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Report

drawn up on behalf of the Committee on External Economic Relations

on the draft Council regulation (Doc. 359/77) concerning the conclusion of the
/ additional protocol to the agreement establishing an association between the
European Economic Community and Malta

Rapporteur: Mr Giovanni BERSANI

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By letter of 31 October 1977 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 238 of the EEC Treaty, to deliver an opinion on the draft Council regulation concerning the conclusion of the additional protocol to the agreement establishing an association between the European Economic Community and Malta.

The President of the European Parliament referred this draft regulation to the Committee on External Economic Relations as the committee responsible and to the Political Affairs Committee, the Committee on Budgets and the Committee on Agriculture for their opinions.

On 20 September 1977 the Committee on External Economic Relations appointed Mr Bersani rapporteur.

At its meeting of 18 October 1977 the committee considered the draft and unanimously adopted the motion for a resolution and the explanatory statement.

Present: Mr Kaspereit, chairman; Mr Schmidt, vice-chairman; Mr Martinelli, vice-chairman; Mr Bersani, rapporteur; Mr van Aerssen, Mr Amadei, Mr Baas, Lord Castle, Mr De Clercq, Mr de Koning, Mr L'Estrange, Mr McDonald (deputizing for Mr Kunz), Lord St. Oswald and Mr Spicer.

The opinions of the Political Affairs Committee, the Committee on Budgets and the Committee on Agriculture are attached.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the draft Council regulation concerning the conclusion of the additional protocol to the agreement establishing an association between the European Economic Community and Malta

The European Parliament,

- having regard to the communication from the Commission to the Council (COM(77) 386/final),
 - having been consulted by the Council pursuant to Article 238 of the Treaty establishing the EEC (Doc. 359/77),
 - having regard to the report of the Committee on External Economic Relations and the annexed opinions of the Political Affairs Committee, the Committee on Budgets and the Committee on Agriculture (Doc. 378/77),
1. Welcomes the negotiations between the Community and Malta for the conclusion of an Additional Protocol to the EEC - Malta Association Agreement which were completed in Brussels on 29 June 1977;
 2. Approves the draft regulation concerning the conclusion of an Additional Protocol;
 3. Stresses the importance of the content of the Additional Protocol which will enable the Community to make a useful contribution to the economic and social advancement of the people of Malta;
 4. Considers that the deepening and strengthening of economic and trade links between the European Community and Malta may help to strengthen further the political ties between the two parties;
 5. Regrets that the clause contained in the annex to the EEC-Malta Association Agreement which provides for parliamentary contacts with the Republic of Malta has not been implemented;

6. Instructs its President to forward this resolution and report to the Commission and Council of the European Communities and to the Government and Parliament of the Republic of Malta.

EXPLANATORY STATEMENT

1. The European Community is linked to Malta by an Association Agreement signed on 5 December 1970, which came into effect on 1 April 1971¹.

The spirit of the Agreement is essentially embodied in its Article 2 which states:

- ' - The aim of the Agreement is progressively to eliminate obstacles as regards the main body of trade between the European Economic Community and Malta and thus to contribute to the development of international trade.
- The Agreement provides for two successive stages, the first being of five years' duration and the second, in principle, of five years.
- Negotiations are provided for during the 18 months preceding the expiry of the first stage, with a view to defining the content of the second stage, providing for a further elimination of obstacles to trade between the European Economic Community and Malta and the adoption by Malta of the Common Customs Tariff¹.

2. The European Parliament has already given a favourable opinion on the content of the Association Agreement (see the Cantalupo report on behalf of the Political Affairs Committee (Doc. 257/70)).

3. Developments in Europe and the world since 1970 have made it necessary to revise the content of the Agreement. The enlargement of the Community to include Denmark, the United Kingdom and Ireland and the achievement of an overall Community Mediterranean policy can be identified as the two major factors which led to the decision to revise the content of the Agreement.

¹OJ No L 61, 14.3.1971

4. It was for these reasons that at its meeting of 25-26 June 1973 the Council adopted, as part of its overall approach to relations between the Community and the Mediterranean countries, negotiating directives in respect of countries to which it had accorded priority. Malta was one of those countries.

5. The Council stated on that occasion that future agreements should aim to eliminate obstacles to the main body of trade between the parties, to grant tariff concessions for the majority of agricultural imports from the countries concerned, and to provide for an evolving phased system of cooperation. In view of the economic situation of Malta and its geographical position, cooperation between the EEC and that country should therefore extend to the economic, technological and financial sectors.

6. Negotiations for extending and adapting the 1970 Association Agreement between Malta and the EEC opened in Brussels on 25 September 1974. At the conclusion of these negotiations, in the course of which the Community progressively improved its offers, a new agreement was initialled on 23 December 1975. Its contents were formally approved by the Council on 20 January 1976 and the Agreement was officially signed in Brussels on 4 March 1976.

Its essential provisions concerned:

- the adaptation of the 1970 Association Agreement
 - negotiated between the Community of the Six and Malta - to the situation created by the enlargement of the Community;
- the extension of the 1970 Agreement - concerned solely with the industrial sector - to the sectors of agriculture and cooperation;
- the maintenance of this cooperation through Community participation, within the framework of financial and technical cooperation, in the financing of projects designed to further the economic and social development of Malta.

7. The purpose of the association between the Community and Malta is thus to promote the participation by the Community in the development of Malta's economy, the marketing and promotion of sales and exports of its products, and industrial, scientific and technological cooperation.

8. In addition, under the terms of a financial protocol, the Association Agreement provides for financial aid of 26 million u.a., to be made available as follows:

- 16 million u.a. in the form of loans from the European Investment Bank, to be granted from the Bank's own resources on terms stipulated in its Statute;
- 5 million u.a. in the form of special loans;
- 5 million u.a. in the form of grants.

This is a unique aid measure - within the framework of an equally unique financial protocol of 5 years' duration - intended to give support to Malta's efforts to develop and restructure its industry within the framework of its current development plan.

It should be noted that in contributing to Malta's economic development, the Community will be able to participate directly in specific activities in many economic sectors, including the development of production and of infrastructures, marketing and sales promotion of the country's products, industrial scientific and technological cooperation, environmental protection, etc.

This Community aid can be provided, through the EIB, up to a ceiling of 5 million u.a., in the form of special loans. In addition, as an alternative to these special loans, the EEC can participate in the provision of risk capital for undertakings.

9. The expiry date for the first stage of the Association Agreement was 31 March 1976, and since it had not proved possible to start negotiations on the second stage, the trade arrangements under the first stage were extended for a first time from 1 April 1976 to 30 June 1977¹.

10. Parliament is now being asked to give its opinion on the need for a further extension, from 1 July 1977 onwards, of the trade arrangements under the first stage of the Association Agreement, normally expiring on 30 June 1977.

11. Negotiations between the Community and Malta for the conclusion of an additional protocol to the EEC-Malta Association Agreement were completed in Brussels on 29 June 1977. The texts agreed (a draft additional protocol and a declaration annexed to the final act) were the subject of an exchange of letters on 14 July 1977 between the heads of the delegations in which they declared their agreement 'ad referendum' on the content of these documents.

12. At the same time the Commission forwarded to the Council a declaration by the Maltese delegation concerning Malta's access to certain Community funds and bodies.

Malta essentially requests that Community aid for the island's development after 1979 should be effected through an appropriate machinery comprising an ad hoc fund or a special form of relationship with certain existing Community bodies (participation in the social, regional and agricultural funds).

It should here be recalled that similar requests have been made in the past by countries having with the Community even closer links than those which Malta possesses today. In the past the Community found it necessary to refuse them, not because of any lack of goodwill, but because Community rules expressly exclude any such participation by third countries in Community institutions.

¹ The European Parliament approved the measure on 12 March 1976, SPICER Report (Doc. 12/76) OJ C 79, 5.4.1976

The Community readily understands the island's economic and social position, as it is fully aware of the political factors in the balance which Malta must maintain and safeguard in the international political arena, and particularly in the Mediterranean region.

It is in the light of such considerations that, in the course of the negotiations which resulted in the drawing-up of the agreement now to be examined by Parliament the Community had proposed forms of economic, financial, technological and other aid that ought to provide an adequate substitute for the direct participation in the above Community bodies requested by Malta.

13. Essentially, the main object of the negotiations recently concluded was to determine the details of the further extension, from 1 July 1977 onwards, of the trade arrangements under the first stage of the Association Agreement, and these can be summarized as follows:

- it was agreed that the first stage of the Association Agreement would be extended from 1 July 1977 to 31 December 1980;
- this is a 'dynamic' extension, since the Protocol concluded with Malta provides for a number of additional concessions from the Community;

This 'dynamic' nature of the Protocol testifies to the Community's readiness to meet, as far as possible, Malta's demands.

- As regards tariffs, nearly all of Malta's industrial exports to the Community will now enjoy full tariff exemption, instead of the 70% tariff reduction applicable heretofore. Certain Maltese processed agricultural products (chocolate, pasta products, flour, confectionery, etc.) will be imported into the Community at zero customs duty in respect of the fixed component of the duty chargeable on these products. The United Kingdom and Ireland will continue to apply until 31 December 1977 the Commonwealth tariffs applicable to such agricultural products originating in Malta;
- As regards the system to be applied to certain textile products originating in Malta, the tariff quotas laid down in the Association Agreement have been increased for the entire duration of 1977 and in addition, certain customs concessions have been improved;
- As regards the rules of origin, the Community, to make allowance for certain specific problems of the Maltese economy, will grant, as an exceptional measure of limited duration, a derogation on the rules of origin for certain products manufactured in Malta exported to the Community;

- Malta is to consolidate the tariff reductions it now accords to the Community;
- Pending the entry into force of the Additional Protocol certain special measures necessary for the implementation of the provisions of the first stage, will come into effect from 1 July 1977.

Attention should here be drawn to the importance of the provision on the financing of special industrial projects, this formula allowing the Community to make a direct and effective contribution to the restructuring and development of the Maltese economy. The measure reflects the Community's clear resolve to participate in the Maltese Government's efforts to promote the island's rapid economic and social advancement. It is further proof that the Community has studied and understood the economic and political problems prompting the requests made by Malta in the course of the negotiations.

14. It should be recalled that the EEC-Malta Association Agreement of December 1970 contains in an annex a 'joint declaration by the Contracting Parties concerning cooperation and contacts between the European Parliament and the Maltese Parliament' which states that 'the Contracting Parties agree to take all appropriate measures in order to facilitate cooperation and contacts between the European Parliament and the Maltese Parliament'.

Since the entry into force of the Agreement, the European Parliament has on various occasions examined the possibility of effecting parliamentary contacts between the two parties.

In the resolution contained in the Cantalupo report on behalf of the Political Affairs Committee (Doc. 257/70) Parliament expressed its satisfaction at the conclusion of an agreement which represented a first step towards the accession of Malta to the Community and emphasized the need to establish at the parliamentary level organic links between the Community and Malta.

The European Parliament concerned itself with the same problem once more in connection with the report by Mr J. W. SPICER of 29 March 1976 (Doc. 16/76). On that occasion, too, Parliament 'regretted that the regular contacts with the Maltese Parliament provided for in the Annex to the 1970 Agreement have not yet been established' and declared 'its willingness to take all steps to facilitate the establishment of such relations'.

It must be stated regretfully today that no progress has yet been achieved in establishing parliamentary contacts between the two sides.

CONCLUSIONS

15. The European Parliament welcomes the intensification and consolidation of relations between the European Community and Malta. The intensification of economic and cooperation relations, as well as reflecting the spirit of the Treaty of Rome which calls for the strengthening of links between the Community and the democratic countries of the European continent, will also undoubtedly produce positive results at the political level.

16. The strengthening of economic links will facilitate the development of comprehensive relations with the people and government of the Maltese archipelago and make a positive contribution to the formation of a Mediterranean policy based on solidarity. Indeed, it will provide an opportunity for the Community to give exemplary support to the democratic countries of Mediterranean Europe, thus contributing to the maintenance of peace and democracy in an area of the world which is of particular economic and political concern to the countries of the Community.

17. Malta is one of the Mediterranean states in which representative democracy and ideological freedom are held in honour.

18. The concessions granted by the Community to Malta can be of substantial assistance to the economy of the island, given particularly the small size of the Maltese archipelago - 313 km² - and of its population (approximately 330,000 inhabitants).

19. The aid granted by the Community can thus provide a very substantial contribution to the improvement and restructuring of Malta's economy. The country has limited natural resources and the concessions granted by the Community, together with appropriate measures taken by the Maltese Government, can in the near future show significant results in raising the standards of the island's economic and social life.

20. Because of its strategic location and its close relations with certain neighbouring Arab countries, Malta holds a position of key importance in the overall policy which the Community intends to pursue towards all the Mediterranean countries.

21. Parliament, in the light of the above considerations, approves the content of the Additional Protocol. It hopes that the financial resources, and all the other forms of assistance granted to the Republic of Malta, will enable that country to speed up its economic progress in order to achieve at an early date the results envisaged in the Association Agreement, including full customs union between the Community and Malta.

22. Parliament is of the opinion that the extension of the first stage, agreed at the explicit request of the Maltese side and for which the EEC showed due comprehension, will make possible a detailed examination of the aims to be achieved in the second stage, including the development and further adaptation of the ultimate objectives of the Association to the real needs of both parties.

23. The European Parliament attaches a fundamental importance to the establishment of parliamentary contacts between the two sides, as provided for in the Annex to the 1970 Agreement.

The European Parliament feels it must once again draw the attention of the responsible authorities to the need to implement fully and soon the provisions of the Annex to the 1970 Agreement.

OPINION OF THE POLITICAL AFFAIRS COMMITTEE

Letter from the chairman of the committee to Mr G. KASPEREIT, chairman of the Committee on External Economic Relations

Brussels, 29 September 1977

Dear Mr Kaspereit,

At its meeting of 29 September 1977 the Political Affairs Committee held an exchange of views on a communication from the Commission to the Council concerning the negotiations between the European Economic Community and the Republic of Malta for the conclusion of an Additional Protocol to the Agreement, on which it has been asked for its opinion by your committee.

At this meeting it instructed me to communicate to you the following conclusions, which were adopted unanimously¹:

The Political Affairs Committee welcomes the fact that the Community and Malta have completed their negotiations on the conclusion of an Additional Protocol to the Association Agreement, signed in Valetta on 5 December 1970. The Council must now vote on this Additional Protocol without delay since the delegations have indicated their agreement ad referendum.

The Political Affairs Committee noted that the Additional Protocol is intended to supplement the Association Agreement of 1970 and the Protocol signed on 4 March 1976 laying down certain provisions concerning the Association Agreement (in particular the granting of financial aid) by extending until 31 December 1980 the first stage of the Association Agreement which expires on 30 June 1977.

This extension, requested by Malta, enables the Agreement - the scope of which was considerably increased by the Protocol of 4 March 1976 and by its application to the new Member States coupled with 26 million u.a. in financial aid from the Community - to be adapted to the needs of the Maltese economy.

The Community has thus granted Malta an additional extension as well as important customs reductions in the industrial sector and concessions in the agricultural sector, which, with the implementation of economic and financial cooperation, will be accompanied by symbolic reciprocal concessions from this associated country.

¹ Present: Mr Alfred Bertrand, Chairman; Mr Radoux, vice-chairman; Mr Bangemann, rapporteur; Lord Brimelow, Mr Blumenfeld, Mr Deschamps (deputizing for Mr Colin), Mr Durieux, Mr Fletcher-Cooke, Mr Seefeld and Mr Spinelli.

In view of the fact that, with the expiry in March 1979 of the agreement on military bases, Malta will be obliged to revert to a production economy and that this must be thoroughly restructured, the date originally fixed by the Association Agreement (1 July 1977) for initiating the second stage of the Association (customs union and the adoption by Malta of the Common Customs Tariff) was not considered realistic.

The Political Affairs Committee, realizing that Malta needs a sympathetic attitude and practical assistance from the Community, approves the content of the negotiated Protocol, which does not compromise the objectives to be achieved during the second stage of the Association, which has been put off for some years.

Recalling the importance which the European Parliament attaches to the formation of closer links between the Community and Malta¹, the Political Affairs Committee hopes that - with the approval of the Council of the Communities - the Protocol can be submitted to the contracting parties for ratification and enter into force as soon as possible.

The Protocol signed on 4 March 1976 should enter into force at the beginning of 1978, thereby enabling financial and economic cooperation to begin.

The Political Affairs Committee has, moreover, noted the desire expressed by Malta - and contained in a unilateral declaration by the Maltese delegation - that the island be given access to the EEC institutions and the reasons given by Malta for this request (it would enable it to achieve a formula with the Community similar to Malta's accession to the 'Arab Financial Funds').

The Political Affairs Committee feels that it would be difficult to accede to the request for access to Community financial instruments - Social Fund, Regional Fund, EAGGF, Guidance Section - which are exclusively reserved to Member States, especially as Malta has also stated that, as a neutral country, it is unable to accede to the European Economic Community.

This should not, however, prevent other forms of EEC cooperation in the economic restructuring of Malta.

¹Cantalupo report on the Association Agreement with Malta, Doc. 257/70

The Community should study these forms of financial cooperation, thus giving concrete proof of the importance it attaches to Malta's role in the Mediterranean, where it is the point of contact between the West and the Arab World.

Finally, the Political Affairs Committee feels that, in addition to their importance within the framework of economic cooperation with this country, closer relations with Malta are of the highest political importance in view of its forward position in the Eastern Mediterranean and the peaceful relations it maintains with the whole of this region.

The Political Affairs Committee therefore hopes that the Commission will give to the request of the Maltese authorities the attention it deserves and inform the European Parliament as soon as possible of the solutions which might be envisaged in this area.

(sgd) A. BERTRAND

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the acting chairman to Mr G. KASPEREIT, chairman of the Committee on External Economic Relations

Brussels, 8 November 1977

Dear Mr Kaspereit,

At its meeting of 2/3 November 1977 the Committee on Budgets considered the communication from the Commission to the Council concerning the negotiations between the European Economic Community and the Republic of Malta for the conclusion of an Additional Protocol to the Agreement (COM(77) 386 final).

It noted that, according to the communication¹, the additional protocol provides for contractual confirmation of exemption from import duties for the products covered by the Community's agreement with Malta, whereby that country is included in the system of generalized preferences.

However, the Committee on Budgets regrets - as no doubt does your committee - that the proposals concerning international agreements on which Parliament has been consulted, are not accompanied by an explanatory statement enabling an assessment to be made of the nature and scope of these agreements. In the absence of such explanatory information, from Parliament's point of view the request for an opinion is in danger of becoming a mere formality. Parliament has already emphasized on several occasions the very slight importance of these opinions.

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(sgd.) Heinrich Aigner
Acting chairman

Present: Mr Aigner, acting chairman; Mr Alber, Lord Bessborough,
Mr Calewaert (deputizing for Lord Bruce of Donington), Mrs Dahlerup,
Mr Dalyell, Mr Dankert, Mr Schreiber, Mr Terrenoire and Mr Würtz.

¹ Footnote to the financial statement attached to the communication

OPINION OF THE COMMITTEE ON AGRICULTURE

Letter from the chairman of the committee, Mr HOUDET, to Mr KASPEREIT,
chairman of the Committee on External Economic Relations

Brussels, 4 November 1977

Dear Mr Kaspereit,

At its meeting of 3/4 November 1977¹ the Committee on Agriculture considered the Communication from the Commission to the Council concerning the negotiations between the European Economic Community and the Republic of Malta for the conclusion of an Additional Protocol to the Agreement (COM(77) 386 final).

In June 1977 the delegations from the Community and the Republic of Malta reached agreement in Brussels on an Additional Protocol to the Agreement establishing an association between the European Economic Community and the Republic of Malta. The Additional Protocol provides for the extension of the first stage of the Association Agreement from 1 July 1977 to 31 December 1980; this extension is evolutionary in character since according to the text of the Additional Protocol, the Community will grant a number of additional trade concessions to Malta.

Of the products originating in Malta and for which the Community will apply preferential import arrangements, the Committee on Agriculture would mention some goods obtained from the processing of agricultural products such as chocolate, pasta products and fine bakers' ware.

The Additional Protocol also provides for the opening of a duty-free tariff quota for certain prepared and preserved bovine meat originating in Malta, with effect from 1 July 1978.

¹ Present: Mr Ligios, vice-chairman and acting chairman; Mr Albertini, Mr Andersen, Mr Covelli (deputizing for Mr Bourdellés), Mr Guerlin, Mr Kofoed, Mr Lemp, Mr Ney, Mr Pisoni, Mr Radoux (deputizing for Mr Hoffmann) and Mr Vitale.

However, the Committee on Agriculture entertained certain doubts about the origin of this meat. It became apparent from Commission statements that the meat actually came from Australia and was imported into the Community via a Maltese undertaking. Nevertheless, the Commission seemed satisfied as to the quality of the meat and promised the Committee on Agriculture to keep a close watch on the public health aspect of these imports and, should it receive any complaints, possibly suspend imports of bovine meat from Malta pursuant to Article 11 of the Agreement with that country. The Committee on Agriculture deplores the fact that the Commission did not frankly state in its proposal the true facts about these imports and cannot but express criticism of the way in which matters have been conducted.

However, the Additional Protocol also provides for the preferential importation of a number of spirituous beverages such as vermouth and other wines of fresh grapes and spirits, and here the Committee on Agriculture feels obliged once again to make some marginal observations. Given the surpluses in the Community of wine and products derived therefrom, the preferential importation of wine into the Community represents a real danger for the market, and the outlets for wine in the Community would be consequently reduced. Until the Commission gives details of the precise quantities involved and the probable repercussions on a Community wine market which is already saturated and only kept in balance with great difficulty and by means of a considerable financial effort, the Committee on Agriculture cannot approve this part of the proposal.

It therefore considers that the committee responsible should waste no time in obtaining the fullest possible information on the repercussions on the Community wine market of the preferential importation of alcohol from Malta before it takes a final decision on the matter.

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(sgd) R. Houdet