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PRESS RELEASE

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December 10, 1970

FOR IMMEDIATE RELEASE

CUSTOMS UNION FOR MALTA AND THE COMMON MARKET IN TEN YEARS

WASHINGTON, D.C., December 10 -- Within ten years Malta will become part of the European Common Market's customs union.

The European Community and the Government of Malta have signed an association agreement to help Malta's industrial development and bring the country into full customs union with the Community in two successive five-year stages.

The agreement was signed in Valletta, Malta's capital, on December 5, by the President in Office of the European Communities Council of Ministers, Sigismund von Braun; EC Commission President Franco M. Malfatti, and Malta's Minister for Commonwealth and Foreign Affairs Giorgio Borg Olivier. The agreement is expected to come into force on April 1, 1971, following the necessary ratification procedures.

Malta, an island fortress for centuries, became independent from Britain in 1964 and immediately faced adjustment problems as Britain reduced its defense expenditures on the island. When Malta started an industrialization drive in 1959, it realized that it had to rely on developing its export-oriented industries and that it had to decide whether to court the European Free Trade Association or the European Community. It chose the European Community, with which it had greater foreign trade, and requested negotiations in September 1967.

First Stage - Industrial Development

The first stage of the association agreement is designed to help Malta's industrial development, particularly its processing industry, by considerable tariff dismantling by the Common Market. The Community will grant Malta a 70 per cent reduction on all industrial duties, except petroleum products, which are not yet an important part of Maltese production, on the day the agreement enters into force. However, for four textile products

the tariff reduction will be granted only within tariff quotas. The Community will also abolish all quotas on industrial products from Malta, again with the exception for petroleum products.

Agricultural and processed agricultural exports from Malta, being generally small, are not included in the first stage. However, preferential treatment will be given to pasta products and fine bakers' wares, of particular importance for Malta. They will be accorded a 70 per cent reduction in the fixed element of the Community's import levy.

Malta to Lower Tariffs by Stages

Malta, in return, will dismantle its tariffs for the majority of EC exports by 15 per cent when the agreement enters into force, 25 per cent at the beginning of the third year, and 35 per cent at the beginning of the fifth year. The agreement also binds Malta to giving most-favored-nation tariff treatment, except for four years in the case of Commonwealth states which already get preferential treatment from Malta. There are also some other exceptions from tariff reductions for a certain number of products in order to safeguard Malta's budgetary needs or ensure protection for certain sectors, largely industrial, that are not yet competitive. And, there is a safeguard clause allowing Malta, within limits, to reintroduce, increase, or establish duties, if necessary, to meet its industrialization and development requirements.

Malta will call a standstill on import quotas, which will also come under MFN treatment, and remove, as far as possible, quotas still in existence.

There are a number of provisions on non-discrimination between states, nationals, companies, and products; dumping practices, drawbacks, and subsidies; payments related to trade in goods, and a safeguard clause in the event serious disturbances threaten the financial stability of any region within the two areas.

The Second Stage - Customs Union

Continuation, during a second five-year stage, of the reciprocal removal of obstacles to trade and the introduction of the common external tariff by Malta will be negotiated in the 18 months preceding the expiration of the first stage.

The agreement will be administered by a Council of Association consisting of members of the Maltese Government and representatives of the European Communities Commission and Council of Ministers, which will meet at least once a year.