

Speech by the Gozo Minister for the INSULEUR FORUM 2019

25th October 2019

Digital Transformation of European Islands

Distinguished Delegates, Guests,

It is my honour to introduce this year's INSULEUR Forum under the Presidency of the Gozo Business Chamber. I especially thank the Chamber for its important role in this event, and for its continued hard work and support to help Gozo in its path to become a role model for business and social development in European islands. This, in spite of our smallness, double insularity and peripherality.

Insularity can serve as a threat and an opportunity to territorial development. This makes islands a particularly interesting arena for digital transformation. As we all know, islands in the EU are typically faced with a number of social and economic challenges. These include small and ageing populations, out-migration of youths pursuing better job opportunities, detachment from the main economic centres as well as a higher cost of doing business resulting from insufficient economies of scale. Nonetheless, both insularity and smallness can be considered as assets if adequate policies are in place. Insularity leads to a degree of self-sufficiency in island communities which might inspire creativity, as the small scale of most islands results into a relatively short path from 'thought to action'.

Ushered into the digital world with supportive policy approaches and business strategies, European islands can potentially be turned into innovative "test-beds" through the development of an experimental "probing and learning" environment which could attract young, highly-skilled and entrepreneurial individuals and activities.

A concrete example of this approach is the regulatory innovation business model being developed and adopted by the archipelago of Malta, of which Gozo is home to around 7% of the population. The country is making notable headway in regulatory innovation in a wide range of up-and-coming areas of the digital economy including i-gaming, distributed ledger technology, and more recently artificial intelligence. It is also innovatively combining traditional tourism models with the strongly growing area of esports. Through these efforts, Malta has gained global recognition as 'The Blockchain Island' and is putting itself on the map in the field of Artificial Intelligence. The vision is for Malta to become the 'Ultimate AI Launchpad'- a place where local and foreign companies and entrepreneurs can develop, model, test and scale Artificial Intelligence, and ultimately showcase the value of their inventions across an entire nation primed for adoption. The ICT sector which underpins the digital sector and serves as a reliable yardstick of its performance has grown to represent circa 6.6% of the gross value added generated by the Maltese economy, with an annual growth of 5.8%. The success registered so far augurs favourable prospects for further investment and growth.

Digitalisation is however not merely an option for a development path for European islands. More than that it is a need, because digitalisation is nowadays dominating all the facets of the global economy. ICT is no longer one sector, but rather an encompassing platform upon which other industries emerge. For instance, ICT provides several opportunities to promote sustainable tourism in islands by allowing the development of evidence-based policies, better resource management and

improvement in the timely measurement of the impacts of tourism. The success of tourism in Gozo is nowadays sustained not only by the backbone of improved physical connectivity and accommodation infrastructures, but also by the 'Visit Gozo' app, a mobile application which allows visitors to explore the island through a comprehensive database that is readily available to the visitor. Similar initiatives have been adopted in a number of Mediterranean islands, allowing tourists to access information about touristic attractions, and enhance sustainable tourism by monitoring tourist behaviour in real time.

Given the need for and opportunities from digitalisation, it follows quite naturally that digitalisation is rapidly becoming a platform for collaboration between European islands, in their efforts to become hubs of innovation. The Smart Islands Initiative is a bottom-up effort of European island authorities and communities which builds on years of collaboration to communicate the significant potential of islands to function as laboratories for technological, social, environmental, economic and political innovation. In particular, this initiative aims at encouraging a shift towards alternative, yearlong and sustainable inland coastal and maritime tourism, promoting small islands as test-beds for cutting-edge sustainable energy technologies, developing an integrated approach for the management of natural resources and infrastructure, as well as promoting intelligent transport management and information systems. The 'SmartPorts' project is an example of such initiatives which aims at improving and integrating the network of small ports in the Central Baltic Region via modern information and communication technology.

Key to the attractiveness of digitalisation for European islands is its promise to mitigate the tyranny of distance. Through digitalisation, islands have the potential to overcome geographical isolation by developing stronger links with the main centres of economic activity, developing innovative products and services to diversify business activity. Islands can improve competitiveness through the expansion of local businesses into new markets and by providing access to high-quality broadband with the potential to attract high value-added businesses and jobs within the knowledge intensive sector which help to reduce out-migration and brain-drain.

Against this background, my Ministry, with the support of numerous Government agencies, is continuously developing and promoting Gozo as a place where to do business smartly and innovatively. This involves encouraging Gozitan SMEs to move towards digital and innovative practices in order to overcome the physical constraints of the island. Through digitalisation, Gozo-based businesses are indeed becoming more autonomous and less dependent on the population living on the island. Thynk software, and RS2 software are two success stories of IT companies setting up shop in Gozo despite its geographical bottlenecks.

To multiply these success stories, we recognise the crucial importance of three basic requirements, namely: physical infrastructure, a receptive business culture and human resources. Indeed, a new Gozo Research and Innovation Hub has been set up to further strengthen the Island's potential in this regard, underpinned by world-class digital connectivity infrastructure to serve the needs of the island for decades to come. This complex will benefit both local and foreign enterprises by providing them the space that they need in order to operate and grow their operations over time in a well-equipped ambience. This investment is expected to create more high-level jobs on the island which would help to alleviate the significant brain-drain challenge in Gozo.

Among the firms that are allocated space within this hub are companies partnering with two global giants Google and Microsoft. A prime example of these is Noovle, an Italian company which opened up shop in Gozo just last year and is partnering with Google to offer Google Cloud initiatives, machine learning and blockchain solutions to its clients. Last August, Microsoft announced its partnership with the Gozitan IT specialists J2 Group which will be entering dimensions of artificial intelligence, machine learning, data analytics, productivity and efficiency, and augmented reality amongst other activities. As part of their joint research and development, Microsoft and J2 will be conducting pilot projects in Gozo to explore efficient ways for the implementation of this technology, which may lead to a substantial contribution in various areas such as health, tourism, traffic, supply-chain management and logistics. Our island of Gozo lends itself perfectly for such pilot projects with a small test base and at a contained cost.

These investments are testimony not only to Malta's, but also to Gozo's potential as an ideal location for doing business within the sectors related to new technologies that are shaping our future. However, such ventures would not have been sustainable without further investment that will deliver certainty and reliability to the technology business. These businesses are dependent upon connectivity that is secure on an uninterrupted basis with emergency systems in place to meet contingencies. The Government of Malta is therefore addressing this by investing €3.5 million in national funds for an ancillary cable that connects the two islands. This will help develop Gozo into a truly advanced technology location that enables Gozo-based companies to take their output to the next level.

Embedding a culture of digital thinking would potentially enable our islands to create capital from inherent territorial specificities through the development of place-based strategies that spur innovation and productivity growth, transform public services and improve the well-being of society. Hence, on this occasion I look forward to welcoming new initiatives and perspectives concerning the digital transformation of our islands and to work and collaborate closely with European institutions and all stakeholders to formulate propositions to overcome peripherality.

I wish you a productive conference and look forward to the proceedings.