

EUROPEAN BACKGROUND INFORMATION SUMMARY

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BACKGROUND NOTE

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RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND MALTA

The Commission of the European Communities has recommended to the Council of Ministers a new, expanded Association agreement between the Community and Malta.

The present link dates back to a 1967 request by Malta for a phased relationship with the Community leading to a customs union, with the eventual possibility of full Community membership.

Island of Christianized North Africans

Malta's geographical position and history give it a special interest in the Community's Mediterranean policy.

Malta's 330,000 inhabitants originate from North Africa and speak a language, Maltese, which reflects this fact. The spread of Islam reached the island in 870. Crusaders occupied it in the 16th century, but it later returned to what became Ottoman rule. Napoleon drove out the Turks in 1798, to be driven out in his turn by the British fleet two years later. Malta became a British colony. Until 1964, Malta was Britain's key strategic base in the Mediterranean. The people are now devoutly Roman Catholic.

Britain has cut down its military presence, and a 1972 seven-year accord will lead to final evacuation of British forces in 1979. The Maltese government seeks industrialization to compensate for the unemployment caused by running down the British base. Tourism has become a major exchange-earner. Malta which has the oldest Commonwealth university outside Britain, also seeks aid to develop education and vocational training.

Although British entry into the Community has caused competition to Malta for the British market from continental European goods, the United Kingdom remains the main export customer for the island state.

The Original Agreement

Initial talks between the Community and Malta took place in October 1968, and negotiations were held in Brussels in April, June and July, 1970. An Association Agreement was signed in Valetta, the Maltese capital, on December 5, 1970.

This accord prescribed two stages of five years, with the details of the second stage to be negotiated during the final 18 months of the first. This second stage was to complete the elimination of obstacles to trade between the Community and Malta, make provision for the inclusion by the Community of agricultural imports from Malta, and involve the adoption by the Mediterranean island nation of the Community's common external tariff.

The first (1971-76) stage was aimed at helping Malta's industrial development. From April 1, 1971, when the pact went into effect, the Community slashed import duties by 70 per cent on all Maltese industrial goods except petroleum products.

From 1973, in order that Malta's trading advantages should equal those of countries benefiting from the generalized preference system, all quotas on Maltese goods (except petroleum products) were abolished.

The first stage of the accord, however, does not include agricultural products or products with an agricultural base, except for a 70 per cent reduction in duties on Maltese pasta and confectionery.

Malta cut import duties on Community goods 15 per cent from the start of the pact, increased to 25 per cent on April 1, 1973, at the start of the agreement's third year. Malta is scheduled to increase the cut to 35 per cent at the start of the fifth year. If, by then, Commonwealth preference is better, this cut will be increased to match.

Malta is allowed to give tariff protection to some of its existing industries, and a safeguard clause allows Malta to reintroduce some tariffs to protect new industries. The Community receives most favored nation treatment from Malta and maintains a status quo on the question of quotas.

The agreement has been administered by an Association Council grouping Maltese representatives, members of the EC Council of Ministers, and representatives of the Commission.

Effects of Community Enlargement

On June 5, 1973, in response to a Maltese request, the Council of Ministers included Malta in the generalized preference system. Two rulings adopted March 4, 1974, suspended all duties on certain Maltese industrial goods, and totally or partially suspended levies on certain agricultural produce and certain transformed agricultural products. Since 1973, Europe has been giving Malta food aid.

Community enlargement on January 1, 1973, led to revision of the Maltese pact. During the transition period, Britain, Ireland, and Denmark are adapting their tariffs gradually to Community membership, while Denmark has agreed to apply the 1970 Maltese agreement in its totality. Britain and Ireland agreed to maintain their existing favorable tariff regimes on Maltese exports until March 31, 1976.

When the latter stages of the transition period involve import duties on Community goods in Britain and Ireland which are lower than Commonwealth preference, these reduced duties will apply to Malta also. The three new Community members will, however, not give Malta terms better than those accorded by these three countries to the original six Community members.

Malta is gradually aligning its trading preferences for Denmark on those accorded to the original six Community states. For Ireland and Britain, Malta is maintaining the advantages for those countries that existed under Commonwealth preference (for practical purposes, although not a Commonwealth member, Ireland enjoys most of the same privileges.)

Denmark is applying Community quotas to Maltese exports. Except for agricultural goods, Britain and Ireland maintain the quotas existing before British and Irish membership of the Community.

At the first meeting of the EC-Malta Association Council, on April 24, 1972, Malta asked for an expansion of the accord to include financial and industrial cooperation and preferential treatment for Maltese agricultural produce. Exploratory conversations were held in June that year. In July, the Commission advised the Council of Ministers to accept a plan along the lines of Malta's requests and recommended that cooperation negotiations with Malta be conducted parallel to those with the Maghreb countries (Morocco, Algeria, and Tunisia). The agricultural exports problem would be settled within the context of a Community policy for the Mediterranean basin. The Commission also recommended a cooperation agreement to help Malta diversify its industrial base and encourage Community investment in the island.

A six-year aid plan was proposed -- reduced to a five-year plan early this year.

The Council approved the Commission proposals and granted tariff reductions of between 40 per cent and 60 per cent for some Maltese agricultural and horticultural produce -- fresh tomatoes and onions, cut flowers, strawberries and potatoes.

ANNEX

COMMUNITY - MALTA TRADE

(all figures are in millions of units of account*)

MALTESE EXPORTS

<u>years</u>	<u>to the "Six"</u>	<u>to Britain</u>	<u>to the "Nine"</u>
1971	10,188	17,542	28,525
1972	17,257	22,699	40,475
1st quarter of 1973	4,752	5,817	10,777

MALTESE IMPORTS

<u>years</u>	<u>from the "Six"</u>	<u>from Britain</u>	<u>from the "Nine"</u>
1971	50,870	53,481	106,969
1972	54,259	48,744	105,878
1st quarter of 1973	14,206	13,462	28,341

MALTESE TRADE DEFICIT

<u>years</u>	<u>with the "Six"</u>	<u>with Britain</u>	<u>with the "Nine"</u>
1971	40,682	35,939	78,444
1972	37,002	26,045	65,403
1st quarter of 1973	9,454	7,645	17,564

* One unit of account equals approximately \$1.20.