



# Helping Small Firms Trade Effectively with the Internet



Case study: Malta's Trade Promotion Strategy

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## **The case of Malta shows how a national trade promotion organization can help SMEs take advantage of the Internet to boost exports.**

In Malta, trade promotion necessarily starts with creating visibility for the country. Due to its small size, foreign investors and potential commercial partners do not see or hear enough about Malta to appreciate its potential as a supplier of goods and services. Few people know that Malta manufactures and exports a broad spectrum of products ranging from sophisticated industrial equipment and semi-conductors to general consumer goods such as giftware and furniture, to management and financial services. Few know that Malta's export-per-capita ratio exceeds that of some of the most developed economies.

Trade support institutions have an important role in Malta, to firmly establish Malta on the world trade map. As the national trade promotion organization, the Malta External Trade Corporation (METCO) is the lead agency responsible for projecting Malta's image as a business partner.

### **National IT strategy: the link to trade promotion**

In 1994, the Government of Malta commissioned a one-year project to draw up recommendations to deploy information technology on three principal fronts:

- business opportunities and development;
- telecommunications infrastructure; and
- education.

The study, conducted by Malta's Council for Science and Technology, evolved into Malta's National Strategy for Information Technology. It identified IT as the necessary ingredient that Malta needed in its search for a new cycle of socio-economic growth and recommended ten strategic thrusts. At the top of the list stood the *raison d'être* of the IT strategy: "to augment Malta's profile as an international broker of services and goods".

*The Internet's role in trade promotion*

Visibility for Malta. METCO recognized the potential of the Internet as a promotional tool at an early stage. METCO Online was officially launched in July 1995, before an Internet node was available in Malta. For the first time, it was possible for foreign business entities to easily access online information about Malta, its business environment and support institutions, and about METCO and its services for the international business community. METCO was therefore instrumental in establishing Malta's presence on the Internet.

Visibility for Maltese industry. In 1995, METCO also published its 'Made In Malta Directory' company register in its entirety on the web. With over 1,500 entries, there are product and contact details for manufacturers, exporters and services companies, organized in 25 industry sectors. This online business directory is still the most accessed resource on METCO Online and has often proved to be the gateway that links Maltese suppliers and overseas buyers for the first time. This initiative placed METCO as one of the first trade support institutions to provide a comprehensive national register of exporters on the web.

Visibility for Maltese enterprises. Out of a registered user base of over 550 enterprises, only about 30% have a web site. Although the number is growing fast, METCO perceives this as being too low. It thus decided to take its exposure for Maltese exporters one step further: it delivers a comprehensive web-publishing service based on companies' specified needs, to help them use Internet as a promotional tool and generate business leads. Firms can bring product information to potential buyers via an online presence that already enjoys high visibility. METCO designed, hosts and maintains about 50 such web sites (with a detailed profile, a visual and descriptive product/service catalogue and an online electronic form for buyer enquiries). Firms can now have their own domain name and their own e-mail address. The enterprises pay an annual fee, which helps METCO gauge whether firms still deem the service as a useful one. This initiative establishes METCO's commitment to an environment that encourages and empowers Internet use within the business community.

#### **Government's role: infrastructure for a digital economy.**

A national culture of information technology is developing, spurred by massive infusions of information systems within the public sector. However, the level of confidence by Maltese firms has been low since e-commerce (or e-trade) is deemed as risky. This is because national legislation offers little by way of security or recognition for electronic transactions or contracts.

Two recent developments address the infrastructure gaps in establishing Malta's place in the digital economy: liberalization of the telecommunications sector; and the proposed establishment of a legislative framework for information practices.

Telecommunications liberalization. In April this year, the Government announced the reform and liberalization of the tele-communications sector. Malta already enjoys state-of-the-art digital telecommunications networks. The liberalization will end existing monopolies in fixed and mobile telephony, and in international gateway services. All other telecommunications services, including cable TV networks, have been liberalized.

Proposed e-commerce bills. In May, the Government published a White Paper proposing a legislative framework for information practices to position the country in the digital economy. It includes:

- an Electronic Commerce Bill which provides the legal basis for the safe but free conduct of electronic commerce;
- a Data Protection Bill which safeguards citizens from the potential abuse of their personal data through information systems; and
- a Computer Misuse Bill which protects owners' rights, valuable data and information systems.

The fundamental principle of the Electronic Commerce Bill is that electronic communications should not be discriminated against - that there should be no disparity of treatment between electronic communications, electronic records or information in electronic form and paper communications, records or information. This therefore brings together the legal and commercial structures for business transactions whether carried out in the physical or virtual environments.

The Bill draws on a variety of sources, including the United Nations Commission on International Trade Law (UNCITRAL) Model Law on E-Commerce of 1996, the 'Electronic Signatures' and 'Electronic Commerce' directives of the European Union, as well as from the legislation of other jurisdictions, primarily Australia and Ireland. When enacted, these three bills are expected to stimulate development of electronic commerce by consumers and businesses alike; to permit a quality leap in all government services, as they establish a critical foundation for e-government; and to position Malta as a leading hub for electronic commerce.

### **What Maltese SMEs say they need**

Maltese firms are characteristically small or micro enterprises. Typical of SMEs in general, many companies rely on a limited number of foreign markets. Again, as often happens with SMEs, both domestic and international sales and marketing are the function of one person (often the owner of the business). Due to obvious constraints, traditional market research is sometimes given only minor importance and consequently is not regularly undertaken. This maximizes the risks associated with international marketing efforts.

Maltese industry has developed during the past four decades under relatively sheltered conditions and has traditionally been orientated towards the local market. This has rendered some Maltese firms as relatively inexperienced operators in international trade, even if this characteristic is rapidly changing with more companies becoming increasingly active and successful abroad.

These same firms are now in an economy going through radical change; adapting to a new global trading environment presents a challenge to SMEs everywhere. Industry needs to restructure and internationalize in the shortest possible time. Given the extremely limited size of the domestic market, restructuring can only take place via export-led development that allows for the challenges and opportunities brought about by the digital economy. This is a scenario that many small countries and companies have to face and overcome.

Is Maltese industry ready for the Internet revolution? To find out, METCO recently commissioned independent research (consisting of ten focus group discussion meetings with randomly selected companies from various industry sectors). This in turn suggests that many SMEs are looking towards the Internet as a means for them to make the quantum leap into the global marketing environment - something which they could not readily do before the advent of the Internet.

Feedback from enterprises identified:

- Demand for faster, customized product- and market-specific information.
- Less willingness to physically visit METCO's Business Information Centre (trade library) to conduct basic secondary research.
- Less willingness to browse through printed business information prepared by METCO, such as market reports and newsletters and less printed promotional materials.
- Demand for more timely notification of trade and investment opportunities.
- Demand for more information on the realities of export potential and risks.
- A single point of contact and access.

### **Rising to the challenge**

Restructuring is not for industry only. METCO's operations and services are also being refined and intensified to help Maltese firms cope with increased domestic and imported competition, and to

further integrate Maltese enterprises in the global marketplace. In doing this, METCO has established Internet technology as one of the central elements for its internal efficiency and for export development. Substantial investment has been injected in the technological infrastructure to enable METCO to take advantage of the new electronic and telecommunications facilities available.

#### *Four pillars*

METCO's role is not at the policy-making level. Rather, it focuses on enabling the participation of enterprises, especially SMEs, in the digital economy by:

- creating awareness;
- stimulating use of the Internet;
- delivering value; and
- showcasing.

#### **A paradigm shift for SMEs**

From 2000 to 2002, METCO is implementing a series of incremental initiatives that provides immediate value individually, and long-term value collectively (see box). The aim is to achieve a transformation in how Maltese firms prepare for and conduct international business, a paradigm shift that can:

- encourage more firms to use more information and communication technologies in general, as well as to use the Internet as a market research tool and as a promotional medium;
- enhance the export capabilities of Maltese enterprises to achieve market diversification and economic integration; and
- enable industry to operate more effectively and competitively in international markets.

#### **METCO's offerings**

METCO is therefore realigning its strategy so that it is more adequately organized to:

- provide basic but essential tools to build national competitive advantage, by stimulating firms' use of Internet technologies in day-to-day operations;
- exploit business information resources, turning them into accessible, visible products, thus creating favourable conditions for Maltese firms to access business information, know-how, training and technology;
- create convenient and integrated systems to help promote Maltese products online;
- pioneer and showcase e-commerce solutions and value-added Internet services as models for Maltese firms to use and follow; and
- bring Maltese enterprises together via an interconnectible and interoperable framework, thereby enhancing METCO's interface with clients.

An extended intranet system linking Maltese firms to METCO is a priority in the short term.

Advantages to METCO and its clients:

- It nurtures a culture towards internationalization and enhances trade capabilities of Maltese companies.
- It lowers information barriers.
- It facilitates contacts between Maltese firms and foreign counterparts.
- It enables more effective participation of Maltese firms in the digital economy.

- It enhances the interface between METCO and the firms it aims to assist.

## Challenge for TSIs

The digital economy requires that all actors be equipped to participate successfully. In this new environment, information and information processing are the prime assets. Those who are prepared for information distribution, transaction processing, information processing technologies, and information processing services will benefit from opportunities.

Trade support institutions (TSIs) face the challenge of using technology to the fullest to help small firms make the leap into the global economy. Market competition is intense; the growing amount of media and information tools for trade promotion make that competition even more intense. Trade support institutions are uniquely positioned to demonstrate:

- How information and communication technologies are relevant to the needs of industry.
- Which technologies can have a positive and supportive impact on businesses.
- What exactly are the benefits of e-export, and what are the threats.
- How existing technology can be better utilized and how competitors are using it.
- What is affordable and easily implemented.

It is with this in view that METCO wants to bridge the gap, to help Maltese firms make more informed decisions, to benefit from new business opportunities, to find new buyers and suppliers, and become more efficient in dealing with clients.

## In a nutshell: Malta's strategy to bring firms into the digital economy, 2000-2002

### *Creation of awareness*

- Workshops, seminars and conferences.
- Small guides on Internet use as a promotional tool, as a medium for export market research, and as a direct marketing channel (e-commerce).
- Directory of Web Sites for Exporters (also available electronically).

### *Encouraging participation in the digital economy*

- Free, business e-mail account to all METCO registered users.
- Basic web presence for a nominal fee (in collaboration with the private sector).
- METCO e-Export award.

### *Adding value*

- Fast dissemination of trade leads and notices of international procurement opportunities via e-mail and the web.
- Online repository of trade, business and market information, tailored to needs of specific firms. (Contents: country and product-specific information; economic data. import/export regulations; business practices; trade statistics.) Expected to become METCO's principal means of providing business information.
- Business Information Centre database online, enabling firms to be aware of all information resources at METCO.

- Computer-based training materials relating to formalities of international trade and services such as banking, insurance and transport.
- Contact lists that enable Maltese companies to proactively get in touch with overseas organizations such as import promotion offices, trade fair organizers, industry associations, customs authorities and statistical offices.

### *Showcasing*

- Launching e-commerce enabled industry-specific web sites (in cooperation with other entities - local/international, public/private) in which Maltese SMEs can actively participate.
- Transform the 'Made In Malta' directory into an active resource by having an e-mail address and web page for each featured firm.

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