

INFORMATION

EXTERNAL RELATIONS

MALTA AND THE EUROPEAN COMMUNITY

157/77

The 31st Malta International Fair takes place from 1 to 15 July 1977.
To mark the occasion the Directorate-General for Information presents
this review of relations between Malta and the European Community.

353/X/77-E

Reproduction authorized without indication of origin; voucher copies
would be appreciated.

I. The association agreement

The agreement setting up an association between the Community and Malta was signed in Valletta on 5 December 1970 and entered into force on 1 April 1971.

The agreement covers two successive stages, the first lasting five years and the second planned to last for a similar period.

The first stage was due to expire on 30 March 1976 but, since the second stage had not yet come into force, it was extended by mutual agreement until 30 June 1977. This first stage provides for reciprocal concessions on the dismantling of tariff barriers and on quantitative restrictions.

The EEC has granted Malta a 70 % cut in import duties for all industrial products except petroleum products (1). All quantitative restrictions on goods from Malta have been eliminated.

Community imports of two food products of special interest to Malta (pasta and high quality bakery products) enjoy a 70 % tariff reduction. Under a protocol signed in 1976 the Community also grants concessions for certain agricultural products (see p. 4). With effect from 1 April 1975 Malta's general tariff reductions are scheduled to reach 35 %.

This tariff dismantling is subject to certain derogations intended to protect various sectors of Maltese industry.

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

The administration of the agreement is in the hands of a Council of Association, consisting of members of the Maltese Government and of members of the Council and Commission of the European Communities.

Two problems arose during the period covered by the first stage of the association agreement :

the enlargement of the Community; and
the scope of the agreement.

- The entry of the United Kingdom, Denmark and Ireland into the EEC made a supplementary protocol necessary in order to regulate future relations between Malta and the new Member States.
- At the first meeting of the Council of Association on 24-25 April 1972, the Maltese Delegation raised the question of extending the agreement to cover agriculture and cooperation.

(1) For four textile items the reduction in duties applies only to a tariff quota.

II. Extension of the EEC-Malta association agreement as part of the overall approach to relations with Mediterranean countries

Following a request from Malta in January 1973, the Community decided to consider Malta within the context of its overall policy towards relations with Mediterranean countries, as defined in November 1972.

On 12 July 1974 Sir Christopher Soames, then a Vice-President of the Commission, announced in a speech marking the occasion of the 28th International Fair of Malta that the association agreement would be extended to cover economic, trade and industrial cooperation, agriculture and financial aid.

On 23 July of the same year, the Council of the European Communities approved a negotiating brief and discussions with Malta got under way on 25 September, at Brussels.

Malta asked in the course of the negotiations for improvements in the Community offer on agriculture and financial cooperation.

The outcome of the negotiations was a protocol laying down certain provisions relating to the association agreement, and a financial protocol, both signed in Brussels on 4 March 1976.

The Protocol laying down certain provisions relating to the association agreement

The main points covered in the protocol are :

Agriculture

Granting of tariff reductions on :

new potatoes, beans, fresh onions, tomatoes, sweet peppers, courgettes, plants and cut flowers, oranges, strawberries and wine.

Economic cooperation

Assistance will be given with the reorganization of the Maltese economy made necessary by the island's low level of industrial development and the withdrawal of British forces, scheduled for March 1979. Labour becoming available progressively as a result of withdrawal could then be absorbed by new industries.

Cooperation with the Community is designed to contribute to Malta's development and covers a number of aspects.

In particular, the aim is to promote participation by the Community in the development of Malta's economic infrastructure, encourage the marketing and sales promotion of products exported by Malta, and foster cooperation in industry and in the fields of science, technology and the protection of the environment.

(Malta and the Community already cooperate in the "Blue Plan" for protecting the Mediterranean against pollution).

A further aim is to promote private investment in Malta, which is in the mutual interests of both Malta and the EEC, and to encourage exchanges of information on their economic and financial situations.

Financial cooperation

Aid amounting to 26 million u.a. (1) will be given to further economic cooperation, divided as follows :

16 million u.a. in the form of loans from the European Investment Bank;

5 million u.a. in the form of a forty-year loan at 1 %;

5 million u.a. in the form of grants.

The financial protocol runs for five years; there is no provision for renewal. Financial cooperation with the EEC forms part of Malta's industrial development programme, which is due to end in 1979.

III. Generalized preferences

In 1971 Malta asked to be included in the system of generalized preferences, for which its economic structure made it eligible.

Under the scheme certain processed agricultural products enter the Community duty-free, and without quantitative limits.

Since April 1974, Malta has enjoyed generalized preferences on the import into the Community of industrial goods and certain agricultural products.

Four textile products are also covered by the system, but are subject to tariff quotas; under this arrangement the annual volume of the quotas has been increased by 5 %.

By granting Malta advantages equal to those enjoyed by countries covered by the generalized preferences system, the Community has thus unilaterally exempted most of Malta's exports from customs duties.

IV. Food aid

The Community supplied Malta with food aid in 1973.

Under an agreement signed on 3 October 1974, the Community made available to Malta 120 tonnes of butteroil and 33.6 tonnes of butter.

For the year 1976/77 the Commission decided to supply 200 tonnes of skimmed milk powder and 1000 tonnes of wheat to Malta as emergency aid.

(1) u.a. = US \$ 1.25

V. The second stage of the association agreement

The second stage will see the elimination of the remaining barriers to trade between Malta and the EEC and the establishment of a customs union through the gradual alignment of Malta's customs tariff with the Common Customs Tariff.

Negotiations for an additional protocol to the association agreement to operate beyond 1 July 1977 are currently under way.

ANNEX

Trade between Malta and the EEC

(in million EUR) (1)

	1970	1971	1972	1973	1974	1975	1976
Malta's exports	24	28	40	56	64	70	107
Malta's Imports	109	107	106	138	172	181	211
Malta's trade deficit	- 85	- 79	- 67	- 82	-108	-111	-104
Export index	100	117	167	233	267	292	446
Import index	100	98	97	127	158	166	194

(1) 1 EUR = US \$ 1.27

Malta

The largest island of a small archipelago in the Mediterranean, Malta (capital Valletta) with its 330 000 inhabitants forms a bridge between Europe and Africa.

Under Islam in 870, conquered in 1090 by Roger of Sicily, in 1518 Malta was presented by Charles V to the Order of the Hospital of St John of Jerusalem or Knights of Rhodes, who were established on the island until 1798. From 1800 Malta was occupied by Britain, for which country it was a vital strategic base during the Second World War.

On attaining its independence in 1964 Malta elected to remain within the Commonwealth, and signed ten-year finance and defence agreements with the United Kingdom in order to smooth the island's transition from a "siege economy" to an economy based on the production and export of goods and services.

In May 1972 Malta concluded a seven-year agreement to regulate the stationing of British troops on the island.

In 1973 the Government of Malta inaugurated a major seven-year plan (1973-79) designed to cope with the consequences of the running down of the British bases.

The plan calls for the modernization of Malta's shipyards and the setting up of a sound system of welfare services.

To offset the withdrawal of British troops in 1979, and the consequent increase in the supply of labour, over 20 000 new jobs will have to be created.

The shipyards will provide work for 18 000, and tourism and the building industries will offer 1 600 and 2 700 jobs respectively. Manufacturing will absorb the remaining job-seekers.

If the targets are met, Malta should achieve a real annual growth rate of 6%.

The prospect of moderate factory rentals and low taxes is attractive to investors.

Malta is a trading country which is very sensitive to fluctuations on the world markets and to changes in the price of raw materials, on which its economy is largely dependent.

Inflation, and Malta's trade deficit, are the major obstacles standing in the way of fulfilment of the plan on schedule.

The bulk of Malta's trade (70% of the total) is with the EEC.