

## Policy document by the Malta Labour Party on the Common Market (22 March 1990)

**Caption:** On 22 March 1990, in Senglea, the Malta Labour Party (MLP) devotes its party conference to future relations between Malta and the European Economic Community (EEC).

**Source:** Malta Labour Party. Malta and the E.E.C.: economic and social aspects; reports and documents. Senglea: Malta Labour Party, 1990. 263 p.

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## Malta and the Common market

### The policy of the Labour Party

#### Policy document approved by the General Conference on the 22 March 1990

One basic principle has always guided the Malta Labour Party in the political and economic relations it seeks to establish with the rest of the world: to do what is best for Malta, in a context that also contributes as far as possible to the well-being of others according to the need for solidarity among man. The relations between Malta under a Socialist Government and the Common Market were motivated by this principle. The same principle guides the Malta Labour Party today as it examines how best the relations between Malta and the Common Market can be further strengthened.

A critical review of these relations is now required, as Malta's twenty-year treaty of association with the Common Market draws to an end. Malta must now consider what would be the best road to take next. What is best for it and for the Common Market. What is best also for the Mediterranean region in which Malta is placed.

#### Malta is already part of Europe

It would be out of place for anyone to proclaim that "Malta should become part of Europe". Malta is and has always been part of Europe. Much the same as it has always been part of the Mediterranean.

It would also be out of place for anyone to claim that Malta should join the Common Market to safeguard democracy. Democracy is the framework of Malta's society. A framework which the Maltese Labour Movement has struggled for and fashioned despite the opposition of foreign powers, and of social forces which failed to recognize its value or were afraid of it. A framework which the Movement gladly and without egoistic considerations built upon through fundamental constitutional reforms, during its period of office.

Political relations must be evaluated in terms of the free, democratic, neutral and non-aligned status that Malta enjoys today. Malta should not engage in futile effort to acquire what it already possesses. Rather, Malta must consolidate and strengthen what has been won and achieved through hard work and effort over the years. Malta has constructed an economic and social system which needs to be developed further. But long experience in operating this system has already established what are its best features and how they could be further enhanced. Nothing should be done to jeopardise it. Through its National Executive, two working groups set up to appraise the overall situation from the political, environmental, economic and social aspects, and widespread democratic discussions of the main aspects of the reports of the working groups, the Malta Labour Party has considered in detail the options facing Malta today in its relations with the Common Market. This was done to determine what is the best available choice according to the principle of what would be best for the Maltese people, which would also be good for the Common Market, as well as for our neighbours and for the Mediterranean region.

#### Safeguarding the national identity

The Malta Labour Party carried out its deliberations in the context of an objective and factual framework. This was essential as a backcloth for a decision not influenced by emotions or prejudice. A decision which would recognize Malta's best interests. Briefly, the framework was:

From the political standpoint:

Malta's geographic position is such that it has far-reaching regional strategic and political implications recognized through time. Today, the island has shed completely and irrevocably, its use as a military base by any military power. Malta is free and does not want ever again to be a military base. The Constitution binds

the island to be neutral and non-aligned. This commitment is welcomed by all Malta's neighbours, European and Arab, since it is in their interest as well as Malta's.

Being free, Malta can follow an independent foreign policy, according to what it considers most suitable, consonant with its basic principles, peace, and the common good. Because it is free to act in this manner, Malta enjoys more than respect from the rest of the world, which recognizes that the island can serve as a point of reference, a centre for rational dialogue, and for all that which is good and beneficial. Malta can be all this by giving backing only to peace and to what is right.

Both its geographical position as well as the national policy adopted by the representatives of all the people and enshrined in the Constitution, give Malta a clear identity: a small island, but recognizable by all.

### **Safeguarding competitiveness**

From the economic standpoint:

While lacking natural resources, other than for its geographical position and people, Malta has nevertheless managed to build a viable economy. Although heavily dependent on imports, Malta is able to sell the rest of the world enough products, holidays and other services, to repair and build ships, to earn enough to finance purchases from abroad and sometimes, to register some surplus.

It is able to do this because Maltese goods and services are competitive, so much so that a good number of foreign investors have been attracted to set up production and other activities in Malta intended for export.

Through viable economic activities, even if the struggle to provide enough jobs for those willing to work never ceases, Malta enables its people to enjoy a good standard of living. It has even managed to establish a wide network of social services which ensure a fair distribution of the national income, which care for the needy and keep away the miseries of poverty; social services which safeguard the welfare of all members of society when they are sick or injured, and when they retire. Thereby, social relations are not marred by fundamental tensions.

This is the framework in which the Maltese people live, people who in the main are dependents — that is, workers, self-employed or small employers with one or two employees, farmers and fishermen, and pensioners. The Malta Labour Party sees and examines the options which it considers are available in the context of this framework.

### **Three choices**

There are three, clear options:

**Firstly**, that Malta establishes a customs union with the Common Market; the original treaty of association was intended to lead to such a union.

**Secondly**, that Malta applies for full membership of the Common Market.

**Thirdly**, that Malta seeks a new relationship with the Common Market on a new basis.

A Customs Union would weaken Malta

The first alternative, a customs union, would not have any political effect initially. From the economic standpoint, it would be disadvantageous to Malta. Malta would have to adopt the Common Market's *common external tariff*, which would lead to higher prices for Maltese consumers. This would lead to all the consequences on competitiveness brought about by a rising cost of living. There would be no benefits to

compensate for these costs.

This would weaken Malta economically. Thereby the Island's political position would also be threatened, since its international stances would be influenced by undue considerations for the economic situation.

Full membership would reduce freedom

The second alternative, that Malta applies for full membership, has far-reaching implications. As things stand, the net balance of these implications would be against the interests of the Maltese people.

If Malta applies for full membership now, the application would have to be considered in the context of the Common Market rules prevailing today. If one assumes — although no one can realistically make such an assumption — that the Common Market accepts that Malta should become a full member straightaway, the broad effects of such membership can also be assessed immediately.

Briefly, the Malta Labour Party sees these effects as being the following.

**From the internal political standpoint**, Malta would not gain anything. The island has a democratic political system which is even better than that of some of the member countries of the Common Market. It has a constitution which will require some changes, but which is already very sound. The people are committed to democracy, highly conscious of their liberties, and determined not to let anyone take these liberties away.

**The Island's foreign policy** is anchored in neutrality and non-alignment, in Malta's distinct identity and ability to act independently.

Full membership would affect all this. The Common Market is more than an economic union. Both for historical reasons — because in the past they were at war with each other — and also for present-day considerations — to become a force which can hold its own with the USA and the USSR — the Common Market member states are, to a certain degree, politically united and they strive to speak uniformly on international relations. If Malta becomes a full member, it would have to do as the other members do.

This would evidently be in conflict with Malta's constitutional neutrality and non-alignment. Malta would be swallowed up in the policies of the much larger member states. It would lose the ability to act independently and thereby, its identity.

Such developments would be neither in Malta's interest, nor in that of the Common Market countries, in today's circumstances. In such circumstances, were Malta's freedom of action to be given up in this way, other Mediterranean countries would be adversely affected.

Full membership would harm the economy

If under prevailing circumstances in Europe and the Mediterranean, full membership of the Common Market were politically disadvantageous for Malta, but economically meaningful in terms of the prevailing Common Market regulations and of the island's own economic and social structure, then there would have been a need to decide where to lay the emphasis. That is, whether in reaching a decision, more emphasis should be laid on political rather than on economic considerations. The Malta Labour Party has concluded however, that the balance of costs and benefits of full membership in the Common Market would not yield net advantages to the island. On the contrary, such membership would engender grave perils for every sector of the population, other than those whose livelihood and good fortune do not depend on what actually happens on the island.

The effects of full membership of the Common Market on the basis of the regulations and conditions

currently in force can be concretely assessed, irrespective of whatever negotiations may take place. Those effects would include, for instance, the implications of a customs union, which forms an integral part of full membership. Malta would have to adopt the Market's *common external tariff*, thereby losing its ability to buy from non-Common Market sources when this is more advantageous. At present, 70 per cent of Malta's imports come from the Common Market. The balance is purchased from other sources because this is better for the whole island, particularly as regards prices. Supplies sourced from outside the Common Market include essential products like cereals, meat and butter, preserved fish and raw materials.

The cost of such products would rise at least up to the level of substitutes produced in the Common Market, which also has another major basic arrangement. This is that the prices of agricultural products are, through the *common agricultural policy*, maintained at levels higher than those of alternative non-Common Market suppliers.

Thus, through full membership, the price of the essential products already quoted — like cereals, meat and butter, among other things — would go up. The cost of living would thereby rise with predictable consequences on wages, the cost of production and competitiveness.

Other implications also have to be taken into account. A fundamental change in indirect taxation would take place.

VAT would be introduced, and this would also raise the cost of living. Foreign companies, including banks, would be able to operate in Malta as of right. Individuals from the Common Market, and not just corporate bodies, would be able to open a business in Malta, small as well as large, to work, to acquire property. Every class of society would be hit. The consumer would be hit — through a rising cost of living. The manufacturing and hotel sectors would be hit with higher costs. Their employees would be affected. The self-employed too would be hit. Farmers and fishermen would be affected, without being able to gain anything from the Common Market's policies, whilst they would face increased competition from imported products. Pensioners and other dependents would suffer.

Social tensions would develop

As the cost of production rises, Malta's attraction to foreign investors would decline. At the same time, a rising cost of production would necessitate the devaluation of the Maltese lira. This would trigger off a vicious circle of higher prices, devaluation, even higher prices, and so on and on. It would further deter foreign investors. Concurrently, since funds would be freely transferable abroad, a flight of Maltese capital is bound to result.

There would also be an increase in social tensions due to the influx of foreigners to work or live on the island. On the other hand, Maltese citizens would be able to work in other Common Market countries as of right. Whether they would in fact find employment is another matter. The Common Market has a very high rate of unemployment, which, notwithstanding the impressive economic well-being of the region, remains stubbornly up. Those Maltese who do find work there will do so in sectors which the islands needs to develop further. For some time, the Maltese exchequer would benefit from a transfer of Community funds. Such transfers would initially mitigate the imbalance between government revenue and expenditure, but in the process the economy and society in general would be going through the throes of the negative effects already indicated.

The option of full membership under the prevailing conditions and regulations, therefore, is one which can be very realistically and clearly considered to be inimical to Malta's interests.

The need for another alternative

The Malta Labour Party examined the need for another option whereby good relations between Malta and

the Common Market would not only be maintained, but would be further strengthened. Such an option is essential, because nothing must be done which would weaken our relations with the Common Market. Good political relations are already in force, in the context of full sovereignty and freedom of action. Malta already sends some 70 per cent of its exports to the Common Market. Also, the bulk of Malta's tourists come from that area. Moreover, Malta as much as being in the heart of the Mediterranean is part of Europe. The Common Market is not the whole of Europe. But it is a substantial and important part of it, which must inevitably grow further.

The third option to be identified must take all these factors and considerations into account. The Malta Labour Party feels that such a choice is possible.

#### The Malta Labour Party's option

This option is that Malta should seek a long term agreement with the Common Market. Such an agreement should consolidate and safeguard what has been achieved over the past twenty years, and also be aimed at gaining fresh advantages.

The agreement should be based on the setting up of a free trade zone in industrial products between Malta and the Common Market. It should include arrangements regarding Malta's industries aimed at the local market, which critical analysis of the need for job opportunities and the interest of the consumers, demonstrates are worthy of specific encouragement. In this way, trade in manufactured products between Malta and the Common Market would not be subject to tariffs, but the two sides would remain at liberty to subject products from third countries to customs duties as they think fit.

The agreement should also provide for continued Common Market financial contributions to Malta, cooperation in research and development, transfer of technology, and investment in Malta. It should also ensure that past experience will not be repeated, in that matters agreed upon in these sectors after long negotiations are not implemented.

The agreement should make provisions for discussions on a continuous basis between the two sides concerning the state of their relations. It should also provide for a review every five years in the context of developments in the region, in the Common Market itself and in its conditions and regulations, as well as in the context of other relevant developments.

Such an agreement would not expose Malta to a loss of its freedom of political action and, moreover, of its identity, at a time when developments in Europe and in the Mediterranean region call for flexibility. At the same time, it would help to ensure that the political and social advances which have been made, are maintained and enhanced. Above all, it would strengthen the existing relations between Malta and the Common Market, without diminishing Malta's importance to its neighbours.

#### For the good of Malta

This option, based as it is upon realistic and practical considerations, stands in sharp contrast with the road being followed blindly by the Nationalist government. The government has not demonstrated that it has carried out an objective study of the issue. It proclaims its commitment to apply immediately for full membership of the Common Market without attempting to examine in detail what this would entail. It says it wants to apply for political reasons, notwithstanding that political considerations as things stand point against such a step. It claims it cannot express itself about the social and economic implications of full membership prior to negotiations when these implications arise directly from the considerations and rules which prevail in the Common Market, and are therefore predictable and measurable now. The Malta Labour Party cannot agree with this approach, which cannot attract a national consensus, and will not be bound by it.

The option being proposed by the Malta Labour Party, apart from the Party's reasoned conviction that it is the best one, also has the advantage that it can be discussed with the Common Market straightaway. There is no need to stand in a queue. Indeed, it would be to the advantage of the Common Market to open negotiations on such a practical and realistic proposal, rather than on vague expectations.

The Malta Labour Party through this document, affirms that it wants to move closer still to the Common Market. Carefully, seriously, in a measured way. In a way which will contribute to Malta's welfare today without destroying the younger generation's heritage tomorrow.