

INFORMATION

EXTERNAL RELATIONS

THE EEC AND MALTA

63/74

The 28th International Fair of Malta is to be held on July 1 - 15. The European Community is taking part in the Fair, and this seemed to us a good opportunity of sending you an information note on the relations between Malta and the EEC.

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I

The Island of Malta

Malta has its capital at Valetta, and is the principal island in a small archipelago in the Mediterranean, making a bridge between Europe and Africa. It has a population of 330,000.

Malta came into the hands of Islam in the year 870, was conquered in 1090 by Count Roger of Sicily and in 1518 it was given by the Emperor Charles V to the Knights of the Order of St. John of Jerusalem (or of Rhodes). The Order was established in the island until 1798, and in 1800 Great Britain moved in and made it a strategic base which was to be of vital importance in the second world war.

When Malta obtained her independence in 1964, she chose to remain in the Commonwealth and signed ten-year finance and defence agreements with Great Britain to facilitate her transition from being a "fortress economy" to an economy based on the production and export of goods and services.

In May 1972, Malta was party to a seven-year agreement for the stationing of British troops on the island.

Malta has two main objectives. The first is industrialisation to offset the loss of jobs resulting from the departure of the British armed forces. The second, is the diversification of her trading connections by opening up new markets.

Malta is seeking to set up a manufacturing industry, which is the only foundation on which her prosperity can be based. She has no industrial raw materials and only restricted opportunities for developing her agricultural production.

Another possibility for absorbing the available manpower would be through an expanding tourist trade.

Malta is a mediterranean country with its eyes turned towards Europe. This has led to her approach to the European Community as a step towards diversifying and consolidating her relations with her european neighbours.

II

Malta's trade with the
Community

Course of the trade :

Exports from Malta (million u.a.)

| | To the Community of "Six" | To Great Britain | To the Community of "Nine" |
|----------------|---------------------------|------------------|----------------------------|
| 1971 | 10,188 | 17,542 | 28,525 |
| 1972 | 17,257 | 22,699 | 40,475 |
| 1973 (Jan-Mar) | 4,752 | 5,817 | 10,777 |

Imports into Malta (million u.a.)

| | From the Community of "Six" | From Great Britain | From the Community of "Nine" |
|----------------|-----------------------------|--------------------|------------------------------|
| 1971 | 50,870 | 53,481 | 106,969 |
| 1972 | 54,259 | 48,744 | 105,878 |
| 1973 (Jan-Mar) | 14,206 | 13,462 | 28,341 |

Malta's trade deficit (million u.a.)

| | With the Community of "Six" | With Great Britain | With the Community of "Nine" |
|----------------|-----------------------------|--------------------|------------------------------|
| 1971 | - 40,682 | - 35,939 | - 78,444 |
| 1972 | - 37,002 | - 26,045 | - 65,403 |
| 1973 (Jan-Mar) | - 9,454 | - 7,645 | - 17,564 |

Source : European Community's Statistics Office

U.A. = Unit of account = c.BF.50 = \$1 before 1972 (the Smithsonian devaluation).

III

Malta's desire for an agreement

On September 4, 1967 the Maltese government sent in an application for negotiations with the European Community, aimed to set up a relationship "in whatever form and method may be considered most suitable". The application in fact advocated an agreement designed to lead in successive stages to a customs union. On July 30, 1968 the EEC Council of Ministers invited the Commission to enter into exploratory conversations with the Maltese government.

These conversations were held on October 21 - 23 1968.

On March 6, 1970 the Council agreed on a mandate for negotiations with Malta, with a view to an agreement to operate in two stages.

The first negotiatory sessions were held in Brussels on April 7 - 9 1970. They were continued on June 2 - 3 and completed on July 24, 1970.

On September 23, 1970 the Commission informed the Council that the Community and Maltese delegations had marked their assent to the text of the agreement setting up an association between the EEC and Malta.

IV

The association agreement

The agreement setting up an association between the Community and Malta was signed in Valetta on December 5, 1970. It provides for two successive stages of five years each.

The content of the second stage is to be defined during the eighteen months immediately preceding the end of the first stage. It is to include further measures for the elimination of obstacles to trade between the Community and Malta, the inclusion by the Community of agricultural products and the adoption by Malta of the Community's Common External Tariff.

The first stage (1971-76) is designed to contribute to Malta's industrial development. The agreement came into force on April 1, 1970; and from the outset the EEC granted Malta a 70 % cut in import duties for all industrial products except for petroleum products (1).

For all industrial products the Community eliminated all quantitative restrictions on goods from Malta.

Agricultural products and certain processed agricultural products are not included in the first stage. Imports into the Community of two food products of special interest to Malta (pasta and fine pastry cooks' wares) enjoy a 70 % reduction of the fixed component.

Malta is reducing her import duties on goods exported from the Community under the following schedule :

- 15 % on the entry into force of the agreement
- 25 % at the beginning of the third year
- 35 % at the beginning of the fifth year.

As from the fifth year the Community preference will be aligned on the Commonwealth preference if the latter is more advantageous to Malta than that scheduled to be granted by the Community.

This tariff disarmament is subject to a few derogations. These are aimed to allow Malta to have the benefit of fiscal receipts, enabling her to cover a large part of her budget expenditure and providing protection for certain industries. The agreement contains a special clause enabling Malta to reintroduce customs duties for the purpose of providing guarantees for subsequent industrial projects.

- (1) For four textile items (Nos. 55.05, 56.04, 60.05 and 61.01 of the Common External Tariff) the reduction in duty applies only to a tariff quota. The first regulations covering the opening, distribution and management of these quotas date back to March 1, 1971.

In order that Malta shall enjoy treatment no less favourable than is given to countries having the benefit of generalised preferences, it was agreed that the quota should be increased by 50 % in volume as from the year 1973 and the customs duties should be suspended in toto.

As regards quantitative restrictions, the Community is given the benefit of the status quo and the most-favoured-nation clause.

The administration of the agreement is in the hands of a Council of Association consisting of four members of the maltese government and members of the Council and Commission of the European Communities.

V

Generalised preferences

In 1971, Malta asked to be given the benefit of the system of generalised preferences, on the ground that her economic structure was such as to make her eligible. The problem was raised again in April 1972 at the first meeting of the EEC-Malta Council of Association.

In virtue of the generalised preferences system, the countries with similar climatic and social conditions to those of Malta, were enjoying customs facilities which created conditions better in some respects than those provided under the EEC-Malta association agreement.

In June 1973, the Council of Ministers approved in principle the granting to Malta of advantages equal to those enjoyed by countries covered by the generalised preferences system. Since April 1974 Malta has had the benefit of the system of generalised preferences on the import into the Community of industrial goods and certain agricultural goods.

VI

Food aid

In August 1972 Malta filed a request for Community food aid.

In October 1973 the Council decided to supply Malta, by way of gift, 2,500 tons of soft wheat under the Community food aid programme for the 1972-73 season. The programme for 1973-74 provides for supply to Malta of 2,000 tons of cereals and 150,000 tons of butter-oil.

VII

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| Adjustment and extension of the agreement |
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In common with all agreements with mediterranean countries, the EEC-Malta association agreement has to be adjusted on account of the enlargement of the Community (Article 108 of the Act of Adhesion).

At the first meeting of the EEC-Malta Council of Association on April 24, 1972, the maltese delegation asked for the agreement to be extended by the addition of financial and industrial cooperation and preferential treatment for maltese agricultural exports to the Community. The maltese take the view that the problems with which their country has to deal consist mainly of forming an up-to-date infrastructure and providing staff-level education and workers' training.

Following this request, a meeting was held in Valetta in June 1972, between a Commission delegation and a maltese delegation. These were explanatory discussions on which the Commission reported to Council in the following month. It proposed the opening of negotiations with Malta for the purpose of inserting in the association agreement an agricultural section and a cooperation section with provision for financial aid.

In the autumn of 1972, the Community worked out a general policy for its relations with the countries of the Mediterranean starting on the basis of the existing links between it and the countries in the region.

It was agreed that for some countries, including Malta, the work on this should be started as a matter of priority. Discussions have been put in hand with five of the mediterranean countries and these will be resumed in an early future.

The negotiations with Malta, both for the adjustment of the association agreement as it now stands and the inclusion in it of the two new sections proposed, will be part of the "globalisation" of EEC relations with its mediterranean partners.