with it over the years, these have not been translated into significant increases in exports and FDI. Exports to Russia increased marginally last year by over €30M compared to 2010, while the number of incoming tourists and students reached 31,726 and 11,379 respectively in 2012 registering an increase of 40% in tourist figures and 54% in incoming students over 2010.

The Board is aware that, for the peak tourist season, the Moscow Consulate has been authorised to engage more temporary Visa clerks.

In the forum of the Joint Stakeholders Working Council, the Board recommends that the MFA discusses the experiences of other public entities in these countries, identify the commercial and economic opportunities, after which it should decide on the level of support to be provided.

(i) Malta's Presence in Australia

The MROs in Australia play an important role in supporting the presence of a very large number of Maltese of first, second and third generations who were established there some decades ago. The Federation of Maltese Living Abroad estimates that the total number of the Maltese Diaspora is 154,000.

Here again, the Board recommends that in the forum of the Joint Stakeholders Working Council, the MFA will discuss the experiences of other public entities in these countries, identify the commercial and economic opportunities, after which it should decide the level of support to be provided.

What was said about the role of the Directorate for the Maltese Diaspora with reference to North America also applies to Australia.

(j) Malta's Presence in Scandinavia - Denmark

The Scandinavian countries represent the region that was least affected by the recent economic downturn in Europe compared with other core countries in the EU. This region has long been the envy of so many other countries for its high standard of living and welfare system.

The presence of the MRO in Denmark should be seen in this light. The Scandinavian countries are already generating a good number of incoming tourists (34,000 in 2012 from Denmark alone) and students, investments in real estate and a high number of on-line gaming companies operating in Malta.

For the Denmark mission, the Board requests MFA to consider sending a second Diplomat in line with the 1+1 minimum requirement. This second Diplomat should help to intensify efforts in this promising region. Furthermore, the appointment of more Honorary Consuls in Scandinavia is advisable.

(k) Malta's Presence in Israel and Turkey

The MROs in these countries are relatively new. Israel has always been regarded as one of the most innovative and industrialised countries in the world and Turkey is one of the fast emerging countries.

Current data show that exports to both countries have increased over recent years and incoming tourists reached circa 26,000 and 6,000 in 2012 for Israel and Turkey respectively. Moreover, in the case of Turkey the number of incoming students has almost trebled from 1,000 to 2,800 in a matter of two years.

The Board believes that these two MROs should be supported further under the 1+1 minimum requirement and MFA should use the Joint Stakeholders Working Council to identify the right business opportunities using the sectors already listed by the MROs in the survey as a basis for further research.

(l) Malta's Presence in Greece and Ireland

These countries are experiencing difficult economic situations that are likely to last several years, perhaps a decade, due to the recently introduced austerity measures. Export figures to these countries stand at modest levels, circa €12M and €7M in 2012 for Greece and Ireland respectively. Incoming tourists from Ireland are satisfactory at circa 28,000 in 2012 but rather disappointing for Greece (circa 3,000 in 2012). Malta has other commercial interests with these countries including shipping, real estate and financial services. In the case of Greece, the MRO has also a multilateral function since it covers the UNEP MAP.

The economic difficulties being experienced by these countries might lead one to ponder taking a draconian decision concerning the future of these MROs. However, this same economic situation could create commercial opportunities for Malta. Therefore, the Board is recommending that MFA seek consultation with the public agencies through the Joint Stakeholders Working Council before further action is contemplated.

(m) Malta's Presence in the Iberian Peninsula – Portugal and Spain

Malta's business relations with Spain have been very positive over the past years with a number of Spanish companies investing in the pharmaceutical sector, incoming tourists reaching 60,000 and around 6,000 incoming students in 2012. Exports from Malta to Spain more than doubled last year compared to 2010 now reaching €48M.

The Board recommends that the MFA open additional Honorary Consulates in Spain to consolidate further awareness of Malta's commercial and economic opportunities.

In the case of Portugal, the MRO is also relatively new and thus, it is difficult to analyse performance. Both exports from Malta to Portugal and incoming tourists remain modestly low with incoming tourists reaching circa 4,000 in 2012. The MRO in Lisbon also has a dual function with its coverage of UNESCO. The Board opines that through the Joint Stakeholders Working Council, more consultation is required before a decision on the way forward is taken.

(n) Malta's Presence in Palestine

The Representative Office in Ramallah, Palestine was opened quite recently and the office space is shared with Cyprus. It seems that this arrangement is working well. Palestine is in political transition and the political support extended by Malta over the years is well documented. The presence of the MRO there is definitely a political commitment to the cause of Palestine.

Nevertheless, the representative office is facilitating further cooperation at other levels including commercial. In fact, a Palestinian investor has opened a manufacturing plant in Malta in the pharmaceutical sector. It is recommended that the current set-up in Palestine be maintained and monitored for developments to re-assess the situation in the medium term.

(o) Emerging Markets

The Board has had occasion to report on the increasing importance of emerging countries in Africa, Latin America and Asia, among others. At this stage, the Board opines that the role of Consuls/Honorary Consuls and Roving Ambassadors should be implemented in the short term (1-3 years). In the medium term, decisions need to be taken regarding whether a fully-fledged Embassy is required. This will depend on progress achieved in the short term.

Consultations with partners in the Joint Stakeholders Working Council should lead to concrete action in the short term period in some of the emerging markets in Central/Southern Africa, Asia and Latin America. These action programmes could include political and commercial visits, business presentations and a more active presence in certain business fora.

2.7 Internal Organisational Improvements

Though it was earlier mentioned that the internal organisational matters at MFA have been excluded from the remit of the Board of Review, it still believes that it should propose some recommendations. These include:

2.7.1 The Role of the Directorates General

The Board is of the opinion that the present set-up should be reconsidered, given that each Directorate General is responsible for a mixture of Bilateral and Multilateral issues, apart from EU Affairs. Moreover, the current set-up whereby the two Directorates General are responsible for political and economic matters separately might not be achieving the right holistic approach on a country and regional basis.

It is therefore recommended that the MFA consider allocating desk officers the role of both the political and economic responsibilities. This proposed new set-up requires further consultation and internal communication before it is implemented to ensure a smooth transition and a better work environment and performance.

2.7.2 Setting up of a Legal Office at the MFA

Most Ministries for Foreign Affairs include an International Law Unit/Office. Such an Office is normally staffed by graduates in International Law who are also an integral part of the Diplomatic Corps. The remit of such an office is to provide legal advice to the Ministry as required both in terms of the Head Office and of the MROs. This Office would cover issues such as rules of customary international law, treaty law, diplomatic law, human rights law, international trade law, law of the sea, protocol, consular affairs, etc. The Office, apart from its in-house expertise, would also be able to consult local experts in the various branches of law.

Currently no such Office exists at the MFA and this proposal should be considered within the financial, human resources and strategic scenario of the Ministry and other related stakeholders.

2.73 Official Development Assistance

One of the ways in which Malta is fulfilling its obligations in terms of Official Development Assistance is through the provision of technical assistance. Such technical assistance (TA) to third countries takes numerous forms. One of the ways in which such TA is provided is through capacity-building in third countries for governmental and/or non-governmental entities. This can have a great impact if it is directed to leaders in the communities or to trainers in the same communities (training of trainers). Areas in which Malta can provide such capacity-building include the following: governance, constitutional design, human rights, electoral monitoring, diplomacy and other services.

The beneficiaries of the Official Development Assistance are local NGOs that are most active in underdeveloped areas/countries on humanitarian projects. The Board is aware that the MFA organises meetings with the NGOs to exchange views on the ODA and should seek ways to improve the services and the value of projects.

2.74 The Management of Visas

The issue of Visas will remain an important matter for the MFA, especially in certain countries where the political and economic situations place a greater demand for Visas on the Consular Offices. Consequently, this might be creating problems to concentrate on facilitating business development and a strain on the resources of the Ministry.

Although the subject of Visas was outside its remit, the Board has taken note of what the Prime Minister as well as the Minister for Foreign Affairs have said recently, namely the setting-up of a Visa Agency to deal with this mammoth problem, and it fully concurs with this line of action.

2.75 The Maltese Diaspora

Much more attention needs to be dedicated to engaging the Maltese Diaspora when it comes to economic and commercial matters. In those places where there is a large and affluent Maltese community like in Australia, Canada, UK and USA, the Diaspora needs to be specifically targeted for business and commercial opportunities. It should be noted that according to data provided by the Federation of Maltese Living Abroad, the total number of Maltese Diaspora amounts to approximately 420,000.

In this regard, the Board suggests the setting up of a number of business networks similar to the Malta Business Network established in the UK. The terms of reference for these business networks would aim to exploit the presence of the many Maltese living abroad.

Such business network modalities should not exclude other nationals from participating. Though the scope of the network will include cultural and social events, it will have a strong focus on business related matters.

It is therefore suggested that the Directorate of the Maltese Living Abroad within the MFA, examines further this proposal for implementation purposes.

2.76 Template for the Monthly Reports

The Board has taken note that monthly reports are presented in a way that does not convey a coherent and structured picture. It is therefore suggested that MFA will consider proposing a standard template that should be adopted by all MROs. This template should at least cover important issues (including bilateral relations) concerning political, economic and commercial, cultural initiatives and consular affairs and other matters.

2.77 Internships

In the course of the Public Dialogue that the Minister for Foreign Affairs, the Honourable Dr. George Vella, held on Monday, 3rd June 2013, the issue of Internships was raised by a member of the public.

The Board has considered this matter and agrees that the Ministry should consider introducing internships especially for graduates, particularly those with experience in diplomacy, business and marketing. In this regard, the Ministry is advised to consult with the appropriate authorities to seek information on the possibility of utilising EU funding for this initiative.

Overall Remark

The Board wishes to point out that the review carried out in Section 2.64 dealing with the 'Strengthening of MROs' is an objective assessment based on a number of factors including political, consular, commercial (current and projected), multilateral and bilateral issues.

The Board believes that the setting up of the **Commercial and Economic Diplomacy Unit** at the MFA and the **Joint Stakeholders Working Council** are core recommendations in this review exercise.

The Board opines that the proposed strategic direction should be considered as an ongoing process. It is clear that the innovative measures being proposed will influence MFA's current relationship with stakeholders. Thus one needs to continuously monitor and evaluate the implementation process to ensure maximum benefit.

In conclusion, the Board reiterates that the above recommendations should be regarded as an investment towards ameliorating Malta's commercial and economic activities globally.

3.0 Summary of the Main Recommendations

The following are the main recommendations that have been identified by the Board of Review:

- 1 Immediate short-term induction training programme for Diplomats
- 2 Training programme on Commercial and Economic Diplomacy
- 3 Training programme for the 2017 EU Presidency
- 4 Setting up of a Commercial and Economic Diplomacy Unit
- 5 Setting up of a Joint Stakeholders Working Council
- 6 Extending the Remit of External Trade to the Ministry for Foreign Affairs
- 7 Country Branding – ‘Partner Country’ Promotion Overseas
- 8 Setting up of a National Anniversaries Fund
- 9 More dynamic MFA Communication Tools
- 10 Publication of an On-line Newsletter
- 11 The 1+1 Minimum Requirement
- 12 Appointment of Roving Ambassadors
- 13 Public-Private Partnership for the Appointment of Honorary Consuls
- 14 The Strengthening of MROs
- 15 Ambassador - Business Days
- 16 Internal Organisational Improvements