

Statement made by George Vella to the EU–Malta Association Council (28 April 1998)

Caption: On 28 April 1998, in Brussels, at the 10th meeting of the EU–Malta Association Council, George Vella, Maltese Foreign Minister, gives an account of relations between Malta and the European Union.

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Address by the Hon. Dr. George W. Vella, Deputy Prime Minister and Minister of Foreign Affairs and the Environment to the Council of Association between Malta and the European Union - Brussels, 28 April 1998

This tenth meeting of the Malta/EC Association Council marks the completion of a significant transitional phase in Malta/EU relations and is laying the solid foundations for an ever closer and mutually rewarding relationship. This relationship forms a major pillar of Malta's foreign policy, through which, inspired by the objectives of shared prosperity, democratic freedoms and social justice, Malta seeks to play an active role in the promotion of regional and global peace and cooperation, in friendship and partnership with all other countries.

Eighteen months ago, almost to the day, I had the opportunity of informing the Ministers of the Union about the change of focus in the Malta/EU relationship which the Maltese electorate had mandated in the just concluded general elections.

The decision to put aside Malta's application for EU membership and replace it by the objective of a close relationship was rooted in two fundamental realities.

On the one hand there was the recognition of the unique vitality of the evolving European process, of which the European Union is a central component, and of its relevance to Malta's long-term security and prosperity, as much as to the security and prosperity of all countries in the EuroMediterranean region.

On the other hand there was the realization that, for the foreseeable future, Malta's particular socio-economic and geo-political circumstances prevented it from assuming, with any reasonable level of credibility and effectiveness, some of the basic commitments and responsibilities of EU membership.

The message I brought to the Union in November 1996 was that, taking account of these realities, Malta did have a clear vision of how it should play its rightful role in the European process.

An ever closer relationship with the Union, built upon the creation of a free trade area, and encompassing all other possible sectors of cooperation, would constitute one important dimension of this role.

An equally important dimension would be the continuing development of Malta's contribution, in collaboration with its European and Mediterranean partners, to the active promotion of peace, stability and cooperation in the Mediterranean as part of the wider process of security building and cooperation in the Euro-Mediterranean area.

At the same time it was the newly elected Government's firm intention to develop a strategy for a much needed revitalisation and liberalisation of the Maltese economy, with the aim of equipping it to meet the challenges and opportunities arising from a fast changing and increasingly competitive international environment.

I was aware in November 1996 that a full appreciation of these objectives, relating both to our foreign policy as well as to our national economic development, required an exercise of explanation and a period of adjustment. This was especially the case in respect of those of our European partners which had traditionally been particularly supportive of Malta's foreign policy objectives.

We were encouraged in pursuing our aims by the conviction that our decisions were based on concrete and pragmatic considerations, unshackled by either ideology or wishful thinking. This opened the way for us to explain why those options based upon the pursuit of a close relationship between Malta and the Union were both much more feasible, and at the same time much more sustainable in the longer term, than the options arising out of Malta's membership of the Union.

Today's Association Council meeting confirms this assessment. In the relatively short period of eighteen months the stage has been reached where the political commitment exists, and the outlines have been

defined, for a far-reaching programme of close cooperation between Malta and the European Union.

I recognise the positive contribution which both the Commission and individual members of the Council have made towards this success. In this regard I would like to take this opportunity to express our appreciation to Commissioner Van den Broek and his colleagues, as well as to the Irish, Dutch, Luxembourg, and particularly the current British Presidency of the Council.

Over the past eighteen months the Union has been undergoing major developments both in terms of deepening as well as of widening. The conclusion of the Intergovernmental Conference last June opened the way to the launching of the enlargement process towards Central and Eastern Europe and Cyprus. It also set in motion a significant process of internal reform which is continuing with the consideration of the issues raised in the Commission's Agenda 2000. At the same time preparations have been greatly advanced for the launching of the Economic and Monetary Union at the beginning of next year.

In the midst of these complex and demanding preoccupations, time and energy were still found for concluding successfully the preparatory consultations on Malta's proposal for a close relationship with the Union. For us, this fact carries a twofold positive message. In a specific sense it confirms the Union's own interest in, and commitment towards, its relationship with Malta. In a more general sense it points towards the fundamentally outward looking nature of the Union, with its clear awareness that regional integration initiatives, however far-reaching in their own right, should form an essential aspect of wider global cooperation.

In the consultations we have had with the Commission over the last eighteen months, it has been agreed that the Association Agreement which Malta has had with the European Community since 1971, as it has been modified and enlarged at various points, provides a good basis for the further development of the Malta/EU relationship.

This agreement is still in the first of its originally envisaged two stage process. Even so, for over twenty six years, it has served well as promoter of increased trade between Malta and the Community. It includes provisions for cooperation in a wide range of sectors, which still offer scope for effective implementation. It has been accompanied by a series of four Financial protocols, which have made, and continue to make, a useful contribution towards Malta's economic and social development. A dimension of political dialogue, at both ministerial and parliamentary levels has also accompanied the Association Agreement.

There is therefore much to build upon. The conclusions to be reached at this Association Council provide the framework for more detailed and technical discussions which will take place in the coming months and which will lead to the finalisation of specific agreements or protocols covering the various sectors which have been identified.

The conclusion of a free trade area between Malta and the Union is one of our main objectives. This free trade area will be implemented in strict conformity with the commitments which Malta and the Union have undertaken both under the WTO, as well as under other international agreements, of which the 1995 Barcelona Declaration on the EuroMediterranean Partnership is particularly relevant. In this spirit, free trade arrangements will cover substantially all trade, evidently taking into account the particular sensitivity of certain products, especially agricultural products, for either side.

The Free Trade Area will require the consolidation and further development of the excellent customs cooperation which already exists between Malta and the Community. It could open up for Malta the possibility of cumulation of its products with the products of other Mediterranean and European countries for the purpose of access to Community markets. We intend to explore this possibility, also taking into account the long term objective of the Barcelona Declaration for a free trade area for the EuroMediterranean region by the year 2010. We will however need to examine very carefully the specific commitments which arise in this regard, in order to consider whether or not this particular objective should fall within the time frames envisaged for the completion of the Malta/EU bilateral free trade area.

Malta is committed to strengthen cooperation in all aspects that have a bearing on the implementation of the objective for a free trade area. We are ready to discuss other relevant aspects in the perspective of encouraging convergence of market criteria operating within the free trade area. It is in this spirit that we are expressing our readiness to improve market access in services, to further liberalise public procurement and to consider various aspects of competition rules, among other things.

At the same time we must remain conscious of the broader considerations, to which I have already referred, regarding Malta's option for a close relationship with, rather than membership of, the European Union. Those commitments which preclude our membership because they cannot be sustained by our exceptionally fragile and exposed economy, will be equally precluded in the forging of the close relationship. In our mind the implementation of a free trade area in all its dimensions need not, and in fact does not, entail the inclusion of any of these commitments.

In our plans, the revitalisation of the Maltese economy, and in particular those aspects relating to the restructuring of our locally grown small scale industry, and to liberalisation, form an essential accompaniment to progress towards the free trade area.

A significant section of Malta's existing industrial set-up, based as it is on foreign investment, is already well equipped for free trade, and in fact stands to benefit considerably from the further liberalisation of trade with the Union. An essential part of our broad economic strategy is to maintain and enhance Malta's attraction as a location for export oriented investment from abroad.

Most of our locally grown industry has traditionally serviced almost exclusively the local market and has thrived under a panoply of protection. This section of our industry occupies an important place in our economy as a nursery and repository of entrepreneurial and managerial skills, as a generator of income and as a provider of employment. There is a broad consensus that it must be restructured, weaned away from protection and oriented towards export.

We have adopted a two track strategy in this regard. On the one hand we are in an advanced stage of putting into place a set of financial and other supportive measures to encourage these firms in upgrading products, modernising production methods and diversifying marketing outlets. This will be accompanied by a progressive dismantling of tariff and non-tariff protective measures and by the completion of the major fiscal reforms we introduced last year in replacement of the VAT system.

This medium-term strategy is being put in place concurrently as short-term action is being taken to redress the serious deficit in Government finances which the new Government inherited on taking office in 1996, and which last year stood at 11% of the national budget. It had been the contention of my party while in opposition that the VAT system, introduced by the previous Government in 1995, in its efforts to establish Malta's credentials for membership of the European Union, was highly inappropriate for the Maltese economy. The question over VAT was in itself one of the most visible elements in the wider debate over the question of Malta's readiness for membership of the Union.

It has been, and continues to be, one of our most urgent and immediate tasks in Government to address both the short term as well as the more structural deficiencies in the Maltese fiscal system which, in our view, had been compounded by the previous Governments unwise policies and measures geared towards Union membership. Some of the structural reforms we introduced last year in this regard, particularly the new Customs and Excise Tax, have raised some concerns with the Commission and among the Union's member states.

A significant part of the work undertaken over the last eighteen months has dealt with this matter. We have explained the primarily fiscal nature of the measures we were introducing, their direct relationship to the economic restructuring strategy we were putting into place and which was itself directly oriented towards the liberalisation of trade, and the manner in which further measures, to be introduced progressively as the liberalisation programme unfolds, would meet all the concerns expressed.

It is in this spirit that we can now confidently undertake that the further changes contemplated in our taxation system will ensure conformity with the Association Agreement and the WTO, and that this objective will be achieved before the entry into force of the free trade area.

The question of time frames has also been the subject of some intensive consultations. On its side the Union has expressed the wish for the Free Trade area to be established within three years. Our wish is to move towards free trade as expeditiously as possible, and in this sense we share the objective reflected in the Union's position.

At the same time we need to take into account the fact that our restructuring and liberalisation programme, though not specifically conditioned by the objective for a free trade area, is an essential accompaniment to that objective. The best advice we have had on the subject, and which is now a basis of consensus among all the interested social partners in Malta, is that the industrial restructuring programme will take between five to seven years.

Taking account of all the factors involved, it is possible for us to enter into the commitment that the Free Trade Area will be established with an envisaged transition period of three years from the entry into force of the relevant new protocol. Our own plans for restructuring are very far advanced and we will be in a position to enter into detailed technical discussions with the Commission before the summer. The time needed for these technical discussions to be concluded and the protocol to come into force, in our view, will ensure that the three year transitional period will converge with the conclusion of the main phase of our industrial restructuring and liberalisation programme.

Free Trade is an essential, but not exclusive, component of the close relationship we seek to establish with the Union. I have mentioned that The existing Association Agreement contains provisions for cooperation in various sectors which still leave scope for implementation. We wish to work and build on these provisions, taking also into account the various developments regarding programmes of sectoral cooperation which have taken place, and continue to take place within the Union.

Over the years Malta has become involved in a growing number of cooperation activities with the Union. The projects concerned deal, among other things, with the environment, transport, energy, regional and cross-border cooperation, culture, youth, education and training, tourism, and research and development, where together with the Union we are active participants in COST.

We aim both to deepen this co-operation and also to enlarge it to other sectors, including, consumer policy, health, social affairs, and small scale industry. We are open as to the methods in which this deepening and enlargement can take place, taking account of the Union's own procedures as well as the possibility of specific agreements in individual sectors. The basic objective remains for us to enter into closer forms of sectoral cooperation directly with our partners in the Union.

We are also interested in exploiting the opportunities which the framework of the EuroMediterranean partnership offers as a complementary means to both deepen and enlarge our cooperation activities with the Union. The manner in which the regional projects being identified within the EuroMediterranean framework will relate to the Union's other activities in specific sectors is still being defined. We believe that there is good potential in this direction, and we will continue to be very much interested in it, without prejudice to our objective for direct forms of bilateral cooperation between Malta and the Union.

I have referred to the political dialogue which already exists between Malta and the Union as an accompaniment to the Association Agreement. The meetings of the Association Council have provided the regular occasion for informal discussions at Ministerial level, though these also take place on an ad hoc basis, as and when circumstances warrant, as indeed my last meeting with Council members in November 1996 clearly testifies. We wish to continue and where possible intensify this process.

Malta also actively consults with the Union as appropriate on various international issues, on the margins of international fora. This is quite natural, since on the vast majority of issues Malta is inspired by the same

principles, and supports the same objectives as the members of the Union. In this spirit we believe that our contacts and consultations within international fora should be given greater visibility and continuity. For this reason We would wish to explore ways in which these contacts can become more structured and regular, and their results more defined.

The objectives of the political dialogue are to increase convergence of positions on specific issues and enhance cooperation on political and security matters. While, as I said, convergence exists on the broad range of issues, there are some areas in which the potential for active cooperation between Malta and the Union is particularly marked. I am thinking especially of issues relating to the safeguarding of human rights and the promotion of democratic processes, to the non-proliferation of armaments and to arms control, and to confidence and security building, especially at the regional level.

Besides the major global institutions, the international fora in which we consider that active cooperation between Malta and the Union is particularly desirable include the Organisation for Security and Cooperation in Europe and the Council of Europe.

The Barcelona EuroMed partnership clearly offers the most extensive opportunity for cooperation between Malta and the Union. For Malta, the promotion of security and cooperation in the Mediterranean is one of the main pillars of its foreign policy, with its basis firmly rooted in our status of Neutrality. For the Union, the Mediterranean region, with its many intractable problems, its cultural and economic differences and its historical baggage of suspicion and resentment, constitutes an indivisible element of Europe's security concerns. The Barcelona partnership is, in one of its most essential dimensions, an expression of the need and desire on all sides of the Mediterranean region for a more direct, more extensive and more affirmative European role in Mediterranean security building.

In order for this to be achieved specific problems must be resolved, economic and social disparities must be addressed, long-standing cultural and religious antagonisms must be removed. The Barcelona programme lays down a blueprint for action which still requires a number of catalysts for its successful implementation. As the holding of the Second Barcelona Ministerial conference in Malta last year demonstrated, Malta is ideally placed to act as one of these catalysts. We wish to continue working closely with the Union and with all our Mediterranean partners in this regard.

The Political dialogue with the Union accompanying our Association Agreement has also included the parliamentary dimension which, following the decisions taken by the Maltese and the European Parliament in 1992, has taken the form of a Malta/EP Joint Parliamentary Committee meeting regularly twice a year. In the light of the importance we attach to the parliamentary dimension in the democratic process we have been, and continue to be, particularly attached to this aspect of the Malta/EU Political Dialogue, which, we note with special appreciation, has proceeded uninterruptedly over the transition period of the past eighteen months. We aim to continue and where possible intensify this aspect of the political dialogue.

Financial cooperation is another long-standing element in the Malta/EU relationship which we aim to continue and where possible enhance. We have already discussed with the Commission how the present Fourth Financial Protocol, originally envisaged as an adaptation protocol for Membership, will be revised to take account of the changed priorities. A significant part of this protocol will now be used to support our industrial restructuring programme, though support will also continue for other sectors including education and training. In view of the delays which have taken place in the implementation process we have already requested that the duration of this protocol be extended until 1999.

It is our hope that in preparing the Union's next budget cycle, starting in the year 2000, Members will consider including provisions for continuing financial cooperation between Malta and the Union, in the form of further financial protocols. We propose to keep in close touch with the Commission and with the members of the Union in this regard. In addition we will continue exploring the opportunities for financial cooperation provided by the regional MEDA funds of the EuroMediterranean partnership.

There is agreement that cooperation in the fields of justice and home affairs, including those aspects that

have a bearing on security, will form an important part of the closer relationship between Malta and the Union. This will include the identification of ways of strengthening police and customs co-operation in order to prevent and combat drug trafficking, terrorism, money laundering and other forms of international crime, as well as the enhancing of judicial cooperation in civil and criminal matters and of cooperation on illegal immigration.

We already co-operate bilaterally with many individual members of the Union in these areas, both formally and informally. We are ready to extend this bilateral cooperation to the Union as a whole, and also to formalise it, to the extent that the Union's own existing and projected programmes and procedures permit this. In exploring ways in which this can be done we will be looking both at the possibility of joint operational activities as well as at the opportunities for formation and training, and intelligence sharing.

We see in this area of cooperation not only another dimension of the close relationship between Malta and the Union but also an essential element in the safeguarding of national and regional security. In this context we are also interested in exploiting the potential for cooperation which exists within the EuroMediterranean partnership. We propose to work closely with the members of the Union in this regard.

The programme of work we envisage for the coming months is indeed rich and promising. It will lead to a close relationship which is, at one and the same time, both a continuation as well as a reinforcement of an already strong and viable partnership. In its success it will also open new options for the future, which Malta will always be ready to explore in its own interest and in the interest of the Union.