

**CYPRUS, MALTA AND THE EUROPEAN COMMUNITY:
ACCESSION, ASSOCIATION OR PARTNERSHIP?**

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(I)

It is clearly inevitable that the countries of the Mediterranean region should take a keen interest in their powerful, northern neighbour. Indeed, the importance of the EC as a trading partner creates, by itself, a need for them to consider what form their relationship with the Community should take, as a matter of great priority. There is arguably little alternative to a close relationship with the EC and the Mediterranean countries are particularly interested in the prospect of improved access to EC markets for their exports which, together with financial assistance from the EC, could accelerate their economic development; the prospect of free access to EC labour markets for their workforce is also attractive. Conversely, geographical proximity, mutual interests and colonial links have also compelled the members of the EC to take an active interest in the Mediterranean region. Indeed, the reasons for the EC's desire for involvement in the region have been succinctly stated by the European Commission:

Owing to its proximity and the volume of trade generated, the stability and prosperity of the Mediterranean region are essential to the stability and prosperity of the Community. In a wider sense, the security of the Community is at stake (local or regional conflicts, political instability, terrorism, drugs, environment).¹

Thus the Mediterranean is perceived as a politically and strategically important area in the Community's own backyard in which 'the aim ... is the creation of a sphere of influence'.² Whilst the demise of the Soviet Union has reduced tensions, the Gulf War and the strife in Yugoslavia have shown that the importance of the Mediterranean in strategic and political terms is undiminished. In addition, there are also economic reasons for EC interest: trade, tourism and oil feature extensively in EC-Mediterranean relations.

However, this apparent mutual interest has borne little fruit other than for those countries which have managed to join the Community. There was a rush of agreements in the 1969-72 period, but, unfortunately, dissatisfaction with the resulting 'mosaic' was being expressed even as they were being put together.³ They were negotiated independently with different contents and expiry dates⁴ and this combined with the introduction of the EC's Generalized System of Preferences (GSP) in 1971 and the impending 1973 enlargement to create a haphazard and changing pattern of net discrimination (by the EC) not only in terms of the position of the Mediterranean compared to the rest of the world but also between different countries within the Mediterranean itself. The Community sought to restore order by instigating its global Mediterranean policy (GMP) which tried to standardize the EC's Mediterranean agreements. Unfortunately, the concept and the reality were rather different and what emerged by the late 1970s was not so much a 'global' policy but rather a 'common approach to various groups of Mediterranean countries'.⁵ Indeed, the Commission⁶ itself has actually pointed out the GMP's major deficiencies. The EC's concessions on both manufacturing and agricultural imports were rather limited and the result of this was increased trade deficits for the EC's Mediterranean partners forcing them to curb their imports from the EC. A subsequent relaunch of the EC's Mediterranean policy in the early 1980s⁷ and a 'redirection' in the early 1990s⁸ have not amounted to much.⁹

In the light of the continuing inadequacies of the EC's Mediterranean policy, it has become increasingly irrelevant and the GMP has long been overtaken by events as the Mediterranean has really divided into two broad camps. Those in the south and east who, because of geography, are ineligible to apply for full EC membership appear, in the face of a continued

erosion of their trade preferences in the EC market, to have become reconciled to a future at the margin of the Community, either accepting the a continuation of the current relationship or turning away from the EC and promoting their own regional cooperation schemes.¹⁰ Meanwhile, those in the north who can apply for membership done just that, beginning with Greece; the applications of Cyprus, Malta (and Turkey) represent a continuation of this trend. In addition to disillusionment with the EC's Mediterranean policy, there is one other major factor that Malta and Cyprus share with other current applicants for EC membership: the completion of the EC's internal market has caused concern, even alarm, in many non-member countries and the current efforts of Malta, Cyprus and, indeed, all the other applicants to join the EC are, in part, simply a defensive reaction to the EC's '1992' programme.

Furthermore, the first Mediterranean enlargement has shown that EC accession offers an opportunity to attract foreign investment and EC financial aid, and to use this to generate economic development and enhanced growth. However, such benefits are not automatic. Opportunities can only be grasped with appropriate national economic policies and so, whilst EC membership can help, a country's fate still lies at least partly in its own hands. This is perhaps the principal lesson that the second wave of Mediterranean applicants should learn from the first: EC accession is not a panacea which will solve everything; rational and appropriate national policies are even more essential within the EC if the opportunities provided by membership are not to be lost. This brief examination of the motivations and potential advantages and pitfalls of joining the EC has suggested that there is a substantial element of commonality in the membership bids of Malta and Cyprus, but there are also important differences and the two applications are consequently examined in turn in the next two sections. A concluding section considers some aspects of the Community's position and summarizes the prospects for Maltese and Cypriot accession to the EC in the immediate future.

(II)

The application of Cyprus for membership clearly provides the EC with a very special case. The division of the island 'presents one of those intractable problems in which bitter historical memory has superseded the desire of its peoples for a harmonious future'¹¹ and an application for EC membership from a divided state is unique. Cyprus also has some military importance and is the location of two military bases of one EC member (Britain). Furthermore, like Malta, Cyprus presents 'small country' problems relating to issues like disproportionate representation in the EC institutions. However, the overriding barriers to Cypriot accession to the EC remain political or, more specifically, relate to the division of the island. This has created a longstanding political impasse and it is difficult to be optimistic and believe that it can be resolved in a way that could facilitate Cyprus joining the Community in the next few years.

Cyprus was formerly a British colony and did not become independent until 1960 and, consequently, it was tied to Britain and did not react to the formation of the EC. Thereafter, Cypriot interest in the Community was tied to its interest in Britain. Once the latter had expressed an interest in joining the Community, Cyprus felt compelled to seek a relationship with the EC as 'an economically rational step to ensure continued access for her traditional exports to her main trading partner, the United Kingdom'.¹² The pattern of production and trade patterns had evolved in Cyprus along standard colonial lines with the result that the structure of Cypriot exports had been developed to suit British markets. There were other

reasons for Cypriot interest but these were less important, at least initially.

The EC-Cyprus association agreement was signed in December 1972 and was to create a customs union between the two after a ten year transitional period. It consisted of two stages, the first of which became effective on 1 June 1973 and was to run until 30 June 1977; only this was agreed in detail. However, whilst no details of the second stage were discussed, the general intention was that 'the loss of the Commonwealth preference would be compensated by the entry into the second stage and the consequent gradual reduction and final abolition of duties in the whole enlarged Community for Cypriot exports'.¹³ Finally, unlike the EC association agreements with Turkey and Greece, but in line with that with Malta, the EC-Cyprus association agreement made no reference whatsoever to the prospect of Cyprus actually joining the EC. The ultimate objective was a customs union, not Cypriot accession.

Unfortunately, many of the EC's concessions to Cyprus were more apparent than real. However, before this could create difficulties, any hopes of a substantial development of EC-Cypriot relations were effectively dashed by the Turkish invasion of the island in the summer of 1974 and the de facto division of the territory thereafter. This endowed relations with Cyprus with a degree of political sensitivity that made EC members reluctant to move forward to the second stage. The EC sought to adopt a strictly neutral position and any enhancement of the association agreement might have been perceived by the Turkish Cypriots (and Turkey, itself) as unduly favouring the Greek Cypriots.¹⁴ Moreover, in addition to the political aspects of the division, there were 'the resulting catastrophic social and economic effects'.¹⁵ The economic dislocation was considerable and severely damaged the Cypriot economy's ability to cope with a customs union with the EC. In short, neither the EC nor Cyprus felt able or willing to proceed to the second stage and, indeed, even the Cypriots eventually felt compelled to acknowledge, albeit discretely rather than explicitly, that an extension of the first stage was the most appropriate way forward.¹⁶

In fact, this was what actually happened, repeatedly and for the next ten years, although financial protocols continued to be agreed; there have been three in all. It was not until 1987 that the EC felt sufficiently comfortable to move to the second stage of association. This involves the gradual implementation, in two phases, the first of ten years duration, of a customs union between Cyprus and the EC. Progression to the second (five year) phase is not automatic but requires a decision by the Association Council. The (Greek) Cypriot decision to apply for full EC membership in July 1990 was essentially a natural development of the movement towards an ever-closer relationship with the EC, accelerated by the EC's single market programme. However, the Turkish Cypriots are opposing the application: 'EC membership of Cyprus will not be considered until the Cyprus question has been settled'.¹⁷ Such a position is in line with the 1960 Constitution of Cyprus which states that no decision in international affairs can be taken without both Greek and Turkish Cypriot assent. The Turkish Cypriots were not consulted about the application to join the EC therefore it is illegal (so the argument goes).

Clearly, this creates a difficult position for the Community and there is no doubt that the division of Cyprus is the greatest obstacle to the Cypriot application to join the Community. A United Nations peacekeeping force has been present in Cyprus since 1964 and, by the late 1980s, 141 members of this force had died -- Greek and Turkish casualties are much higher.¹⁸ The EC did attempt to play a mediating role during the 1974 Cyprus crisis and, indeed, brought to bear its then newly created EPC (European Political Cooperation Procedure) for the very first time. However, the initial ease with which a common position was reached proved to be deceptive and the EC played an ineffective role, leaving the Americans and the UN to make the running. The EC's stance quickly evolved into support

for whatever the UN was doing to resolve the Cyprus issue (which is where it remains today).

Whilst internal disagreement has made the EC unable to make any major positive contribution to resolving the conflict in Cyprus, it has been able to adopt a coordinated and very constant line in its bilateral dealings with Cyprus in the framework of the association agreement. This has been based on two firm principles: firstly, there is only one legitimate government of the Republic of Cyprus and that is the Greek Cypriot government and, secondly, notwithstanding the first principle, the benefits of EC association should accrue to both communities on the island. The first point has been upheld unequivocally by the EC as shown, for example, by the reaction of the EC to the creation of the TRNC in 1983, when it stated that 'the Commission deeply regrets and rejects the unilateral declaration of independence of the Turkish Cypriot community. The Government of Cyprus is the sole legitimate representative recognised by the European Community'.¹⁹

However, upholding the second principle is more difficult. For example, the Turkish and Greek Cypriots adopt an almost competitive approach to filling EC import quotas²⁰ and it is difficult for the Community to impose an equitable solution from the outside. Moreover, there has been continuous Greek pressure (in favour of the Greek Cypriots) from within the Community since 1981. Consequently, the difficulties involved in dealing with the Turkish Cypriots even in the context of a simple association agreement do imply that the political divide in Cyprus is a great barrier to the further development of EC-Cypriot relations. Nevertheless, as time goes by without further significant violence on the island and as the demands and objectives of the two sides moderate and drift towards acceptance of the existing situation, the high cost of partition, in terms of forgoing a place in the (rapidly developing) European mainstream, will become more and more apparent. The rationality of cooperation to reap the benefits of EC membership may well become increasingly evident. In view of this, this political impasse might only exist in the medium term, particularly if Cyprus can successfully move towards a customs union with the EC.

Unfortunately, whilst the problems created by the division of Cyprus fall primarily into the category of politics, the partition of the island also impacts considerably on other areas and may impede the ability of Cyprus to achieve a customs union with the EC. Most obviously, the Cypriot economy is now divided on ethnic lines into two very different segments. Perhaps the key feature of these non-political aspects of partition is that they will have to be addressed, both generally and specifically in the context of EC accession, even if a political solution to the ethnic division of Cyprus is found because they will still remain. In the economic sphere this translates to a need to address the regional imbalance bringing the impoverished (Turkish) north, with a GDP of something like a quarter of the (Greek) south, up to the level of the latter. What the 1974 invasion did, was to disrupt the Cypriot economy severely and to separate off the Turkish segment and make it dependent on and closely linked to Turkey itself and, by so doing, create a pronounced regional imbalance. The TRNC retains many underlying 'Cypriot' characteristics such as a dependence on tourism and a need for structural adjustment but, as a result of its Turkish links which have had to be reinforced because of its isolation from the rest of the world, it has become dominated by a number of 'Turkish' characteristics, notably high inflation (through adoption of the Turkish lira) and a Turkish level of GDP.

As in the Turkish case, one of the principal issues is whether or not Cyprus can compete with EC producers. The Turkish Cypriots clearly cannot but the trends since the customs union agreement began to be implemented in 1988 have not been too encouraging for the Greek Cypriots either. In the first two years they were clearly struggling as the increase in

Cypriot exports to the EC (48 per cent) did not match that of EC exports to Cyprus (58 per cent) and the trade gap widened.²¹ Inevitably, the small, traditionally protected, Cypriot industrial sector was struggling in the face of increased competition from the EC. Labour shortages (in terms of both quantity and quality) are also a handicap. Nevertheless, a radical restructuring of industry in the face of increased EC competition from the EC may well be achievable. Greek Cypriot businessmen are widely regarded as able, adaptable and very entrepreneurial, and might be expected to respond more positively in the medium term. However, in the short term there will be problems as Cyprus's 'burgeoning trade deficit ... has been the one dark spot to emerge in Cyprus-EC trade relations since the signing of ..[the].. customs union agreement two years ago.'²²

Moreover, in its present state, Cyprus would face other problems in adapting to EC membership and, in particular, with becoming part of the EC's single internal market. At the present time, the internal political divide precludes Cyprus from creating, within the island itself, any of the four freedoms (of movement) -- of goods, services, people and capital -- which constitute the essence of the single market. Clearly, the Greek Cypriots cannot even enforce a customs union with the EC on the Turkish Cypriots and free movement of people is particularly difficult. Even if the EC were prepared to countenance accession for the (Greek) Republic of Cyprus alone then there would be economic difficulties in adapting to the single market. These would relate, for example, to impediments to capital movements caused by the fact that Cypriot interest rates have been legally fixed at a maximum of 9 per cent and this implies capital controls. The budgetary effect of Cyprus joining the Community is also of importance. In particular, Turkish Cyprus will require a significant injection of funds from all EC quarters. It is currently propped up by Turkey and this role would have to be assumed by the EC for some considerable time if the whole of Cyprus were to join the Community. Indeed, in the case of the TRNC, the economic situation is so grave that there may be a case for outright aid, perhaps in the form of some kind of special 'Cyprus fund'. It is true that the TRNC represents a small problem in EC terms but, as past budgetary disputes and current negotiations over the Delors II package indicate, even small amounts can be problematical.

Beyond political and economic concerns, the relationship between Cyprus and the Community also has a security and strategic dimension. Cyprus itself is a security issue which must inevitably concern the EC specifically because the antagonists are a full member and an associate member of the EC and, more generally, because most EC member states are in NATO. Whilst the situation does tend to make the EC inclined to keep its distance, it is equally clear that it has a strong interest in the resolution of the conflict and, if a closer relationship with the EC comes to be seen as a means of promoting this, then the Community might become more sympathetic towards Greek Cypriot aspirations. The non-aligned status of Cyprus poses a question of a different kind. Indeed, it is a major cause of the only real Greek Cypriot political opposition to a close relationship with the EC which comes from the Communists (AKEL). Moreover, although Cypriots would point to the presence of neutral countries amongst the ranks of EC actual and likely near-future members, passive neutrality is rather different to active non-alignment. Nevertheless, it is unlikely that there will be a problem because the Greek Cypriots are pragmatic enough to realise that the advantages of EC membership far outweigh the benefits of pursuing a non-aligned policy. Thus, were Cyprus to be allowed to join the EC, the policy would be amended accordingly and, quite possibly, dropped. Finally, the smallness of Cyprus raises a variety of institutional concerns which also apply to Malta and are taken up in the next section.

Ultimately, the attraction of EC membership for the Greek Cypriots is overwhelming and

their views were well summarized by President Vassiliou himself in a televised address on the day that Cyprus applied to join the EC²³ in which he identified five main advantages:

- 'access to a large and dynamic market' which is particularly important as 'Europe is already Cyprus' main trading partner';
- 'participation in the full range of Community financial mechanisms and funds' thereby releasing a 'truly enormous ... potential for the boosting of key sectors of ..[the Cypriot].. economy and the financing of a range of development and infrastructure projects..';
- an opening of 'the doors of Europe to all Cypriots in all fields including that of education..';
- the very changes required to conform to the EC's single market are viewed positively because 'the adjustment to standards and procedures will act as a catalyst for rapid and balanced development as well as an improvement in living standards..';
- finally, EC membership is seen as providing a security guarantee for the country by ensuring its 'political future ... in conditions of stability and security'.

To this list, and perhaps implied, to some extent, by Vassiliou's speech, should be added the Greek Cypriot hope that EC membership would facilitate the resolution of the internal political division of the island. Also, whilst access to a 'dynamic' market is important for industrial exports, of much more fundamental importance is the introduction of (free) access to the EC's market for Cypriot agricultural exports. Meanwhile, on the Turkish Cypriot side there is a great deal of near-hysterical, anti-EC rhetoric²⁴ but behind this exists a pragmatic realization that EC accession would be extremely beneficial for the TRNC in economic terms. In any case, 'opposition' has not prevented the Turkish Cypriots from being very active in their efforts to fill the Cypriot quotas for agricultural exports to the EC.

However, on the Turkish side, there remains a great deal of concern about the impact of opening up the border within Cyprus and the impact of the four freedoms of movement that would presumably be an inevitable consequence of Cypriot accession to the EC. The Turkish Cypriots feel vulnerable economically and, specifically, fear that Greek Cypriots would buy up large amounts of land and property on the Turkish side of the island. There are also real fears about personal security, particularly if the Turkish military force in the north had to be withdrawn. On the other hand, if the EC were to admit the (Greek) Republic of Cyprus as a full member without the TRNC, then the Turkish Cypriots feel that this would deepen the divide in Cyprus and accentuate their own isolation even further.

As far as the EC is concerned, the economic case for accepting the Cypriot candidature would seem to be very strong: it is a small country which is already moving towards a customs union with the EC and has a booming economy and a GDP per capita (in Greek Cyprus) comparable to Spain's. The TRNC is a problem but, in comparative economic terms at least, it is a small one. A combination of EC funds and Greek Cypriot knowhow could probably turn the Turkish Cypriot economy round in a reasonably short period. In the face of these positive elements the EC will find it difficult to reject Cyprus except on political grounds. Consequently, it is difficult not to conclude that the fundamental issue and, indeed, the main barrier to Cyprus joining the Community, remains the partition of the island. The likelihood of any 'solution' to this internal impasse in the immediate future seems remote and so the relevant question becomes whether the EC will be prepared to accept a divided Cyprus as a full member. Unfortunately for the Cypriots, no matter how strong the economic case, a divided Cyprus is unlikely to be welcomed by the Community with open arms at any time.

(III)

Malta²⁵ formally applied for membership of the Community in July 1990. On the face of it, this was an unlikely candidature as for most of the past twenty years Malta has been ruled by a socialist government with a decidedly ambiguous attitude to the West in general, and the EC in particular. However, once the (Christian Democrat) Nationalist Party was returned to power in 1987, after an absence of sixteen years, an application for membership became inevitable. The re-election of the Nationalist government in 1992 has confirmed Malta's candidature. Nevertheless, Malta remains strikingly different from Turkey and (Greek) Cyprus in that there is a lack of domestic political consensus in favour of full membership of the EC. Consequently, there has been a lively, if not always well informed, internal debate about the merits of membership and of possible alternatives and, indeed, the application to join the EC was an important issue in the recent election. In fact, the situation is reminiscent of that in Britain and Greece at the time of EC accession: a ruling right of centre party strongly in favour of EC membership facing a left of centre opposition party against accession. (Whether the Maltese story will also end with the socialists back in power but accepting and working within EC membership remains to be seen.) Malta's close links with the EC make accession a logical outcome but, on the EC's part, there are lingering doubts about Malta's suitability stemming partly from the nature of its internal politics but mainly from its size and neutrality. Whatever the merits of these arguments, the lack of internal consensus in Malta has had an effect virtually completely absent in Turkey and Cyprus: it has stimulated an explicit examination of alternatives to EC membership (although the debate has perhaps not been as articulate as it might have been).

Many of the Maltese government's arguments in favour of EC membership are contained in Malta's Department of Information (1990), *Report by the EC Directorate to the Prime Minister and Minister of Foreign Affairs regarding Malta's membership of the European Community* (Government of Malta, Valetta). This is a superficially comprehensive document but with a strong element of wishful thinking, although it does contain many strong arguments. The main advantages of EC membership to Malta are perceived to consist of guaranteed access to the EC market, access to EC funding and an anticipated increase in direct foreign investment. The principal negative effect -- the impact on the weaker elements of Maltese industry of increased competition from the EC -- is turned on its head and EC accession is presented as a golden opportunity to restructure these sectors and generate export led growth. This argument is allied with the view that Maltese industry needs to restructure anyway if it is to compete in world markets. The views of the socialist opposition in which the disadvantages of joining the EC are highlighted are presented in Malta Labour Party (1990), *Malta and the EEC: Economic and Social Aspects* (Information Department, Valetta). This overstates much of the argument and is extremely one-sided in places but does provide a comprehensive treatment of the case against EC membership. The main arguments against include the loss of Maltese independence and sovereignty, increased inflation due to higher food prices,²⁶ the adverse effects of increased competition on Maltese industry, an inflow of foreigners to take Maltese jobs and buy up Maltese industry and the argument that rising costs in Malta would actually lead to a decrease of incoming foreign direct investment.

These counter-arguments are based on a different emphasis to the government (for example, on neutrality) and a different interpretation of the economic impact of EC membership. However, the problem with the Labour Party case is that it does not, ultimately, seem to be convinced by its own rhetoric in that its preferred option -- some kind of long term framework agreement creating closer links and cooperation which may or may

not include a customs union -- incorporates membership as a potential long term outcome. Indeed, the Nationalist government and socialist opposition are also in agreement over the undesirability of a customs union. A customs union would cause considerable difficulties for the uncompetitive elements of the Maltese economy and reduce Maltese revenues as its current tariffs would have to be replaced by the (lower) EC common external tariff. At the same time Malta would not reap the compensating benefits that full membership would bring, notably access to the EC's structural funds and Mediterranean programmes. An improved financial protocol would almost certainly accompany a customs union but the flow of funds to Malta would not be comparable to the situation if Malta were actually an EC member. In this respect Malta differs significantly from (Greek) Cyprus: 'The economic conditions in the island of Aphrodite ... differ markedly from the economic conditions in the island of St. Paul'.²⁷

However, in many ways the discussion of these alternatives have an air of unreality. Indeed, on the face of it the differences between the Nationalists and the Socialists are of detail rather than substance (assuming, perhaps heroically, that the Labour Party has no hidden agenda). They both view the status quo and the movement to a customs union (the first and second stages of the association agreement) as untenable and unfavourable to Malta but see a closer relationship with the EC as desirable. From this perspective, 'it is not incorrect to assess the current situation as one where both parties, in different form, indicate a membership vocation'.²⁸ The differences are over timing, some of the economic effects and the economic upheaval that would inevitably follow from membership as Malta sought to adjust its economy. The Nationalists see such adjustment as necessary anyway and would prefer to join the EC and get it over with quickly. The Socialists, who are largely the architects of current Maltese economic structures, are not surprisingly less happy with this. They give much greater weight to the short and medium term economic dislocation of joining the EC and would prefer to see adjustment drawn out over a much longer period and heavily subsidised by the EC. There are dangers in both these positions. If the Nationalists get their way and accede to the EC quickly then they would not be the first to join in haste and repent at leisure -- the Greek experience is the obvious example that Malta would not wish to repeat. The problem with the view of the Maltese Labour Party is that it amounts to Malta having its cake and eating it. The Community is not a charity and has no obvious interest in underwriting the Maltese.

Malta's association agreement with the EC has a rather curious history in that it was negotiated by a (broadly) 'pro-EC' Nationalist government but then implemented or, perhaps better, tolerated by a (broadly) 'anti-EC' Labour government for the next sixteen years. In fact, as in the Cypriot case, the backdrop of the Maltese economic and political situation against which EC-Malta relations are played out is of considerable importance, and for essentially the same reason of internal political division, albeit on a less explosive scale. Whilst the Nationalist Party promotes (Christian) democrat values and is pro-western and pro-EC, the Labour Party is in favour of neutrality and non-alignment of Malta, with anti-western tendencies, and has been inclined to see the EC, at best, as one partner amongst many. Moreover, the island is truly divided as, since independence in 1964, the elections have been extremely close.²⁹ Because of this, Malta's relationship with the EC has also been a troubled one. The association agreement was signed in 1970 and amounted to a customs union to be achieved through two five year phases. Unfortunately, the newly elected Maltese Labour government immediately made clear its intention to 'endeavour to amend the agreement in the Common Market..³⁰ Relations deteriorated thereafter with the EC reacting badly to what it perceived as excessive Maltese demands and unfriendly behaviour in general.

Mintoff's government was decidedly maverick with anti-western and pro-Libyan tendencies and seemed to take the view that threats and aggression were the best way to win concessions from the EC.³¹ Nor was the heavy emphasis by the Maltese on the provision of EC financial assistance well received in Brussels. One observer has characterized Malta's policy at this time as displaying 'a total lack of commitment to Western Europe and a tendency to regard the Community as little more than a milch-cow for increasing levels of financial aid'.³²

It is, therefore, not surprising that the association agreement remained stuck in an extended first stage and EC-Malta relations deteriorated to a point of crisis in the early 1980s. The consequent unsatisfactory state of EC-Malta relations dragged on until 1985 when the Maltese Labour government, perhaps with one eye on the coming election, perhaps simply having realised that no further EC concessions would be forthcoming, made renewed contact with the Community, which led to the agreement of a second financial protocol a general thaw in EC-Malta relations. This trend was accelerated when the Nationalist Party was elected to power in 1987. Their manifesto included a pledge to apply for EC membership and the new government lost no time in sending its foreign minister to Brussels to press the Maltese case. The effect of this improved atmosphere was a decision (in April 1988) to institutionalize political dialogue between Malta and the EC by regular meetings between Maltese and EC foreign ministers, a supplementary protocol which re-established EC-Malta relations on a contractual basis, a protocol of adjustments and transitional measures to allow for the accessions of Spain and Portugal,³³ both of which became effective on 1 April 1989, and a third financial protocol. Malta subsequently applied for membership and now, not surprisingly, no longer wishes to move to the second stage of its association agreement. In late 1990, therefore, it was agreed that the current arrangements should be extended annually and automatically (unless either side raises an objection) until the membership issue is resolved. Like Cyprus, Malta is currently awaiting the Commission's opinion of its application to join the Community which is expected in late 1992.

The internal political debate potentially also has an important external aspect. The Prag Report drew attention to the fact that a 'clearer indication of bipartisan support for membership might be regarded by the governments of the Twelve as an important factor in their reactions to a Maltese application for membership'.³⁴ This has been strongly repudiated by government and other sources in Malta³⁵ on the grounds that it gives, in effect, the power of veto to the Maltese opposition which is both undemocratic and totally unacceptable. Furthermore, it applies a condition for EC membership to Malta which is both unprecedented and virtually impossible to fulfil completely. Britain and Greece were (and Norway could have been) admitted to the EC despite significant internal opposition. Nevertheless, at a time when the EC is deepening, opposition becomes more awkward within existing members and taking on new members, particularly a small country, seriously divided on the issue of membership, is unappealing, to say the least. Ultimately, however, the problem may well be alleviated by the fact that political differences within Malta are more apparent than real although the Maltese Labour Party will probably always contain some hard core opposition to EC membership.

A more potent source of difficulty on the EC side concerns the neutrality of Malta. On its election in 1971, the Mintoff government indicated its adherence to a policy of neutrality and non-alignment, but this could not be fully adopted until after the completion of the withdrawal of British forces in 1979. The policy was eventually enshrined in the Maltese constitution in 1987. It is true that the current Maltese government is adamant that its neutrality is 'sui generis'³⁶ and does not prevent Malta from aligning itself with common EC foreign policy positions. It relates solely to military neutrality and simply prohibits the

use or deployment of military bases, facilities or personnel in Malta.³⁷ Nevertheless, the EC fears that a re-elected socialist government may redefine Maltese neutrality. The track record in government of the Labour Party opposition, which still commanded 46.5 per cent of the popular vote in the recent election, is hardly encouraging. However, there is a view in some Maltese quarters that neutrality is expendable and should, if necessary, 'be modified accordingly'³⁸ if it hinders progress towards EC membership. This would completely resolve any difficulties. Finally, it should be remembered that any Maltese accession is likely to be preceded by that of several neutral EFTA states and, consequently, the neutrality issue is likely to be addressed with little, if any, reference to Malta.

Another issue that has concerned the Community in the recent past has been the state of democracy in Malta and, in particular, human rights violations. The principal concern was some of the government's activities during the period of Labour Party rule from 1971 to 1987. A vitriolic catalogue of misdeeds is provided by Rossi (1986, pp. 14-24).³⁹ However, the smooth transfer of power to the Nationalists after the mainly peaceful 1987 election suggest that Maltese democracy is no longer under threat. Another political issue that has been raised (on the Maltese side) concerns the loss of sovereignty that EC membership entails. However, it is questionable as to whether the concept of national sovereignty is much more than an illusion for a group of small islands with inadequate natural resources and which are compelled to rely on trade and incoming tourists to survive. More specifically, to maintain competitiveness in its major export market, Malta will have to abide by the rules and regulations of the EC's internal market but will have no voice whatsoever in determining them. From this point of view, Malta will actually enhance its sovereignty by joining the EC because this will at least give it a seat at the table where these kind of decisions are made.

There are also a range of issues which stem from Malta's comparative smallness which are also of concern to Cyprus. There should be advantages in having a voice in the decision making process, although these are difficult to evaluate, particularly in the extreme: the right of veto is of limited value and might not be tolerated in a small country -- at the very least it would have to be used so carefully and rarely as to be effectively an empty threat; in any case, as more majority voting is introduced the veto becomes of limited value. A second advantage -- influence -- is even more difficult to assess. It is also reduced by majority voting and is proportionate to size anyway. Nevertheless, the EC is built on compromise and no member, no matter how small, can be wholly ignored. Moreover, in the case of a small country which is insistent on any particular subject then 'buying off' that country with some concession is a cheap and easy option. Malta (and Cyprus) will also have to address the administrative effects of EC accession which will severely test the quality of its civil service and bureaucracy and their ability to increase their workload. The basic question is whether a small country such as Malta simply has sufficient technicians, professionals and bureaucrats to cope with what EC membership entails. Small countries have to negotiate, agree, implement and monitor the same number of EC rules and regulations as every other member. Furthermore, the financial benefits through the structural funds are not simply given to recipient members -- acceptable programmes have to be worked up, monies have to be claimed and expenditure justified.

The advantages for the EC of accepting new small members are rather less obvious. The economic cost is negligible but so is the economic benefit to the EC and the political and institutional effects are virtually completely negative. The political drawbacks from the Community perspective mainly relate to small countries having a voice in decision making and have already been addressed and, in addition, some of the other issues, such as neutrality, become much more irritating to the EC if the country involved is small. At the

institutional level much of the problem stems from the disproportionate effect of small countries in terms of the need for an additional Commissioner, another national voice in the Council and possibly an additional official language with the associated effects of having to produce all documentation in that language. There are some relatively easy areas such as representation in the European Parliament where groupings are on political party lines⁴⁰ but perhaps the ultimate question is whether a very small country like Malta (or Cyprus) could really to take its turn at running the EC (Council) Presidency. There must be great doubts on grounds of experience, availability of administrative and technical support and, most important, whether such a presidency would command any credibility in the rest of the world. This may be unfair, and even insulting, but Luxembourg is a special (and very experienced) case and some of the other small countries have not found being EC President easy. Ultimately, it is difficult for the EC not to draw the conclusion that the advantages of admitting a small country as a new member are negligible.

The economic impact of EC membership has been the subject of considerable debate in Malta. In fact there are strong similarities with the debate that immediately preceded British EC accession in 1972 and the battle lines follow the same ideological divide. Much of the concern revolves around the ability of parts of Maltese industry to cope with the increased competition that joining the EC would entail. Malta's industrial sector currently accounts for over 90 per cent of exports,⁴¹ approaching 30 per cent of GDP and a similar proportion of employment (Table 1), which is comparable to the situation in existing EC member states. However, the Maltese only really began to develop their industry in earnest after independence in 1964, partly in response to the running down of the British military presence and the associated maintenance and repair contracts. Unfortunately, the development of Maltese industry has been promoted by highly interventionist industrial policies which 'were the antithesis of those required to enable a country with a very small population ... to achieve a high degree of competitiveness on the basis of high and rapidly growing productivity'.⁴² More perceptively, a fairly liberal, approach to foreign direct investment was intermittently adopted and this, allied with Malta's 'natural' advantages of low labour costs and proximity to the main European markets, has allowed such investment to be attracted.

The fruit of these policies has been that the Maltese industrial sector has been characterized by the following principal features:

- very small scale activity with few large enterprises;
- a lack of diversity with output and employment concentrated in a relatively small number of sectors;⁴³
- low productivity and low amounts of capital employed per worker.

The new Nationalist government has begun to reverse the inward-looking policies of the past (partly by seeking EC membership) but still has some way to go before the local market oriented element of Maltese industry is sufficiently strong to face the outside world unaided. The most obvious implication of Malta's industrial structure and past policy is thus that Maltese industry faces substantial and painful adjustment if it joins the EC,⁴⁴ although much of this is probably inevitable anyway if Malta wishes to compete in world markets generally, and especially in the EC's post-1992 single market. A second observation is that Malta may have much to gain from the EC's enterprise policy⁴⁵ since it is largely concerned with promoting small and medium-sized enterprises (which are defined in the EC in a way that would include the vast majority of Maltese companies).

Further questions are raised by Malta's extensive state controlled sector since it accounts

for around 40 per cent of GDP and employs 46 per cent of the workforce.⁴⁶ The economic control of the state extends not only to all utilities, the airline, shipping line, the drydocks and shipyard but also includes the banks and insurance, broadcasting, telecommunications and many factories and hotels. Quite apart from the potential difficulties in making Maltese state involvement compatible with EC rules on state aids, the role of the state as Malta's principal employer has been widely criticised for encouraging 'the philosophy of trying to achieve a short cut to a contented life by ambling along on a low paid job which is afforded by the exchequer which tolerates an easy life and a guaranteed job for life'.⁴⁷ Such an outlook is obviously not conducive to meeting the challenges of EC accession and, consequently, the restructuring of industry in Malta will have to be matched by a restructuring of attitudes. Finally, turning to the agricultural sector, this accounts for only 4 per cent of GDP and approximately 3 per cent of total employment and so is not a significant issue.

Another issue concerns the likely future development of foreign direct investment (FDI) in Malta, which the government is anxious to promote. The Labour party vision of an inflationary spiral, generated by the adoption of the CAP and VAT, eroding Malta's attraction for FDI and leading to a decline⁴⁸ is not particularly convincing. It is true that prices will rise but this is a once-and-for-all effect and, provided the government behaves prudently, there is no reason why inflation should take off.⁴⁹ Indeed, whilst low wage costs are vital, actually joining the EC will also be extremely beneficial to FDI since it will remove a great deal of uncertainty about Malta's future and, in particular, Malta's access to the EC market. This certainly seems to have been the experience of Greece, Spain and Portugal after they joined the EC.⁵⁰ Moreover, Pomfret (1982b, op. cit.) has argued that a preferential agreement with the EC has been a driving force in attracting FDI to Malta in the past. Increased FDI will clearly be beneficial to Malta but the most obvious economic advantage of EC membership would be the financial assistance that would become available to Malta, particularly as it is a poor country in EC terms.

The economic case for Malta joining the EC (from the Maltese perspective) seems increasingly unassailable. Given that Malta must have some kind of economic relationship with its main trading partner and that the painful process of internal adjustment is inevitable anyway if a more open and realistic economic policy stance is to be adopted, then full membership would appear to be the best option. However, joining the EC is not a panacea - it 'offers an economic opportunity ..[but].. whether the opportunity is seized or not depends on what happens within Malta'.⁵¹ The essential point is that the Maltese economy must shed its protection and must adjust and any attempt to evade this restructuring through a long transition period will simply delay the day of reckoning. If the Maltese government can use the demands of EC membership as a scapegoat for unpopular domestic measures (and it would not be the first to do so) and thereby create a more competitive economy then the main cost of EC accession would ultimately be turned around into a benefit. Politically, there is more doubt about the benefits of EC accession, to the extent that the Maltese value their sovereignty and neutrality and that such concepts actually have a value in the case of a small island economy on the periphery of the nearest, major, world power bloc. There is also the question of internal political will. The Maltese Labour party is not happy with the current application to join the Community and only time will tell if this is genuine hostility to such a move or simply political posturing in the face of the inevitable.

However, the main challenge to Malta of EC membership may well be the challenge to a small country of taking on the administrative and bureaucratic responsibilities that EC membership entails. In addition, the view of public sector employment as a soft and

undemanding option will have to be replaced by more aggressive, competitive and entrepreneurial attitudes. Having dismissed the alternatives, Malta must look to a strategy for promoting its accession to the EC. This essentially involves establishing the country's credibility as a serious applicant by engaging in a shift of policy away from that of the Mintoff years. There is a strong case for the desirability of doing this anyway if Malta is to compete in the world economy and if it is to diminish the uncertainty which 'is the greatest enemy of economic life and certainly comprises a major factor limiting Malta's attractiveness to foreign investment'.⁵² Moreover, it is obvious that Malta will have to accommodate the EC and not vice-versa (although not apparently to everyone⁵³). In fact, Malta would be well advised to begin the process of developing communitaire attitudes and autonomously harmonizing with the EC from now on since, realistically, the Maltese know that they are not in a position to extract many concessions from the EC in any forthcoming accession negotiations.

From the EC's point of view it is not easy to see how Maltese accession would be of much benefit to the existing Community. Malta's strategic, geographical location is of some advantage, although this is compromised by the country's neutrality, and links with North African Arabs would be enhanced, although the EC would not seem especially interested in that, in the light of its past Mediterranean policy. However, there is the argument that the European Community should not be an exclusive club but that the ideals of European union dictate that it should be open to all democratic, European states (such as Malta). Furthermore, from an EC perspective the arguments against accepting Malta as a member are not particularly strong either. Unlike the Cypriots, the Maltese have largely managed to contain their internal divisions within domestic party politics and so the only real, remaining problems concern the accommodation of such a small country within current and future EC structures. The economic impact of Maltese accession on the EC would be negligible and, given that the small country issue is a general one that the EC will have to address anyway, it becomes difficult to see how the EC can reasonably reject the Maltese application. This is not to say that it will not or, at least, will seek to delay Maltese accession but, nevertheless the prospects for eventual Maltese accession would appear good, and would be excellent if the Maltese Labour Party were to change its stance and support the Nationalist government's application. Nevertheless, the Maltese will have to be patient. There is a view that Malta has been unable to influence its own destiny; thus the attempt to integrate with Britain in the 1950s collapsed when the British lost interest after Suez and Malta was only granted independence in the 1960s when Britain felt able to give it.⁵⁴ According to this scenario, Malta can do little more than await the EC's verdict.

(IV)

On the basis of an examination of the individual cases of Cyprus and Malta, the following conclusions might be drawn. Cyprus finds itself in the unfortunate position of being largely acceptable to the EC on economic grounds, but almost certainly unacceptable on political grounds. The division of the island looms large in any discussion of EC accession and would seem to present a potentially insurmountable problem. However, it should be observed that it also masks other problems, particularly the smallness of Cyprus, which would come into play if the internal political situation were resolved. Indeed, in such circumstances, the Cypriot situation would have much in common with that of Malta. Turning to Malta, although some question marks may arise because of the internal opposition to EC membership from the Labour party, its application has much to commend it. In economic

terms, it would be a minor addition to the EC's impoverished south and the main problems would arise in Malta itself. However, its smallness raises critical issues of principle for the EC and premature acceptance of Malta as a member could set an undesirable precedent with implications for the Cypriot application. For these reasons, Maltese accession is likely to be delayed for some time.

This question of the institutional arrangements to take account of a larger EC membership with more small countries may well delay Maltese accession for some time. The issue is likely to generate significant heat within the Community and the Benelux countries have already fired a warning shot in the memorandum that they submitted to the Lisbon summit.⁵⁵ This begins by baldly stating that only the EFTA countries can satisfy the conditions for EC accession in the foreseeable future⁵⁶ and recommending 'strengthened association agreements' for Turkey, Cyprus and Malta (p. 2). It then seeks to steal a march in the debate by laying down how EC institutions should be organized in a larger Community (p. 3):

- 'the larger countries will have to accept some over-representation of the smaller member countries', for example, in the European Parliament;
- 'the Commission must be composed of one member per Member State. This also applies to the European Court of Justice;
- 'the six-monthly rota for the Presidency ..[of the Council].. held by each Member State should not be changed';
- as far as majority voting is concerned the proposal is that the current principle should be maintained by which large countries cannot combine to impose decisions but small countries cannot combine to block them.

This amounts to stating that the present system should continue, more or less as it is. It flatly contradicts some of the ideas that have recently been aired in Brussels such as the abolition of the rotating Council presidency to be replaced by a (longer) fixed term executive and simple majority voting for 'routine' decisions in the Council.⁵⁷ Consequently, the proposals in the Benelux memorandum are not likely to be acceptable to the Commission and at least some of the other member states. The outcome may be a prolonged internal, EC institutional wrangle which could delay Maltese (and Cypriot) accession for years.

Indeed, the general tone of the Commission proposal and the Lisbon summit conclusions was that Cyprus and Malta would not be in the first wave of countries that accede to the EC after Maastricht. This was made clear by the Commission Report on enlargement (subsequently endorsed) to the Lisbon summit in June 1992.⁵⁸ Although the first reference to the Mediterranean applicants is encouraging -- 'the integration of Cyprus and Malta into the Community system would not pose insurmountable problems of an economic nature' (paragraph 16) -- the report then goes on to look at each one in turn. The Cypriot accession is linked to the effective division of the island into 'two entities, between which there is no movement of goods, persons or services. The Community must continue to encourage all efforts to find a solution ..[and in].. the meantime, the association agreement should be exploited so that Cyprus is enabled to pursue its economic integration' (paragraph 30). In the case of Malta (and Cyprus), the question of size is raised as an obstacle and reference is made to the need for 'participation in the Community institutions ... to be resolved' (paragraph 31). The Edinburgh summit did not add anything more positive and, indeed, arguably did the reverse. In the conclusions of the Presidency, the references to Malta and Cyprus merely commend the work of the Association Councils and invite the Council 'to

continue developing appropriate and specific links with these countries along the lines set out in Lisbon'.⁵⁹ More ominously, Malta and Cyprus are bracketed with Turkey and dealt with in the 'External Relations' section of the document rather than in the subsection headed 'Accession of new Member States to the Union', which refers only to EFTA countries.

The first wave consists of the EFTA applicants and, indeed, negotiations have since begun with Austria, Finland, Norway and Sweden. This does actually have certain advantages in that a number of key issues will have to be resolved before any Mediterranean enlargement. This may apply, to some extent, to the institutional problems and will certainly be the case with the neutrality issue, which affects Malta and Cyprus: all four current EFTA applicants are small (although not tiny) and three of them are neutral. Nevertheless, the view from outside the Community is clear enough. The EC is rapidly moving on and the non-member Mediterranean states run the risk of becoming even more peripheral and, if they are eventually admitted, finding EC accession even more difficult. The Community has an interest in the Mediterranean but, for a variety of reasons, this has not been translated into a satisfactory relationship with those Mediterranean countries which have not yet managed to join it. If the EC and EFTA combine in the next few years and become even more preoccupied with the remnants of the Soviet empire in eastern and central Europe, the Mediterranean region faces the prospect of being further downgraded in the EC's pecking order of external priorities. The Community is likely to assume a northern and eastern bias which will not favour its Mediterranean partners. In the face of this, those who are eligible in the Mediterranean have chosen to apply to join the Community. This is not an easy option but, in view of the EC's past and likely future Mediterranean policy and given reasonable terms of accession, it is probably the optimum one in the long run.

However, the Maltese and Cypriots must view with some trepidation recent press reports that the impending Commission opinions are likely to be negative.⁶⁰ Given the long delay, this is not really surprising if one contrasts the similar delay in the production of the (negative) opinion on Turkey's membership bid with the almost indecent haste with which opinions on some of the EFTA countries' applications have been prepared. Another development may also be of concern. Although the second (positive) Danish referendum on the Maastricht Treaty perhaps goes against this trend, there is evidence to suggest that negative attitudes to EC accession are on the increase in EFTA. This is provided by the negative outcome of the Swiss referendum on membership of the European Economic Area in December 1992 and recent opinion polls in Norway and Sweden. If most of the EFTAs do not join the EC then this may hinder the ambitions of Malta and Cyprus. These latter countries run the risk of only being considered feasible members in a larger EC of 20 members or more. If this development is delayed or does not materialise then it is much less attractive to a Community of 12 (or slightly more) members to take in two small Mediterranean islands as full members. This is because it would require major (and difficult) institutional reform which could otherwise be delayed or would require acceptance of Maltese and Cypriot presidencies and their having a full voice in the Council of Ministers. Ultimately, it is difficult not to be pessimistic about prospects for Maltese and Cypriot accession to the EC in the immediate future and probably for the rest of the 1990s, particularly for Cyprus.

Notes

1. Commission of the ECs (1990a), *Communication from the Commission to the Council: Redirecting the Community's Mediterranean Policy*, Brussels.
2. H. Corbet, Preface to R. Pomfret (1986), *The Mediterranean Policy of the European Community*, Macmillan, London, p. xii.
3. R. Pomfret and A. Tovias (1980), 'The Global Mediterranean Policy of the EEC' in H. Giersch (ed.), *The Economic Integration of Israel in the EEC*, Mohr, Tübingen, p. 46.
4. R. Pomfret, R. (1989), *The European Community: Three Issues*, European Documentation Centre and the Chamber of Commerce, Malta, p. 12, refers to Tovias' very apt borrowing of a description of the British Empire to describe the EC as 'having acquired its Mediterranean policy in a fit of absent-mindedness'.
5. Pomfret (1986), *op. cit.*, p. 23. See also A. Tovias (1977), *Tariff Preferences in Mediterranean Diplomacy*, London, Macmillan, p. 12.
6. Commission of the ECs (1982b), 'The Community and the countries and regions of the Mediterranean', *European File*, 19/82, p. 3.
7. Commission of the ECs (1982a), *Communication from the Commission to the Council of Ministers: A Mediterranean Policy for the Enlarged Community*, Brussels
8. Commission of the ECs (1990a), *op. cit.*.
9. Useful critiques of the EC's Mediterranean policy are provided by Pomfret (1986), *op. cit.*; Pomfret and Tovias (1980), *op. cit.*; R. Pomfret (1992), 'The European Community's Relations with the Mediterranean Countries' in J. Redmond (ed.), *The External Relations of the European Community*, London, Macmillan; and Economic and Social Committee (of the EC) (1990), 'Opinion on the Mediterranean Policy of the European Community', *Official Journal of the ECs*, vol. 33, no. C168, 10 July.
10. A useful summary of this development is provided by Pomfret in Redmond (1992), *op. cit.*, pp. 86-8.
11. R. Mc.Donald (1988/89), *The Problem of Cyprus*, Adelphi Paper 234, Brassey's for the International Institute of Strategic Studies, London, p. 3.
12. H. Gsänger (1980), 'The EEC and Cyprus and Turkey' in D. Seers and C. Vaitos (eds), *Integration and Uneven Development*, Macmillan, London, p. 280.
13. Republic of Cyprus (1982), *The Association Agreement between the Republic of Cyprus and the European Economic Community*, Press and Information Office, Nicosia, p. 6.

14. According to C. Tsardanidis (1984), 'The EC-Cyprus Association Agreement: Ten Years of a Troubled Relationship, 1973-83', *Journal of Common Market Studies*, vol. XXII, no. 4, June, p. 357, the EC took its evenhandedness to the point that it was actually prepared to accept Turkish Cypriot exports of citrus and other fruits taken from orchards owned by Greek Cypriot refugees (who had fled), provided they were accompanied by the relevant, local, (Turkish) Cypriot documentation.
15. Republic of Cyprus, op. cit., p. 7.
16. C. Tsardanidis (1984), op. cit., p. 359.
17. *New Cyprus*, vol. V, no. 3, April 1989, p. 16.
18. Mc.Donald (1988/89), op. cit., p. 74.
19. *Bulletin of the ECs*, no. 11, 1983, point 2.2.34, p. 57.
20. In particular, the Turkish Cypriots tend to rush to fill EC import quotas before the Greek Cypriots.
21. *Cyprus News*, no. 12, May 1990, p. 3.
22. Ibid.
23. This is reproduced in Cyprus Bulletin, 4 July 1990, p. 4 and the following section draws extensively on this.
24. For example, see *New Cyprus*, vol. VI, no. 10, p. 14, Aug.-Sept. 1991 and vol. VII, no. 1, p. 11, January 1992 ('Enosis via the EC').
25. The Republic of Malta actually consists of three inhabited islands, these being, from the largest to the smallest, Malta, Gozo and Comino.
26. Malta's agricultural sector is much smaller than the EC average and so, unlike Turkey and, to a lesser extent, Cyprus, it is more concerned with the impact of the CAP on its consumers than on its producers.
27. R. Pace (1990b), 'The EC and the GATT Negotiations: Some Implications for Malta', *The Business Review* (of Malta), June, p. 1.
28. Mallia in Pomfret (1989), op. cit., p. 32.
29. In the last five elections the Nationalist/Labour percentage share of the vote has been 48.0/50.8 in 1971, 48.5/51.5 in 1976, 50.9/49.1 in 1981, 50.9/48.9 in 1987 and 51.8/46.5 in 1992. The missing numbers in 1971, 1987 and 1992 are explained by (rare) votes for minor parties, notably, in 1992, Alternativa Demokratika, a new environmental pressure group. In all cases the party with the most votes has formed the government with the exception of 1981 when the vagaries of the electoral system led the Labour Party to get more seats and, hence, to cling to power. Predictably, this caused outrage and the Maltese constitution was changed as part of a pre-election deal in 1987 (which also enshrined

neutrality within the constitution) so that a party with more than 50 per cent of the votes would always form the government, by co-opting sufficient additional members to form a majority if necessary. In fact, this was actually necessary in 1987 when the victorious (in terms of votes cast) Nationalists had to co-opt three members to give them a majority of one.

30. Quoted in Malta Labour Party (1990), *op. cit.*, p. 209. This is strikingly reminiscent of the British Labour Party's promise to 'renegotiate' British accession, if elected to government, when Britain joined in 1973.

31. A. Tovias (1979), *The Mediterranean Challenge III: EEC Enlargement -- the Southern Neighbours*, Sussex European Papers No. 5, Sussex European Research Centre, p. 58, observes that Malta's 'negotiating tactics arouse ill-feeling in Brussels, which may be a significant negative factor'.

32. E. Rossi (1986), *Malta on the Brink: From Western Democracy to Libyan Satellite*, Alliance Publishers Ltd. for the Institute for European Defence and Strategic Studies, London, p. 32.

33. A similar protocol to take account of the 1973 EC enlargement has been referred to earlier but no corresponding protocol exists in relation to the Greek accession which occurred in a period of deteriorating EC-Malta relations. Greek membership of the EC and Malta's association with the EC were eventually reconciled by an exchange of letters on the occasion of a visit to Malta by the EC Commissioner for Mediterranean policy in February 1986, by which time EC-Malta relations were improving.

34. European Parliament (1988), *Report on Malta and its relationship with the European Community*, (Prag Report), PE 116.319/fin., Brussels, p. 18.

35. See, for example, Malta's Department of Information (1990), *op. cit.*, p. 155 and R. Pace (1987), 'A second class membership of the EC for Malta?', *Sunday Times* (of Malta), 13 December, p. 16.

36. European Parliament (1988), *op. cit.*, p. 14 quotes the Maltese (Nationalist) Prime Minister as saying 'Malta has not adopted, in the technical sense of international law, a status of permanent neutrality'.

37. Malta's Department of Information (1990), *op. cit.*, p. 153, quotes extensively from the constitution to make this point.

38. Mallia in Pomfret (1989), *op. cit.*, p. 32

39. Rossi (1986), *op. cit.*, pp. 14-24. See also World Today (1987), *Malta's Testing Time*, vol. 43, no. 1, January.

40. In the Maltese case the Nationalists already have close links with the Christian Democrats on the European mainland and the Maltese Labour Party would find a natural and comfortable home in the Socialist group in the European Parliament.

41. Within this, it is striking to note that only two sectors -- electronic apparatus and machinery (40 per cent) and clothing (20 per cent) -- account for three-fifths of total industrial exports.
42. Malta Federation of Industry (1991b), *The Effect of EC Membership on Industry in Malta*, (prepared by) Coopers and Lybrand Europe, Floriana, p. 22.
43. Nearly 50 per cent of output is produced by just seven sectors: clothing, construction, electronics, furniture, printing, tobacco and shipbuilding (Malta Federation of Industry, 1991b, p. 15).
44. Industries that should be able to compete and those that cannot are listed by Malta's Department of Information (1990), pp. 232-3. A much more bullish conclusion which criticizes the 'erroneous perception of Maltese industry being uncompetitive' is provided by Frendo and Bonnici (1989), p. 170.
45. For details of this policy see, for example, G. Bannock and H. Albach (1991), *Small Business Policy in Europe*, Anglo-German Foundation, London and Frendo and Bonnici (1989), pp. 87-109. The latter also discusses the potential application of the EC's SME policy to Malta.
46. Financial Times (1988a), *Survey of Malta*, p. 2.
47. Malta Federation of Industry (1991a), *The Prospects for Industry in Malta in a Post 1992 Europe*, Crest Publicity Ltd., Valetta, p. 47.
48. Malta Labour Party (1990), op. cit., p. 76.
49. It certainly did not do so in the cases of Spain and Portugal where inflation actually fell after EC accession (Malta Federation of Industry, 1991b, op. cit., p. 70).
50. Malta Federation of Industry (1991b), op. cit., p. 68.
51. Pomfret (1989), op. cit., p. 51.
52. Malta Federation of Industry (1991b), op. cit., p. 87.
53. The strategy of the Maltese Labour Party outlined, for example, in Malta Labour Party (1990), op. cit., pp. 82-4, would seem to put it into this category.
54. E. Warrington, 'Political and administrative implications of EC policy for a small state: the case of Malta', paper presented at the conference on 'Cyprus and Malta: Economic and Political Challenges facing the two applicants for EC membership', University of Reading, 7 May 1993.
55. Agence Europe (1992), 'The Community's Enlargement: the Benelux Memorandum submitted to the European Council of Lisbon', *European Documents*, no. 1789, 27 June.
56. This is not just a reference to being European, democratic and respecting human rights but also to the wider condition of economic readiness.

57. Some of these ideas are discussed in the *Economist*, 11 April 1992, p. 60.
58. Commission of the ECs (1992), 'Report on the Criteria and Conditions for Accession of New members to the Community', *Agence Europe, European Documents*, no. 1789, 27 June.
59. *Agence Europe*, Special Edition, no. 5878bis, 13-14 December 1992, p. 10.
60. See, for example, *The European*, 7 May 1993.