



Ufm Conference on Regional Integration and Value Chain Transition

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Panel II: What does a Green Transition mean for regional value chains

As regional and international value chains respond to the economic pressures and geopolitical fault lines in the aftermath of the recent crises, how do they reflect a recovery scenario where just transition and low-carbon transition are conceived as building blocks of a more inclusive and sustainable global economy?

First of all I would like to thank the 'Union for the Mediterranean' for the invitation to speak during this conference which is discussing Regional Integration and Value chain transition. The Gozo Business Chamber, of which I am the CEO is a very specific association which merits particular attention because it represents business associations on an island within an archipelago, that is an island which is dependent on another main island.

And therefore my perspective on regional integration and value chain transition is obviously affected by this reality. My international perspective on this subject on the other hand, is also affected by our active participation within INSULEUR, which is the association which represents the Chambers of the Islands of the European Union, and which together with other entities is working towards the promotion of an "island agenda". This means that together with other entities we are pushing for every policy initiative to be seen from the perspective of islands, and how this is going to affect islands before this being implemented at an EU level.

In this case the reality of Malta and Gozo are also different. Though Malta already in itself faces specific challenges because it is an island, it does have an international airport and maritime infrastructure, which Gozo obviously does not have. It therefore depends on the main island's airport and maritime infrastructure for the international flow of goods and people. This does not by any means imply that the island of Gozo is isolated. On the contrary it is connected through a ferry and also today a fast ferry service, with the latter available only for commuters.

In 2022 the number of maritime trips between Malta and Gozo amounted to 38,453 (NSO 2022, p. 68). The number of vehicles that travelled between Malta and Gozo in 2021 amounted to 1,727,629 while the number of passengers amounted to 4,451,692 (Ibid., p. 72). This, when one considers that the fast ferry service started operating in June 2021 and that both the ferry and the fast ferry service use the same port infrastructure that is that of Mġarr. When one considers that in 2019 i.e. a year without travel restrictions, the passenger flow at the Malta International airport was of 7,317,878, (ibid., p. 16) one can see that the present port infrastructure in Gozo can be easily compared in terms of passenger flows to the country's international gateway but with a very limited infrastructure. From information available to the Gozo Business Chamber in 2022 there were more than 80,000 commercial vehicles that crossed between Gozo and Malta alone.

The Report 'Regional Integration in the Union for the Mediterranean: Progress Report' highlights the importance of analysing integration via the participation in regional value chains (OECD 2021, p. 48). In this report it is highlighted how a good transport infrastructure is a necessary prerequisite for the integration in value chains. In fact the report specifically highlights how "better transport infrastructure also allows businesses in rural and remote areas to connect to national and international product networks" (ibid)

And I believe this is a very important reality for islands. As it is the current transport infrastructure on which our commercial operators now rely, is not very much sustainable. This applies to the ferry that is used between Malta and Gozo. I believe that in order to become more sustainable we need to use more the available maritime routes, and that means for example having a maritime route specifically dedicated for commercial vehicles between Valletta and Mġarr. It was present, and we are now advocating for this to return. The introduction of the fast ferry service in June 2021 showed how creating effective and efficient maritime routes can help people to shift to the use of maritime transport and to actually ditch cars but the public transport network must be integrated in such a way to enable this change.

During the past months the idea of having a dedicated maritime link between the freeport which handles containers and the island of Gozo was explored. However, due to the limited economies of scale even operators highlighted that this did not make sense. Nonetheless because of the substantial commercial activity between the two islands, it was highlighted how a maritime transport link between Gozo and Valletta for commercial vehicles would lessen the carbon footprint as it would shift commercial vehicles from travelling the whole island to access the port of Ċirkewwa which is the departure point to Gozo.

As regards to the question put here, commercial entities in Gozo, as they operate also internationally are not immune to the aftershocks of the COVID-19 pandemic, which for commercial entities on islands has meant higher accessibility costs. Though there was substantial work both from the public sector and the private sector to ripristine commercial routes the situation is below optimal.

In this situation we need to keep in mind that we cannot have a low carbon transition before we have a just transition. Both go hand in hand and at the same pace. And therefore that is why as INSULEUR we have advocated against the proposal put forward by the European Commission to remove the tax exemption on aviation and maritime fuel. We believe that the technologies in both sectors have not moved fast enough to enable the transition to more sustainable fuels. In this case we have put forward the proposal that instead of removing this tax exemption more efforts should be targeted to incentivise research in this areas. As it is with this proposal we risk increasing the cost of aviation and maritime transport to islands without in reality enabling the required changes in both sectors. Such a measure would in fact increase the inequity already faced by islands without actually leading to a low carbon transition.

On a positive note however I would need to say that from a services point of view the COVID-19 pandemic has shown that services which actually do not require a physical presence can be done from islands such Gozo. And this was only possible also because of important investment in the digital framework of the island whereby the Government invested in a second fibre optic link between the two islands which solved the issue of redundancy which was the main stumbling block for companies in the digital sector to set up shop in Gozo. We have seen people working comfortably and using Gozo as a base. And in this respect we have seen that the COVID-19 pandemic has made people look to Gozo as their investment location.

What do you consider to be the most important bottleneck to greener value chains in the region?

In our case I would say the physical infrastructure. The island of Gozo is dependent only on one access point i.e. the Mġarr port, as explained in my previous intervention, and it was only recently that a fast ferry service was included.

In this regard I would quote from the OECD Progress Report on regional integration in the European Union whereby it is highlighted that:

“In transport infrastructure connectivity challenges in the region include a lack of multi-modal connectivity, over-reliance on roads and a fragmented port system. The high logistics costs and delays limit participation in global value chains and trade integration.” (OECD 2021, p. 100)

I believe that more investment needs to be done in exploring multi-modal connectivity but also as regards the planning side we need to plan better as a current bottle neck is the present road infrastructure surrounding both Mġarr in Gozo, and Ċirkewwa in Malta.

Bibliography

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