

PRIORITISING COMPETITIVENESS

Maltese business priorities
for the **EU term 2024-2029**



Representing



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The Malta Business Bureau represents The Malta Chamber and the Malta Hotels and Restaurants Association (MHRA) in Brussels and Malta.

It does so by liaising directly with the European institutions, the Maltese Permanent Representation and with umbrella organisations such as BusinessEurope, Eurochambres and Hotrec on all policy and funding issues affecting Maltese business interests.



FOREWORD

We approach the end of this EU term, which has been an exceptional and eventful one. In the past 5 years the EU has gone through a global pandemic, faced a war on its doorstep with Russia's invasion of Ukraine that led to an energy crisis and to economic inflation, experienced disruptions to trade in the Red Sea due to geo-political tensions in the Middle East, and more. Throughout the same period the EU pushed forward an ambitious climate agenda through the European Green Deal strategy which is being implemented through the Fit for 55 Package.

During this period Malta stood up to the challenge, partly thanks to the economic growth experienced in previous years which allowed some leverage for Government to support the business community at large, as well as thanks to EU programmes such as the REACT-EU and the Recovery and Resilience Facility that were designed as a crisis mitigation instrument to help channel funding towards priorities that helped member states emerge more resilient from the crisis, particularly by investing in the green and digital transition.

The last years were also particularly challenging for Maltese business, not only as they had to navigate from one crisis to another, to deal with increasing operational costs, a shortage of labour supply and overall economic uncertainty, but also having to comply with a substantial amount of new EU legislations that were adopted in a short span of time.

During this time of reflection ahead of the European Parliament election and the entry of a new College of Commissioners, the Malta Business Bureau is presenting a set of 10 key priority messages to the EU institutions, based on feedback gathered through various interactions with business leaders during consultations on EU legislative proposals.

These messages, that focus on Competitiveness and Growth, and the Green and Digital transitions, represent the aspirations of Maltese business from the EU in the next 5 years.

This document is addressed to EU officials, the Maltese candidates to the European Parliament election, and the Maltese Government negotiating Malta's interests in the EU Council.

Alison Mizzi

President

Malta Business Bureau

3 PILLARS

**COMPETITIVENESS
AND GROWTH**

**GREEN
TRANSITION**

**DIGITAL
TRANSITION**

10 KEY PRIORITIES

**Put the Single
Market back on
track**

**Competitiveness
at the heart of the
green transition**

**Keep up the
pace of the tech
revolution**

**Europe is at work,
supply the
workers**

**Consolidate
the tourism
comeback**

**EU enlargement
only through
reforms, and with
safeguards**

**Match EU funding
with the climate
and digital
economy ambitions**

**Provide a
regulatory
breathing
space**

**Integrate
insularity in EU
policy making**

**More flexible
state-aid rules for
small peripheral
regions**



COMPETITIVENESS AND GROWTH

General Overview

Having survived through several challenging years due to the global pandemic and wars on Europe's doorstep resulting in an energy crisis and high inflation, the EU's economic outlook remains somewhat bleak and far from projecting growth rates sufficiently robust to address long term challenges, including bringing public debt to sustainable levels and to have sufficient resources for investment to meet the level of ambition required to address the green and digital transition.

Despite international volatilities that will surely continue creating uncertainties in the coming years, the next EU term must serve as a catalyst to consolidate economic recovery and set the pace for a robust EU that is competitive and able to lead in shaping global issues.

There are many lessons to be drawn from the current EU term which will be remembered for going on a regulatory overdrive with consequential negative impact of additional financial and administrative burdens on companies, particularly SMEs. The commitment by President Ursula Von der Leyen in her last State of the Union speech of reducing reporting requirements by at least 25%, and the Commission's promise of a 'One-in One-out' legislative approach, is by itself an admission that EU businesses are overburdened by regulations that are not always justified or fit for purpose.

EU policy making and legislating must once again be designed through a systemic process centred around concepts of subsidiarity, proportionality, 'Think Small First', and avoiding the 'One size fits all' approach.

Addressing Single Market obstacles

The European Single Market is the jewel in the crown of the EU's integration project and last year we celebrated 30 years since its inception.

The Single Market is home to 23 million businesses employing millions of people. Consequently, it needs to consistently have a forward-looking and well-defined framework. Maltese businesses rely on a strong Single Market as it plays a vital role in enhancing their EU and global competitiveness. By removing internal barriers, it promotes economic integration, boosts internal trade, and facilitates market entry. Trade without barriers fosters healthy competition and allows businesses to benefit from economies of scale, with improved efficiency and resource allocation. As a result, market integration contributes to higher economic growth, job opportunities, and improves overall welfare.

But the Single Market today remains highly uneven with the depth of integration varying substantially across the four freedoms. Free movement of goods and people work far more seamlessly compared to some of the evident barriers that still exist for cross-border services and capital.

In its 2024 Single Market Survey conducted by Eurochambres with the participation of over 1,000 companies including Maltese businesses, several barriers were identified that hinder cross-border trade: most notably contractual and legal practices, varying national service rules, and limited accessibility to information on differing rules and requirements. These obstacles continue contributing to a fragmented landscape for companies.

It is time to make best use of the EU's strongest asset. During the upcoming EU legislative term, firm action is required by the European Commission to (a) strengthen the Better Regulation agenda by regulating only what is necessary and to apply a robust 'Competitiveness Check'; (b) Strongly commit to the 1-in-1-out principle based on proper evaluation of compliance costs and simplification; and (c) prioritising leaner implementation of existing legislation before proposing new initiatives.

The Commission should also ensure that EU regulations are coherent and consistent across member states. By taking these steps, the Single Market would become an enabler for businesses and more attractive for investors, which in turn would boost economic growth and job creation.

The EU must promote and further improve the visibility of information portals such as Your Europe and the Single Digital Gateway that provide information and contact points to companies looking to access new markets or internationalise their business. The National Contact Points and the local Enterprise Europe Network are also there to provide support in this regard. By taking these steps, the EU can make the Single Market more accessible and easier to navigate for businesses of all sizes.

Labour and Skills

The EU may be the best place to live and work in, but challenges such as the digital transformation of our economy will require a quick adaptation, or it risks leaving a great segment of the labour market behind.

That digitalisation will shape the economy of the future, with many new job opportunities emerging while many others become obsolete is an established fact. The tool to empower people to face the speed in which economic transformation will take place in the coming years is education, reskilling, continuous professional development, and lifelong learning.

The future labour market will be characterized by employees alternating between jobs, sectors, standard and non-standard types of employment over the span of a career. The basics of learning provision will continue to be ingrained in national educational systems, but more coordination among member states will be required in sharing experiences, best practices, and work towards common goals.

It is crucial for the EU to continue building on the European Year of Skills and other transversal strategies such as the 'European Skills Agenda', 'Europe's Digital Decade', 'Pact for Skills', 'EU Talent Pool' and others.

Furthermore, the EU budget must continue mobilizing funding to provide the necessary tools through public investment for learning mobility, support frameworks for upskilling, and investment in the digital capabilities for education providers. EU programmes such as Erasmus+, the European Social Fund+ and the Digital Europe Programme, among others, remain key to deliver on these objectives.

Tourism

Tourism is a major socio-economic activity in the EU. It contributes to economic growth, creates and sustains millions of jobs and is a positive force of cultural interaction among peoples. However, as with any major activity, it also has an impact on the environment due to transport and a strong footprint in urban areas characterized by a concentration of tourists. These are issues which will become even more acute in the coming years, including in island destinations such as Malta.

The tourism sector drives many business activities, including hospitality, food and beverage, agriculture, heritage, transport, technology, and professional services among others. While tourism policy is primarily of member states' competence, the EU also has a role in shaping and paving the way for tourism to flourish.

For instance, the EU Schengen project is the cornerstone enabling freedom of movement of people across many EU member states that also benefits tourism; and the EU visa code establishes common procedures for third country nationals to visit any EU country.

During the last term, the EU has rolled out several policies and legislations covering different aspects of the economy impacting operators linked to the tourism sector. For instance, important progress was registered in areas such as making online distribution channels more transparent, creating a better level playing field in the private short-term rental sector, and acting on lessons learned from the pandemic by updating the rules on package travel offering.

However, there were also legislative proposals in the last term that risk impacting tourism activity in general. The Revision of the Energy Tax Directive for instance, which was part of the Fit for 55 Package, looks to phase out the current exemption of tax on fuel on the aviation and maritime sectors. Maltese business supports the transition towards greener transport fleets and believes that this is well addressed by the RefuelEU and FuelEU Maritime Regulations but consider that the proposals in the revision of the Energy Tax Directive proposal will make travel more expensive at no environmental gain, given that airlines and maritime operators are not expected to reduce the frequency of operations. The measures will also impact islands and peripheral countries in an unproportional way.

There are other reforms to improve the competitiveness of certain tourism operators that are in the pipeline but still pending, such as the Tour Operators Margin Scheme (TOMS). This system aims to provide simplification to operators by sharing the tax benefit between the destination and the operator's country of establishment, as well as minimizing the need for multiple registrations. But there is currently an unlevel playing field that needs to be corrected.

More broadly, in the upcoming term, the EU must also build on the 'Transition Pathway for Tourism' that was published in 2022, and which presented insights on proposed ways forward for tourism activity from a European perspective to transversal issues such as the green and digital transition.

An important component in the EU's tourism strategy should also be to focus on marketing Europe as a destination of excellence. Europe is very diverse and has so much to offer. The purpose of EU tourism promotion should not be of replacing member states' efforts, but to complement it by focusing and offering visibility to locations, activities and heritage that go beyond the mainstream. As a champion of causes such as embracing diversity and environment preservation, the EU should also pitch to specific categories of travellers in an effort to attract more tourists looking for special niches and with specific preferences.

EU Enlargement

The European project started with 6 founding members and expanded over time to 28 member states, now 27. The EU project is primarily one of promoting peace among European nations but also a means of economic cooperation to bring about long-lasting prosperity in the region.

Last year, the EU refocused its priority for enlargement by reiterating its commitment to the Western Balkan states and granting candidate status to Ukraine and Moldova. The relationship with Turkey remains at a standstill since 2018.

Maltese business believes that EU enlargement brings challenges and opportunities. On the positive side it will expand the European Single Market resulting in broader market opportunities for businesses and a stronger leverage for the EU on the global stage. At the same time, this will bring important challenges for the internal functioning of the EU, particularly given its complex and lengthy decision-making process.

As the EU will need to reform itself to accommodate a larger Union, it is crucial to understand how such changes would impact small and peripheral member states. While the EU functions through shared sovereignty, certain safeguards are necessary to be retained to ensure the integrity of all member states.

Next Multiannual Financial Framework

The MFF must have competitiveness and growth at the centre of its mission by leveraging private investment and creating the conditions for quality employment opportunities. It also presents an important means to channel investment towards shaping the EU's immediate as well as long term policy objectives. This is a challenging undertaking because the level of financial investment required to keep up with the level of ambition, particularly in the field of research and innovation, is substantial.

Nonetheless, before looking at opening discussions on increasing the EU budget, which always prove difficult politically, one must look at improving the efficiency of EU expenditure, by analyzing in more depth where EU funding maximises impact through public grants or using financial instruments. Furthermore, one can look at savings that can be made through further streamlining and digitalization of processes, and by consolidating new ways of implementing EU projects involving more digital communication and less physical travel.

In 2021, the European Commission published the 'The next generation of own-resources' plan that included a proposal to contribute revenue to the EU budget from a reform of the international corporate taxation framework such as BEFIT. Pursuing a larger EU budget from own-resources should not come through the form of new taxation which would bring about direct and indirect adverse impact on companies.

The EU budget should aim to reach companies in the broadest form and this could be possible by continuing to improve the accessibility of funding through more innovative promotion of programmes and simplification of processes to apply for funding such as integrating further the 'once-only principle'.

There is no need to reinvent the wheel, but rather work with intermediary stakeholders such as EU umbrella and national business support organisations to create networking opportunities enabling cross-border partnerships and to increase the visibility of EU funding opportunities directly with businesses.

State-aid and Regional-aid

State aid and regional aid must be viewed as an instrument not only for promoting the development of less prosperous regions, but also as a means of neutralising systemic regional handicaps of certain regions, including island states.

In Malta's case, its perceived regional handicaps of remoteness and small size result in higher transport costs due to its island status located far from the geographic and economic core of the EU.

State aid must be allowed for the purpose of offsetting additional transport costs for goods produced or processed in remote regions to mitigate the immediate consequence of remoteness which results in extra transport costs and consequently extra operating costs.

Better Regulation

The recent European Commission's commitment to undertake a 'Competitiveness Check' ahead of proposing new EU legislation is a welcome development. This was an important contribution by employers to the Conference of the Future of Europe and it is positive to see that the EU institutions take up such feedback.

But Maltese business believes that this good practice should go even beyond, by incorporating in the impact assessment process an additional criterion of 'Territorial Proofing' or an 'Insularity Test' to identify and mitigate adverse impacts on the competitiveness of specific territorial characteristics of EU island states and regions.

The rationalisation of reporting requirements being undertaken by the European Commission in the coming months is also a positive development. But one must ensure that this is a meaningful exercise and not a public relations stunt. The reduction of reporting requirements must be a serious process that leads to a quantifiable reduction in administrative and financial costs, not merely a superficial list.

In addition, there is an urgent need for EU legislators (European Parliament and EU Council) to put their commitment in the 2019 'Interinstitutional Agreement on Better Law Making' of conducting impact assessments on substantial amendments introduced during the EU legislative process into practice. Several provisions that ultimately negatively impact island states are introduced through amendments by the respective co-legislators. The return of the truck provision in the Mobility Package I, which is now subject to a European Court of Justice ruling is a case in point.

GREEN TRANSITION

General Overview

Europe's commitment to sustainability and climate change mitigation is evident in the European Green Deal. This roadmap aims to make Europe the first climate-neutral continent by 2050, transforming the EU into a prosperous, modern, resource-efficient, and competitive economy. The EU's sustainability policy agenda has been guided by the Green Deal's priorities, covering sectors like energy, transport, industry, agriculture, and buildings.

The last EU legislature emphasized cleaner energy and reducing greenhouse gas emissions. Proposals under the Fit For 55 packages (including renewable energy, energy efficiency, building renovations, and cleaner transport fuels) contribute towards these objectives. Most proposals have been adopted as law, with some controversial issues for island states such as Malta, like the phase-out of tax exemptions on maritime and aviation fuels, still under debate.

In the last two years, the European Commission has also focused on waste reduction and broadening the circular economy. Measures included reducing single-use plastics and packaging waste, improving product eco-design, and strengthening waste management processes.

Opportunities for Growth

The MBB supports the European Green Deal and the broader sustainability agenda. It recognizes climate change and environmental degradation as pressing global challenges, with a direct impact on Malta and our businesses, if not timely addressed.

Investing in sustainability can be beneficial for businesses, especially in evolving markets. It opens opportunities for innovation and growth, such as in renewable energy, energy efficiency, and clean technologies. The demand for these solutions is expected to rise significantly.

Consumer behaviour is changing towards favouring more sustainable products and transparency. Businesses offering sustainable goods and services will likely succeed. Increased resource efficiency can also reduce costs and make businesses more appealing workplaces.

Financial Support Must Meet Climate Ambitions

While sustainability benefits are clear, businesses face challenges in achieving ambitious environmental targets. Costs are a primary concern, as businesses must upgrade products or infrastructure to meet stricter sustainability requirements. This is particularly challenging for SMEs with limited resources.

Maltese businesses can apply for local and EU funding opportunities, such as those offered by Malta Enterprise, the Energy & Water Agency, EU Structural Funds, and the Recovery and Resilience Facility (RRF). However, uptake for some schemes is lower than expected due to issues related to EU state aid rules, which place limitations on what support can be provided and to which level.

The private sector, bearing a significant cost of the green transition, needs to be sufficiently supported by public funds. For example, most RRF funds are diverted towards public buildings and infrastructure. While public sector leadership is crucial, private sector benefit from such funds must significantly improve to align with the ambitious investment requirements and leverage its greater economic multiplier effect.

The Legislative Competitiveness Gap

Balancing sustainability with economic competitiveness is crucial. Europe's leading role is commendable but acting alone risks degrading competitiveness against jurisdictions with less stringent environmental standards. This highlights the key role played by Climate diplomacy.

New legislation should consider the geopolitical and economic context. Economic shocks from the Covid-19 pandemic, the wars in Ukraine and in the Middle East have raised input and transportation prices, affecting business viability. New legislation should avoid exacerbating this through compliance costs that are not fit for purpose.

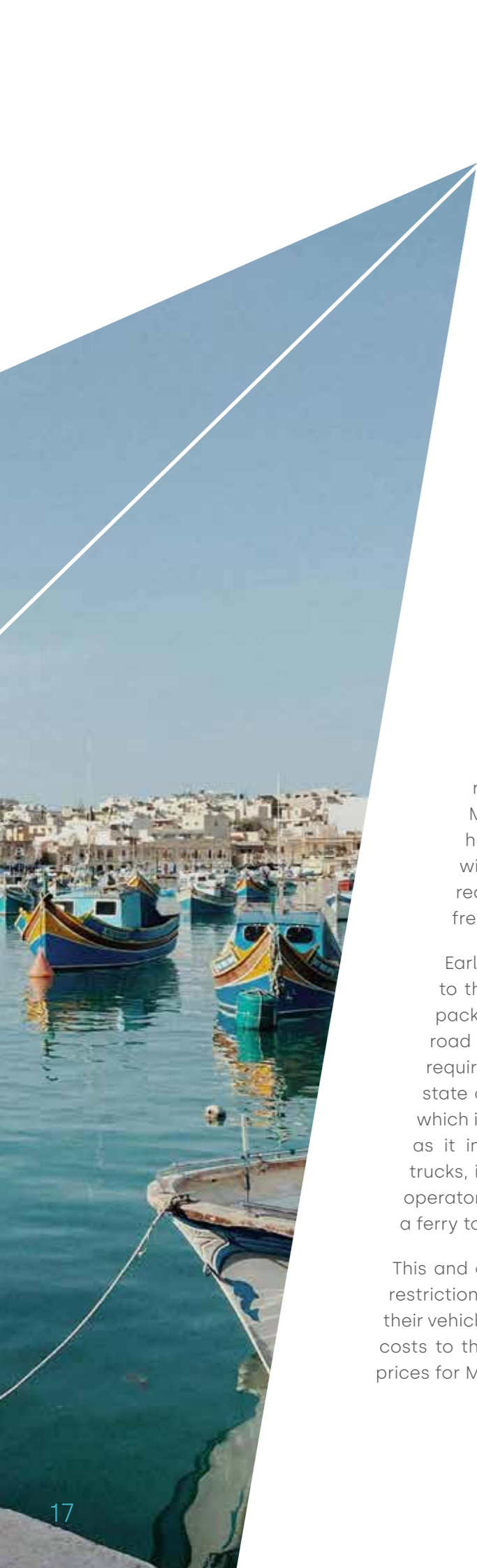
Finally, as the geopolitical context is becoming more complex, Europe is facing recurring external economic shocks. These not only affect the ability for businesses to invest in sustainable measures, but also pose a threat to their survival. As a last resort, EU policymakers should be more receptive to making use of 'stop-the-clock' mechanisms should future shocks and economic difficulties affect member states' abilities to meet their targets.

Sustainability In the New EU Term

Sustainability is expected to maintain its importance as a key priority on the EU agenda during the next legislature. As the web of environmental policy becomes increasingly complex and involved more deeply in the daily operations of our businesses, the MBB calls on policymakers and legislators, to understand genuine business concerns during their negotiations.

This includes considering the wider economic implications of proposed EU legislation beyond the stated scope of the proposal. During the last years the reality of island-states such as Malta has been totally overlooked by EU policy and legislators, increasing costs and negatively impacting its competitiveness.

A prime example is the revised Emission Trading System (ETS) that was extended to the maritime sector, and which aims to reduce emissions generated by large ships using EU ports. While the objective is positive and much needed, in practice it will introduce uneven competition in the Mediterranean between EU and non-EU ports which are not covered by the ETS. As a result, the ETS poses a clear risk of carbon leakage from operators shifting their activities away from EU transshipment hubs and toward non-EU ports in North Africa.



Aside from defeating the legislation's environmental objectives, such a scenario will jeopardise Malta's economic competitiveness as an important transshipment hub and will also impact cargo destined for our islands. This in turn has a spillover effect on other sectors which depend on sufficient connectivity to global hubs.

Another example is the Revision of the Energy Tax Directive, which has also been referred to in the Competitiveness and Growth chapter. This proposal, which is still being negotiated at EU level, will result in higher operating costs that will be passed on to businesses with import and export activities, and which is disproportionate when considering that Malta based operators do not have access to road or rail alternatives to the EU mainland. Malta based manufacturers require to import and export most of their products considering that no raw material can be sourced locally, and most manufacturers are part of wider international supply chains. The provision will also have a substantial impact on inbound tourism that represents a significant economic activity as a share of Malta's GDP. Ultimately, the introduction of this tax will have a negative competitiveness impact on island states without any environmental gains in terms of emission reductions given that the scope is not to reduce the frequency of transport services.

Earlier examples with significant impact on Malta relate to the outcome of the Mobility Package I, which is a broad package including provisions on road transport. Maltese road transport operators for instance became subject to a requirement to return their trucks to Malta, as the member state of establishment, at least every 8 weeks. This measure, which in principle goes against the nature of the EU Green Deal as it increases unnecessary road legs, possibly with empty trucks, is even more burdensome and costly for road transport operators from island states as it will require their trucks to board a ferry to cross the border.

This and other provisions, such as cabotage rules, impose great restrictions on the ability of Maltese transport operators to use their vehicle fleets at maximum capacity and increase unnecessary costs to their operations, which are ultimately reflected in higher prices for Maltese manufacturers and consumers.

Keeping Regulatory Burden in Check

New legislation and proposals place a heavy administrative burden on businesses, leading to uncertainties about compliance. For instance, the Packaging & Packaging Waste Regulation's vague definitions and exemptions raise questions. Businesses need legal certainty to plan accordingly. We hope that the ensuing trilogue negotiations will provide greater certainty.

The Corporate Sustainability Reporting Directive (CSRD) is another prime example of excessive burden placed on companies caused by the level of detail required. Most companies would have to engage external consultants which come at significant costs.

As the number of new environmental policies increase, regulatory burdens on businesses should be continuously assessed. Complex and burdensome regulations can increase the cost of doing business, stifle innovation, and make it difficult for new businesses to enter the market. Policymakers and legislators have a key role to ensure that regulatory burdens are kept to a minimum. This can be done both during the review of existing policies and during negotiations on new proposals. Policies must be flexible, focused, and involve as little intervention needed to achieve their stated objectives.

Strengthening the EU's Open Strategic Autonomy

In the face of competitiveness challenges and an increasingly complex global landscape, the EU's pursuit of open strategic autonomy has become increasingly urgent. Pursuing this will strengthen the EU's economic resilience by reducing dependency on third countries, particularly in critical sectors such as technology, which is crucial for the green and digital transitions. By investing in its own capacity to innovate and produce solutions, the EU and its businesses can emerge as leaders.

It is crucial, however, to emphasise that this strategy is not about isolation. Rather, it is about the EU's ability to cooperate with diverse and reliable global partners to address common challenges such as climate change.

Positive steps have already been made through legislation such as the Net-Zero Industry Act and the Critical Raw Materials Act, which aim to ensure the EU's autonomy in the areas of net-zero technology production and access to critical raw materials. It is crucial that EU policymakers continue to prioritize and advocate for this direction, which should consequently serve as the cornerstone of the EU's economic strategy going forward.



DIGITAL TRANSITION

General Overview

Digitalisation has been and remains a main priority on the EU agenda. The EU's efforts are guided by the Digital Decade policy programme, which marks the period until 2030 outlining the objectives for the digital transformation in Europe and how they can be achieved. The European Commission's trajectory includes 4 main points: (i) a digitally skilled population; (ii) secure and reliable digital infrastructures; (iii) the digital transformation of businesses; and (iv) the digitalisation of public services.

During the last term, a series of legislations were adopted to shape the digital landscape, such as: The Data Governance Act; The Digital Markets Act; The Digital Services Act; The Data Act; and The Artificial Intelligence Act.

Evolution of digital technologies

As the adoption of such intensive regulations in the digital space get completed, the focus must now shift from introducing new layers of regulation to ensuring an effective and consistent implementation of these rules and to maximise its positive impact on society and businesses across the EU. To maintain its position as a pioneer in shaping the digital technology landscape, the EU must demonstrate that its regulatory framework fosters a fertile ground for testing, launching, and scaling innovative products and services across the European Single Market and beyond. New regulations should be limited to where genuine market failures are identified.

In 2023, the European Commission has taken a proactive step towards embracing the digital revolution by introducing the Web 4.0 strategy that is focused on the virtual worlds and to steer the next technological transition. This shall look at creating an EU digital space that is open, secure, fair, and inclusive for citizens, businesses, and public administrations.

This initiative anticipates the fact that the next EU legislature must be prepared for more disruptive and fast-paced advancements in the space of the industrial metaverse, quantum technologies, data storage and processing infrastructure, advanced semi-conductor technologies, and biotechnology. Continuous innovation is a characteristic of digitalisation, and it must be ensured that relevant legislation is adopted in a timely manner and to be future proof without stifling innovation. Further use of regulatory sandboxes, where businesses are allowed to experiment with new and innovative products and services under supervision of a regulator for a limited time, will be important.

Virtual Worlds and the Industrial Metaverse

Immersive digital realms, also known as metaverses or virtual worlds, are computer-generated environments that enable users to engage with one another and their surroundings in a variety of ways. The European Commission anticipates that by 2030, a significant portion of the population will be using such technology daily, with an estimated global value exceeding €800 billion by 2030 and the potential creation of 860,000 new jobs in Europe by 2025. Virtual worlds are poised to revolutionize the business and employment landscape in the EU.

This also applies to the Industrial Metaverse, which envisions how manufacturers can leverage the metaverse to simulate real-world scenarios in a virtual environment. A new European Partnership aims to bring together key players to promote research and establish a technical roadmap. Europe possesses a vast potential industrial market that could reap significant benefits from these future technologies.

However, just like the emergence of the internet did in the last century, these opportunities will also bring some important challenges. These include access to reliable information, digital skills, user acceptance and trust in new technologies, as well as broader issues related to ethical and fundamental rights. These are some of the challenges that need to be duly addressed by EU policymakers in ensuring a level-playing field, equal access, proper safeguards, yet without stifling innovation.





Quantum Technologies

Quantum technologies, encompassing quantum computing, cryptography, communications, sensing, and radar, have revolutionized scientific research. Lasers, electronics, satellite-based positioning, and medical imaging are just a few examples of their impact. The second quantum revolution is now unfolding, with critical infrastructures, sensitive communications, and data facing increasing cybersecurity threats. Advances in mathematical algorithms, supercomputing, and quantum computing could soon render current encryption systems obsolete. In response, novel cryptographic techniques based on quantum mechanics offer significant potential to safeguard sensitive data and digital infrastructure.

Further discussion is required at EU level in examining the quantum industry and its prospects compared to other quantum powerhouses like the US and China. In maintaining EU competitiveness, it needs to be ensured that adequate EU funding continues to be directed towards European quantum programmes such as the 'Quantum Technologies Flagship Initiative' and the EuroHPC Joint-undertaking initiative on building state-of-the-art quantum supercomputers.

Artificial Intelligence (AI)

AI technologies are rapidly gaining prominence and pervasiveness. When used responsibly, they hold immense potential to benefit businesses and citizens at large. However, like any advanced technology, AI can also be misused, leading to unethical practices or malicious outcomes. The EU's Artificial Intelligence Act is the first of its kind, establishing clear guidelines for safe AI innovation and deployment while preventing its misuse that could expose individuals to unacceptable risks.

The AI Act envisions establishing coordinated regulatory sandboxes to foster AI innovation in a controlled environment for businesses to test and refine AI-driven products, services, or business models under narrow regulatory supervision. This approach incentivizes innovation while it enhances regulators' understanding of AI technologies. However, while safeguards must be in place, for regulatory sandboxes to be more effective the EU must also look at providing more liability protection for sandbox participants and a better interplay between AI sandboxes and EU data protection rules.

Digital competitiveness

During the next term, it must be ensured that businesses are allowed to operate without a regulatory overload. Most operators in the digital field are young, micro or small-sized companies, whose main focus ought to be on driving technological solutions that enable the wider business community to be more efficient and productive in their operations.

New regulatory frameworks in the digital field must follow the smart technology sovereignty approach whereby they serve to create attractive business environments and a level playing field for companies to thrive and compete globally. Needless to say, excessive bureaucracy must be avoided as this negatively impacts the time to market of EU digital products and services. Rather, there should be a strong focus on removing regulatory bottlenecks, an initiative that should go beyond the Commission's reporting rationalisation process.

The digital transition must be matched with ambitious funding. It must be ensured that funds distributed from the EU budget maximise their intended impact. The Multiannual Financial Framework (MFF) allocates important financial resources through the Digital Programme, Horizon Europe, Connecting Europe Facility for Digital Infrastructure, and the Recovery and Resilience Funds (RRF), among others. As the new MFF programme starts in 2027, these investments must not only be guaranteed but also reinforced.

Finally, strengthening the digital skills of our workforce will remain one of the fundamental challenges of the digital transition. This will require ongoing public awareness and investment in education and training to ensure that companies find the human capital to manage and operate digital tools, as well as to shape upcoming innovators that will create the digital technologies of the future. Basic digital literacy is also important for the population at large to ensure the safe use of technology and safeguard against cybersecurity risks, both at the workplace as well as in daily lives.



MEP ELECTIONS 2024

Maltese businesses' expectations from elected MEPs

Malta has the least number of MEPs in the European Parliament. The volume of legislation going through Parliament is overwhelming which is why Maltese businesses expect MEPs to take up membership of committees strategically in order to actively monitor and intervene on legislations of relevance to Malta.

The following European Parliament committees are considered to be of most importance for Maltese businesses where it is crucial to have Maltese representatives:

- **Internal Market Committee (IMCO)**
- **Employment Committee (EMPL)**
- **Industry Research and Energy (ITRE)**
- **Transport and Tourism (TRAN)**
- **Economic and Monetary Affairs (ECON)**
- **Environment, Public Health and Food Safety (ENVI)**

Maltese business expects that elected MEPs put Malta and the competitiveness of the Maltese economy before political parties' agenda. Considering the limited resources, MEPs and the Maltese business community need to work more closely together in the national interest.

Maltese business calls for more open and two-way communications whereby both Maltese business representatives as well as MEPs alert each other about legislations, specific provisions in proposals, and amendments proposed throughout the legislative process, that may be of concern to Maltese businesses. They also encourage better coordination among all parties involved in EU negotiations, including Maltese Government officials and MEPs.

Maltese business advocates for more enhanced stakeholder management and for MEPs to stay close to home through regular dialogue and consultation on the work they undertake in their respective committees throughout the whole legislature. MEPs should also take a further step beyond listening to the concerns of businesses and provide feedback on their interventions and outcomes in the parliamentary work. Furthermore, MEPs must also take up rapporteurship of legislative proposals and own-initiative reports more strategically on topics that are relevant for Malta and could have serious impact, or create important opportunities, for Malta and Maltese business.

Message to Maltese businesses leaders

The European Parliament election is an exercise of the democratic right to take part in decisions of Europe's future. It is critical that not only one exercises the right to vote and to vote for political parties in the mainstream of EU politics with a mission of strengthening the EU moving forward. It is also important to evaluate the candidates of such parties and give one's trust to prospective MEPs that prove to be competent, showcase a true understanding of Malta's EU business priorities, and express the confidence to be open for dialogue and to stand up for Maltese businesses interests throughout the legislature.

Business leaders are also invited to take an active interest in EU proposals throughout the EU legislature and engage by providing feedback at an early stage so that Maltese business representatives can engage with EU officials and legislators in a timely manner of the negotiations.



HEAD OFFICE

Malta Business Bureau
The Exchange Buildings
Republic Street
Valletta VLT 1117
Malta

T: +356 2125 1719
E: info@mbb.org.mt

BRUSSELS OFFICE

Malta Business Bureau
Rond-Point Schuman 6 – Level 7
1040 Brussels
Belgium

E: infobrussels@mbb.org.mt

www.mbb.org.mt

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