

COM(77) 28 final.

Brussels, 16 February 1977.

DETERMINATION OF TRADE ARRANGEMENTS BETWEEN
THE COMMUNITY AND MALTA

(Communication and recommendation from the Commission to the
Council)

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COMMISSION COMMUNICATION TO THE COUNCIL ON
THE DETERMINATION OF TRADE ARRANGEMENTS
BETWEEN THE COMMUNITY AND MALTA

The first stage of the Association Agreement between the Community and Malta - which entered into force on 1 April 1971 - is due to expire on 30 June 1977, after being extended for fifteen months in 1976. Under the terms of the Agreement the second stage - in principle of five years' duration - should provide for a further elimination of obstacles to trade between the Community and Malta and the adoption of Malta of the Common Customs Tariff.

2. From the contacts which have taken place between the Commission and the Maltese authorities in the past few weeks it would appear that the Maltese Government remains attached to the objective of the Association Agreement, viz. the progressive establishment of a customs union with the Community.

3. In accordance with the objective laid down in the Agreement the Commission proposes to the Council that negotiations be initiated with Malta for the establishment of a customs union. To this end, it is transmitting to the Council its recommendations, which are given in Annex I A.

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These negotiations should be opened promptly so that the customs union arrangements can be negotiated and established by 1 July.

4. With regard to ECSC products, the Commission is transmitting to the Council a draft decision on the opening of negotiations with Malta for the conclusion of a framework agreement (Annex II).

5. In order to take account of the views expressed by the Maltese authorities regarding Malta's ability at the present time to assume the burdens resulting from the establishment of a customs union, the Commission is transmitting to the Council transitional arrangements which can help solve the difficulties in question (Annex I/B).

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It is quite possible that it may be found in the negotiations that 1 July is too soon for the implementation of the customs union. Moreover, it seems that it will be difficult to negotiate the protocol between now and May and to apply it on 1 July because of the considerable technical work which would have to be done before that date.

If these points of concern are confirmed in the negotiations the Commission would envisage postponing the commencement of the customs union with Malta to, for instance, 1 January 1980. From 1 July the trade arrangements would be governed by a re-extension of the first stage of the Agreement (subject to the measures contained in Annex I/B of this communication).

This extra time should enable the Maltese economy to prepare itself for entering into customs union with the Community. The efforts made by Malta would be supported by the Community on the basis of the cooperation protocols signed in 1976. Economic cooperation can be initiated rapidly and the Financial Protocol will enter into force at the beginning of next year.

RECOMMENDATION FOR A COUNCIL DECISION
CONCERNING THE DETERMINATION OF TRADE ARRANGEMENTS
BETWEEN THE EUROPEAN ECONOMIC COMMUNITY AND MALTA

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 238 thereof,

Having regard to the recommendation from the Commission,

Whereas it is necessary to determine the trade arrangements to be
applied between the Community and Malta as from 1 July 1977,

HAS DECIDED AS FOLLOWS:

Sole Article

The Commission is hereby authorised to open negotiations with Malta.
It shall conduct those negotiations within the framework of the
directives annexed hereto and subject to future directives, in
consultation with the representatives of the Member States.

Additional Protocol to the Association Agreement
between the European Economic Community and Malta

The Additional Protocol would adopt the terms, procedures and timetable for the progressive establishment of a customs union between the European Economic Community and Malta over a transitional period of six years.

Subject to the arrangements described below, the provisions of the Association Agreement would be maintained.⁽¹⁾ The protocol would form an integral part of that Agreement.

The notice required for denunciation of the Agreement would be increased to twelve months.

I. INDUSTRIAL PRODUCTS

1. Free movement of goods

The provisions below would cover goods produced in the Community of Malta, including those obtained, wholly or partially, from products coming from non-member countries and in free circulation in the Community or Malta, goods from non-member countries in free circulation in the Community or Malta, and goods obtained in the Community or Malta in whose manufacture products have been used which come from non-member countries and are not in free circulation in either the Community or Malta, provided that a compensatory levy whose rate is equal to a percentage of the Common Customs Tariff duties laid down for the third-country products used in their manufacture is charged in the State from which those goods are exported.

(1) The system of safeguard clauses would be reviewed and supplemented, for example, by a provision concerning deflection of trade

Products imported under preferential customs arrangements applied only by one of the two contracting parties would not be eligible for freedom of movement.

The Community and Malta would adopt methods of administrative cooperation for their trade in goods similar to those established under the agreements based on the customs union concept which have been concluded by the Community with other non-member countries.

They would also, where necessary for the proper functioning of the customs union, align their laws, regulations and administrative provisions relating to customs matters in order to ensure uniform application.

2. Elimination of customs duties between the Community and Malta

- (a) Upon the entry into force of the protocol the Community would abolish customs duties and charges having equivalent effect, including the customs duties of a fiscal nature, applying to imports from Malta.⁽¹⁾ For products falling within tariff heading No 55.05, 55.09, 56.04, 60.05 or 61.01, the Community would apply a system of annual ceilings; this system would be abolished by the end of the transitional period at the latest. For the petroleum products in List B of Annex I to the Agreement, the present arrangements would not be changed before 31 December 1979.
- (b) On the basis of the duties actually applied vis-à-vis the Community on the date of signature of the protocol, Malta would make reductions in the customs duties and charges having equivalent effect, including customs duties of a fiscal nature, in accordance with the following timetable:

<u>Timetable</u>	<u>Rate of reduction</u>
from entry into force	20%
from the beginning of the third year	40%
from the beginning of the fifth year	70%
from the beginning of the seventh year	100%

(1) The treatment applicable to the products in List A of Annex I to the Agreement (and also to vermouths and spirits) is described in Section II.

(c) The timetable for Maltese tariff dismantling could, within the limits of the transitional period, be adapted as necessary by the Association Council to take account of Malta's economic development and the priorities laid down in its plan.

(d) Where protective measures prove necessary to meet the requirements of industrialisation and development, Malta could reintroduce, increase or establish customs duties up to 20% ad valorem and, in exceptional cases 25%, upon 10% of the total value of Maltese imports from the Community in 1975.

These measures should be abolished no later than three years after the end of the transitional period.

(e) During the transitional period Malta could replace the customs duties of a fiscal nature by an internal tax in accordance with decisions to be taken on taxation matters.

3. Adoption by Malta of the Common Customs Tariff

The Maltese Customs Tariff would be progressively aligned with the Common Customs Tariff as it stands at any given moment, on the basis of the duties actually applied by Malta vis-à-vis non-member countries on the date of signature, as follows:

- In the case of products for which the duties actually applied by Malta do not differ from the CCT by more than 15% either way, the CCT duties are to be applied by Malta upon the entry into force of the protocol.
- In the other cases Malta will apply upon the entry into force of the protocol duties reducing by 10% the difference between the rate actually applied and that of the CCT. This difference shall again be reduced by 10% at the beginning of the second, third and fourth years and by 20% at the beginning of the fifth, sixth and seventh years.

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4. Elimination of quantitative restrictions between the Contracting Parties

- (a) Malta would progressively abolish quantitative restrictions and measures having equivalent effect by the end of the transitional period at the latest in accordance with arrangements to be defined during negotiations.
- (b) Quantitative restrictions on exports and all measures having equivalent effect would be prohibited between the Contracting Parties and would be abolished between them not later than at the beginning of the third year after the entry into force of the Protocol.
- (c) State monopolies of a commercial character would be progressively adjusted up to the end of the transitional period in order to ensure that there is no discrimination between nationals of the Member States of the Community and Malta regarding the conditions under which goods are procured and marketed.

5. Coordination of commercial policy

The Contracting Parties would hold consultations within the Association Council to coordinate their commercial policies towards third countries in order progressively to achieve a commercial policy based on uniform principles which could also cover preferential arrangements.

6. Alignment of economic policies

The conditions and detailed rules for the application of the principles set out in Articles 85 (agreements between undertakings), 86 (dominant position of an undertaking), 90 (public undertakings), 92 (aids granted by States), 95 (taxation of products), 96 (repayments on exportation), 97 (turnover taxes), 98 (remissions and repayments in respect of exports) and 100 (approximation of laws) of the Treaty establishing the European Economic Community would be laid down in the Protocol.

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II. AGRICULTURAL PRODUCTS

(a) For the products in List A in Annex I to the Agreement and for vermouth (22.06) and spirits (22.09), the Community would abolish the fixed component upon the entry into force of the Protocol.

(b) During the transitional period, Malta would progressively bring its agricultural policy in line with that of the Community.

Before the end of the transitional period, and following the adoption by Malta of the common agricultural policy measures, the provisions required for the establishment of free movement of agricultural products between the Community and Malta and the abolition of the variable component for the products referred to in (a) would be adopted.

Measures leading to the establishment of the Customs Union
between the Community and Malta

1. The first stage of the Association Agreement would be extended until 31 December 1979.

The transitional period for the establishment of the Customs Union would begin on 1 January 1980.

2. As regards the industrial sector, the EEC would grant Malta duty-free entry from 1 July 1977 for the products covered by the Agreement.

As concerns the products referred to in Article 3 of Annex I to the Agreement, the abolition of customs duties relates only to the fixed component. List A in Annex I to the Agreement would be supplemented by the addition of vermouth (22.06) and spirits (22.09).

The derogations from the rules of origin would be maintained until 31 December 1979.

3. On the basis of the Maltese customs tariff, Malta would make tariff reductions as follows:

	<u>1.7.77</u>	<u>1.7.79</u>
General arrangements	45 %	55 %
List A	35 %	45 %
List B	15 %	25 %

Draft Decision
of the Representatives of the Governments of the Member States
of the ECSC,
meeting in Council, on the opening of negotiations with Malta

THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES OF
THE EUROPEAN COAL AND STEEL COMMUNITY, MEETING IN COUNCIL,

Whereas the abovementioned Member States have concluded between them the Treaty establishing the European Coal and Steel Community;

Whereas they have also concluded the Treaty establishing the European Economic Community, Article 232 of which stipulates that the provisions of that Treaty shall not affect the provisions of the Treaty establishing the European Coal and Steel Community, in particular as regards the rights and obligations of Member States;

Mindful of the fact that the Agreement establishing an Association between the European Economic Community and Malta does not apply to the products covered by the European Coal and Steel Community;

Desiring, however, to maintain and increase trade in those products between the Member States and Malta,

HAVE DECIDED AS FOLLOWS:

1. The Commission is requested to open negotiations with Malta on behalf of the Member States. The objective of those negotiations will be to investigate whether an agreement can be reached in respect of the products covered by the European Coal and Steel Community on the basis set out below and subject to directives to be issued subsequently.
2. The Commission will be assisted by the Representatives of the Member States in the implementation of this Decision.

Annex

1. For products from the Member States and Malta covered by the European Coal and Steel Community, customs duties and charges having an equivalent effect and quantitative restrictions and measures having equivalent effect in force between the Member States and Malta would be progressively abolished under the conditions set out in 2.

2. The barriers to trade would be abolished by the Member States and Malta in accordance with a timetable fixed by mutual agreement between the Contracting Parties.

The Contracting Parties would also establish the conditions under which the products in question would benefit from the preferential arrangements.

3. Malta could not be accorded treatment more favourable than that applied by the Member States among themselves.

4. Consultations would be held between the parties concerned wherever, in the opinion of one of the parties, the application of the above provisions made this necessary.

FICHE FINANCIERE

date : 1 février 1977

1. Ligne budgétaire concernée : Titre I "Ressources propres"

2. Intitulé de l'action : Proposition de la Commission au Conseil concernant le régime commercial entre la Communauté et Malte

3. Base juridique : article 238 du Traité CEE

4. Objectifs de l'action : Définition du régime commercial entre la Communauté et Malte à partir du 1er juillet 1977

5. <u>Incidences financières</u> :	pendant la campagne	exercice en cours 1977	exercice suivant 1978
5.0 <u>Depenses</u>			
- à la charge du budget de la CE (restitutions/ interventions)	-	-	-
- à la charge administ. nationales			
- à la charge d'autres secteurs nationaux			
5.1 <u>Recettes</u>			
- ressources propres CE (prélèvements/ droits de douane)	néant (1)	néant (1)	néant (1)
- sur la plan national			

5.0.1. Echéancier pluriannuel dépenses année année année

5.1.1. Echéancier pluriannuel recettes

5.2. Mode de calcul

(1) Il s'agit de confirmer contractuellement le régime de la franchise à l'importation pour les produits couverts par l'accord que la Communauté accorde à Malte en vertu de l'extension à ce pays du régime des préférences généralisées,

