

PARTNERSHIP

THE BEST OPTION FOR MALTA

A comparison between the benefits and disbenefits
of partnership and full membership of the EU

INTRODUCTION.

The following text presents a comparison between the partnership policies advocated by the Malta Labour Party for Malta's future relations with the European Union, and the outcome of the negotiations for full membership by Malta of the EU that have recently been concluded by the government. The method that has been adopted for the comparison is as follows:

- a text recently circulated by government sources, entitled "EU membership package at a glance" which summarises under heading form the outcome of the EU full membership negotiations, is reproduced heading by heading;
- a comment section is appended to the text under each heading, presenting an assessment of what the negotiations have achieved;
- a third section is added to the text of each heading entitled "The Partnership Option", outlining what the partnership policy would amount to in practice, for the policy area treated under each heading.

In this way, the benefits and disbenefits of partnership and full membership of the EU can be assessed.

Put in a nutshell the partnership option being proposed for Malta by Labour comprises the following:

- (1) the formation of a free trade area between Malta and the European Union;
- (2) for agriculture this will comprise mutual concessions on items of interest with the proviso that:

in conformity with WTO provisions, both the EU and Malta maintain their protective systems for agriculture, while Malta retains the right to buy on international markets at the most competitive rates, the food items that it does not produce;
- (3) the conclusion of cooperation protocols in the economic, financial, technical and other related fields;
- (4) the conclusion of cooperation protocols in the social area, notably in education, environment, health, and social security;
- (5) the conclusion of protocols covering cooperation in security matters relative to the Central Mediterranean area, notably on drug running, arms trafficking, money laundering and illegal immigration;
- (6) the maintenance of political cooperation procedures between the Maltese authorities and EU decision-making bodies, as well as between the Maltese and the European parliaments.

Partnership is presented as a flexible arrangement that is suited to the Maltese circumstances, allowing Malta as a small and independent European island nation, to make its own relevant contribution to European and Mediterranean peace and prosperity, while allowing for future deepening of relations between Malta and the European Union, as circumstances evolve.

It is hoped that this publication will make the choices that have to be made by the Maltese people clearer, and sharper in focus.

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1. Sovereignty & Identity

Citizenship

1. Maltese citizens will also become citizens of the EU. But this will not replace Maltese citizenship.
2. EU citizenship gives you a set of rights and obligations – e.g. right to move and reside in any EU country.
3. You will no longer be treated as a foreigner in EU countries. You must be treated equally.
4. You have the right to seek redress if your rights as an EU citizen are breached. Write to the EU institution concerned and your complaint must be investigated.
5. If you are living in another EU country, you have the right to vote and to contest local council elections and elections of the European Parliament, but not general national elections in that country.

COMMENTS:

1. Many rights in European countries which are extended to EU citizens are also covered under Council of Europe conventions, to which Malta is a full party.
2. The same rights given to Maltese citizens in the EU, would have to be given in Malta to EU citizens.

THE PARTNERSHIP OPTION:

1. Maltese citizens will retain existing entry and residence rights in EU countries, and benefit from all measures available to European citizens under Council of Europe treaties and conventions.
 2. The Maltese government will have full flexibility in negotiating with the EU and other European states, entry and residence requirements covering EU citizens and other nationals.
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Enforcement

6. The responsibility to implement and enforce EU laws in Malta lies with Maltese authorities.
7. Government departments have been strengthened and new structures set up to implement and enforce these laws.
8. Maltese citizens may complain to Commission or petition the European Parliament on any EU law or policy that might affect them negatively or if the Maltese Government does not implement EU rules and standards.
9. On receiving complaints, EU institutions must investigate and take the necessary steps, where necessary asking the Maltese authorities to comply with their commitments.
10. If the Maltese authorities fail to comply, court action may be taken. If Malta fails to comply despite court judgement, it can be faced with a fine until it complies.

COMMENTS:

1. The “new structures” set up to implement and enforce EU laws as well as the government departments that have been beefed up with this end in view, have been complicating the Maltese bureaucratic machine and inflating public expenditure, without improving the delivery of government programmes in any effective manner. Enforcement under EU procedures will increase the bureaucratic and administrative delays to which the Maltese government machine is already subject.
2. EU procedures at Commission and European Parliament level, are themselves known to operate at a very slow, bureaucratic pace. Court procedures, such as for the setting of fines for environmental breaches of rules, are notoriously slow and cumbersome. As in the case of Brittany, France, where massive pollution from pig farms has for long years been contaminating the water table, enforcement by the EU of major policy areas remains weak and patchy.

THE PARTNERSHIP OPTION

1. **The Malta government will retain the flexibility to set up its own enforcement structures, that clearly must be streamlined and modernised according to Maltese conditions, in order to make them effective.**
2. **The partnership option recognizes that unless the Maltese themselves tool up to enforce their rules of operation, real progress cannot be effected. Therefore, the partnership programme includes proposals for Malta-based initiatives to strengthen the role of the Ombudsman, introduce specialised ombudsmen, pass new laws that protect whistle blowers and remove prescription on corruption cases, introduce environmental wardens and launch the concept of social audits.**

Malta’s voice in the EU

11. Malta will participate and will be represented in all EU institutions.
12. In the EU, no single country can dictate decisions. Decisions cannot be taken by large countries alone, nor by small countries alone.
13. Malta will have one Commissioner, like other countries.
14. Each EU country, including Malta, will hold the presidency of the EU for a period of six months on a rotation basis.
15. Malta will have one Minister in the Council of Ministers (with equal vote in case of unanimous voting and three votes in case of qualified majority voting).
16. Malta will have five seats in the European Parliament (sitting with their political group, not along national lines).
17. Malta will have one Judge in the European Court of Justice, like other countries.
18. Malta will have one Judge in the Court of First Instance, like other countries.
19. Malta will have one auditor in the Court of Auditors, like other countries.
20. Malta will have five members in the Committee of the Regions (local councils).
21. Malta will have five members in the Economic and Social Committee (social partners).
22. The Governor of Central Bank of Malta will sit in the General Council of the European Central Bank.
23. Maltese citizens may work in EU institutions.
24. Malta will participate fully – with an equal vote - in any decisions that may change the EU institutions from now on.

COMMENTS:

- 1 Malta would be the smallest member state of the EU with the smallest proportionate representation ever. The island has little hope with 3 votes out of a total of 354 at Council of ministers level, and with 5 seats out of over 700 in the European Parliament, to have some swing potential. Although Luxembourg has the same population as Malta, it would have a vote more and a seat more at Council of Ministers and European Parliament levels respectively.
2. The allocation of one Commissioner to Malta is a temporary arrangement and there is agreement that soon the arrangements by which the number of Commissioners have been set and allocated will be changed.
3. The European Convention is working on a new charter for the European Union, that is changing the ground rules on which the EU will be working in the future. It is difficult to predict how institutional rules will change in the future. In other words, Malta will have signed in for a process, for which the end point is not yet known.

THE PARTNERSHIP OPTION:

1. **Key areas of policy setting, such as those related to freedom of movement, freedom of establishment, freedom to buy property , agricultural policy will remain under Maltese management.**
2. **The partnership option will allow mechanisms of cooperation between the Maltese administration and the EU to operate at three levels: the Malta government and the EU authorities in Brussels, via a partnership Council; the Maltese Parliament and the European Parliament through standing joint commissions; and specialised cooperation committees as the situation may indicate, such as in the case of security cooperation in the central Mediterranean.**

Neutrality

25. Declaration on neutrality to be attached to Treaty, confirms that Malta's neutrality is not affected by membership. EU has another four countries that are neutral.
26. The EU has no power to oblige Malta to serve as military base.
27. Participation in EU peace-keeping and humanitarian operations is up to Malta. It is voluntary even at the level of individual soldiers.
28. EU decisions on foreign policy, security and defence are not imposed - they are taken by unanimity.
29. The EU has no rules on military conscription (lieva).

COMMENTS:

1. Article 23 of Title V of the Nice Treaty, while conferring the right to a neutral member state, of "constructive abstention" from security measures taken by the EU, goes on to say that such member state "shall refrain from any action likely to conflict with or impede Union action based" upon a given decision.
2. A Malta government press release has furthermore stated that Malta has accepted the obligation assumed by "member states (that) they must undertake to give active and unconditional support to the common implementation of the common foreign and security policy (of the EU) in a spirit of loyalty and mutual solidarity. Member states must ensure that their national policies conform to the common positions and defend these common positions in international fora."
3. Malta's neutrality, given its geo-strategic position in the central Mediterranean, will be deeply affected by these considerations. When arriving at such conclusions, one is not making any reflection on the neutrality of other EU member states, since neutrality is a zone specific concept, and is directly defined by the geo-strategic situation of the countries concerned.

4. The declaration on neutrality affixed to the proposed accession agreement is a statement by one side, that is non-binding on the other side, and in real terms, not even on the side which makes it.
5. In the first Avis delivered by the European Commission in 1993, on the Malta government's application to join the EU, it was explicitly stated that neutrality as defined in Malta's constitution, required amendment if Malta were to join the Union.

THE PARTNERSHIP OPTION:

1. Under partnership, Malta would retain its freedom to follow a policy of neutrality, as defined in the Constitution, and participate in European and Mediterranean integration and peace-building, without having to respect policy lines that might fall outside the criteria that define its own political objectives, to promote the island as a meeting place between north and south. In turn, this will continue to improve the flexibility in Malta's economic and cultural positioning, which could serve as an active contributor to central Mediterranean stability, to the best interests of Europe as a whole.
 2. Partnership envisages the possibility for Malta to participate with the EU in security cooperation throughout the central Mediterranean area. Indeed, a direct proposal of the partnership option is to promote such cooperation in the fields of drug smuggling, illegal immigration, arms smuggling and money laundering.
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Culture & Identity

30. The Maltese language will be an official EU language.
31. All EU laws and official documents must be available in Maltese.
32. You can write to EU institutions (and get a reply) in Maltese.
33. Maltese representatives may use Maltese in official EU meetings.
34. The EU is bound to respect the diversity of cultures and identities in EU countries. It also promotes culture through programmes and funding.

COMMENTS:

1. Press reports have confirmed that there is growing support within the EU to make the different member states eventually pay for the translation and interpretation costs incurred by the EU concerning their national language.
2. The thrust of the single market on a continental scale has eroded or eliminated the sustainability of niches of economic and other activities that contributed to national diversity within Europe, such as bread and beer production, traditional leisure activities, and handicrafts.

THE PARTNERSHIP OPTION:

1. Under partnership, as Malta would not be an EU member, the question of the status of Maltese within the EU would not arise.

Values

35. Abortion, euthanasia, divorce, prostitution and drugs are not affected by EU membership. The EU has no laws on these issues and it is up to Malta to decide.
36. A Protocol on abortion will be annexed to Malta's Treaty: it gives legal certainty that EU law, present or future, cannot change Maltese law on abortion.

COMMENTS:

1. A consequence arising from involvement in EU institutions as a full member, is that such institutions, like the European Parliament, will feel they are perfectly entitled to review Maltese laws and attitudes regarding such matters as abortion, euthanasia, etc., comment on them and put pressure on Maltese decision and opinion makers, as well as institutions, to make them conform to the wider norms prevailing in the EU.
2. The deep inter relationship between Maltese laws and EU rules would make it increasingly easier for EU decision makers to seek to obtain leverage, should they wish to do so, in order to influence Maltese laws in the sectors mentioned, despite whatever Malta's proposed membership treaty might state, for instance in terms of statements and positions adopted at international fora, such as the UN.
3. The European Convention is drafting new rules for the EU's operations that could change all present existing parameters that define competencies.

THE PARTNERSHIP OPTION

1. **Under partnership, there will be no relevant leverage for the scrutiny and assessment of Maltese values, and the laws and regulations that follow from them.**

Enlargement

37. Malta applied to join the EU on July, 16, 1990.
38. Negotiations started on February, 15, 2000 in Brussels and were concluded on December, 13, 2002 in Copenhagen.
39. EU enlargement will take place on May, 1, 2004. Up to ten countries can join: Malta, Cyprus, Czech Republic, Hungary, Slovakia, Slovenia, Poland, Estonia, Latvia and Lithuania.
40. The Treaty of Accession will be signed on April, 16, 2003.
41. In Malta, a referendum will take place in 2003 so that the Maltese people can decide on whether Malta should join the EU.

COMMENTS:

1. EU membership and partnership amount to programmes of government, over which general elections provide the best institutional tools by which citizens can decide, especially when as in Malta, the mainstream political parties do not agree on the full membership option.
2. The referendum being proposed to consider Maltese proposed full membership of the EU is to come too close to an election, and is avowedly to define what should happen after that election is held. It would have been more reasonable to hold the election first, not least again because there is no consensus in Malta between the two mainstream political parties on the EU membership issue.
3. Institutionally, financially and in media terms, the dice is overloaded against those who favour partnership, as contrasted to full membership.

2. Standard of living

Liberalisation and how it affects you

42. Government-owned companies will be exposed to competition.
43. Mobile telephony was liberalised in 2000.
44. International calls (international gateway) liberalised from January 2003.
45. Fixed-line telephony liberalised from January 2003.
46. Cable television was liberalised in June 2001.
47. Air transport will be liberalised from membership, increasing competition and reducing air fares.
48. AirMalta may operate to and from any EU airport.
49. Ground handling services at airport liberalised by 2003.
50. Electricity generation will be liberalised from membership.
51. Importation of fuel will be liberalised from end 2005.

COMMENTS:

1. In response to EU rules even before they needed to be implemented, the telecoms sector was “liberalised” in a grossly uneven way, so that now inefficiencies and incoherencies in the overall sector have emerged, with serious consequences on future profitability and effectiveness of Maltacom and competitor companies in the various fields of telecoms.
2. The liberalisation of cable TV is a dead letter with the only company running the sector, itself facing huge operating and financial problems.
3. The liberalisation of air transport under EU rules, will simply erode Air Malta’s role, undermining its potential to service the local tourist industry, which should be the main mission of the national airline. The outcome of what is being done will be that non-Maltese and other operators will quite likely home in on the most profitable parts of the Air Malta business, allowing the national airline no margin within which it could continue to maintain its services to unprofitable destinations, flights which are however needed to promote medium term developments in tourism.
4. Liberalisation in the tourism sector will quite likely increase leakages from Malta to the outside.
5. The liberalisation of electricity generation in order to satisfy EU rules, is a token gesture; it is bound to lead to an increase in the price of electricity, without improving the profitability of the sector. There will be little private sector interest in going into this line, initially.
6. Liberalisation of fuel imports, in order to satisfy EU membership rules, will ensure that this activity is drained away from Enemalta, leading to a loss of profits, and thus the winding down of the cross subsidisation which it deploys to compensate for the burdens incurred in electricity generation. Enemalta’s operating problems are sure to increase, while the security of fuel supplies in the future becomes questionable, should a crisis in the international supply situation occur.

THE PARTNERSHIP OPTION:

1. In relevant areas under the partnership policy, government firms which still operate under protection, will be exposed to free market competition in a graduated manner, allowing their managements and workers to adapt progressively to the changes being introduced. Such graduation will be done according to the needs and requirements of Malta, not according to the pace of change required by EU membership rules, usually for reasons that are of peripheral interest to Maltese concerns.
 2. The continued liberalisation of cable TV, telephony and other telecoms sectors will be done in a controlled manner, that takes into account the interests of shareholders and of workers.
 3. Air Malta will be maintained as a flagship carrier designed to support the further development of the tourist industry. Ground handling operations will be reviewed and a decision on their future taken in terms of what is best for Malta's tourism industry. Under partnership, there is no need for an a priori decision to liberalise ground handling.
 4. Importation of fuels and electricity generation will be retained as Enemalta functions, because in the context of a small island, this is best practice, in terms of both economic and social efficiency.
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Areas which need not be liberalised

52. Water supply.
53. Distribution of electricity.
54. Internal land transport.

THE PARTNERSHIP OPTION:

1. The same applies.
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Consumer rights

55. Consumer protection laws have been raised to EU standards (e.g. on guarantees, product liability, advertising).
56. The Competition and Consumer Affairs Division has been strengthened to help apply and enforce these laws.

COMMENTS:

1. Consumer protection laws should have been raised independently of EU standards, as part of an autonomous practice by Maltese authorities.
2. The strengthening of the Competition and Consumer Affairs division still falls far short of what the country needs, independently of membership or partnership.

THE PARTNERSHIP OPTION:

1. Under partnership, consumer rights will continue to be enhanced, both according to EU norms and according to US and other progressive standards.
 2. It should be possible to attach greater importance to the departments in charge of competition and consumer affairs, since it will be possible to make savings on administrative costs in other areas, due to a lessening of the pressure to implement EU administrative structures that do not fit well in the Maltese context.
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Workers' rights

57. Over 50 new EU rules were adopted to raise conditions and health and safety standards at work to EU standards.
58. New Occupational Health and Safety Authority was set up to help apply and enforce health and safety standards.
59. Transition period until end 2005 to adapt to EU standards on safety of work equipment.
60. Transition period until end 2004 (at the latest) to adapt to EU standards on working time.

COMMENTS:

1. Malta's worker protection systems were already quite good; further raising of standards to reach those EU norms which were higher than Malta's is commendable. But is it a question of just introducing rules, and then taking no steps to ensure that they are being implemented?
2. There are serious doubts about the real effectiveness of the Occupational Health and Safety Authority.
3. In the construction industry, most establishments are far from being close to EU norms as far as equipment and environmental safeguards are concerned. The engagements that have been assumed under the proposed Treaty of Accession are very badly known among operators, and they have made scant provision for the hefty capital investment that is required to satisfy what government negotiators have assumed as obligations with the EU.

THE PARTNERSHIP OPTION:

1. It has been stated that where EU rules are superior to those of Malta, action will be taken autonomously during the next legislature, to bring standards in line with those of the EU, as a social policy commitment.

Environment

61. Malta can save between Lm10 million (EUR24m) and Lm54 million (EUR130m) every year if it applies EU environmental standards. Savings cover costs and benefits in the areas of air and water quality and waste.

COMMENTS:

1. EU environmental standards can be implemented independently of EU membership.
2. The estimates for savings to be made if EU standards are observed, appear to be gratuitous. The investment outlays required to implement such standards should be taken into account, as well as the initial high learning costs to implement standards.
3. The Water Services Corporation has up to now, demonstrated limited ability to adapt to the new ways of operation required to satisfy modern environmental standards. It is futile to hope that this ability will improve simply because the country is an EU member state.
4. Ms Margot Wallstrom, EU commissioner on the environment has stated that the candidate countries to join the EU, will need to spend the equivalent of 3 per cent of their gross domestic product to ensure compliance with EU environmental regulations, and that they will have to provide much of the funding themselves.

THE PARTNERSHIP OPTION:

1. Under partnership, the rule will be that environmental standards agreed with the EU, that are better than those already prevailing in Malta, can and still will be implemented in Malta, on an autonomous basis, within a timeframe comparable to that "negotiated with the EU".
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Air quality

62. The quality of petrol and diesel was improved between 2001 and 2002.
63. Leaded petrol phased out in December 2002. Cars that run on leaded petrol will use "Lead Replacement Petrol" at no extra cost to the consumer.
64. Dangerous fumes emitted from fuel (VOCs) will be controlled by end 2004.
65. Marsa power station will be brought in line with EU standards by membership or will have to be phased out.
66. Delimara power station to be in line by end 2005, even on dust emissions.
67. Methyl bromide (used in agriculture) will be phased out by end 2005.
68. Malta can save between Lm3 million (EUR8m) and Lm16.6 million (EUR40m) every year if it applies EU standards on air quality.

COMMENTS:

1. No provision has been made in public finance for the huge investment required at Marsa and Delimara power stations.
2. Enemalta is operating at close to loss making levels and will become loss making if fuel importation and distribution are hived away from it. There is no way by which it can generate internal funds to carry out the investments implied by the above commitments.

THE PARTNERSHIP OPTION:

1. Air quality standards up to EU levels will be implemented on an autonomous basis.
 2. Financing environmental investment within Enemalta will be made easier because Enemalta will retain its fuel import and distribution functions.
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Water quality

69. Sea water must be monitored regularly for all dangerous substances.
70. To improve quality of drinking water, the level of nitrates and fluoride in tap water will be reduced by end 2005.
71. By March 2007 sewage and dangerous substances will no longer be dumped into the sea.
72. By March 2007 waste water treatment plants would have been built in Malta and Gozo.
73. Pre-accession EU funding will help build first waste water treatment plant in Gozo.
74. Malta can save between Lm5 million (EUR13m) and Lm19.6 million (EUR47m) every year if it applies EU standards on water quality.

COMMENTS:

1. Commitments have been assumed under this heading without any medium term financial and planning arrangements having been concluded.
2. Under the Nationalist administration, sewage disposal commitments have remained a dead letter ever since they were first made in the late eighties.
3. While the financing arrangements to cover the investment allocations involved remain a mystery, it is not clear how the "savings" estimates to be made annually have been arrived at.

THE PARTNERSHIP OPTION:

1. Reasonable and doable objectives for the disposal of sewage and other waste, will be dealt with autonomously, as for instance according to the Malta Labour Party's environmental programme "Ambjent b'Sahhtu ghal Sakhitna" (published in 2002.) For this to happen, one needs to have a government that is really dedicated to keeping the promises it makes.

Waste

75. Maghtab and Qortin landfills will be closed down by 2004.
76. Gozo will have one controlled landfill (for construction waste only).
77. Malta will have three controlled landfills (construction waste, hazardous waste, non-hazardous waste).
78. By the end of 2005, Malta will recycle at least 25% of all packaging waste.
79. The ban on plastic beverage bottles will be kept until end 2007, giving time to industry to adapt and for a new environment-friendly collection system to be introduced for all beverage bottles (including plastic bottles).
80. By the end of 2009, Malta will recycle at least 15% of all plastic waste.
81. Malta can save between Lm3 million (EUR8m) and Lm16.6 million (EUR40m) every year if it applies EU standards on waste.

COMMENTS:

1. During the nineties and between 1998 and 2003, nothing much was done to tackle the Qortin and Maghtab problems, except for a plethora of consultancy reports paid for by the taxpayer. Plans laid between 1996 and 1998, which were getting off the ground by early summer 1998, were shelved.
2. The removal of the ban on plastic beverage bottles for soft drinks, just to fulfill the exigencies of the European "single market", is a blow to the Maltese environment. Retaining the ban would in no way have undermined the integrity of the "single market". The removal of the ban will create another plastic bottle Maghtab, while the "solution" being proposed will involve new massive investment, the provenance of which has in no way been clarified.
3. The recycling commitment for plastic waste is meaningless, since it is obviously something put down on paper without any real planning or commitment to back it.
4. The estimates indicated for savings to be made if EU standards on waste are implemented, are speculative at best.

THE PARTNERSHIP OPTION:

1. Waste management and control should be implemented on a national basis, by a government which gives priority to environmental policy as per the Malta Labour Party's policy proposals in the document "Ambjent b'Sahhtu ghal Sahhitna" (2002).
 2. The ban on plastic beverage bottles for soft drinks will be maintained.
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Gas bottling plant at Qajjenza

82. By membership, the gas bottling plant at Qajjenza (Birzebbuga) will be closed down because of hazard to surrounding residential area. A new gas plant, in line with EU safety standards, will be built in Benghisa.

COMMENTS:

1. On the evidence, it is quite likely that this is another paper commitment, especially as little is known about how this project will be financed, given Enemalta's parlous financial situation. In real terms, funding for the project must come from local sources.

THE PARTNERSHIP OPTION:

1. On an autonomous basis, the gas bottling plant will be moved from Qajjenza, through a partnership arrangement between the government, Enemalta and the private sector.
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Hunting and Trapping

83. Hunting for quail and turtledove in Spring will continue. Hunting in Autumn will not be affected.
84. Hunting at sea will continue from three km off the coast.
85. Bird trapping can continue for seven finches. But by end 2007, Malta must establish the number of songbirds that may continue to be caught from the wild.
86. Moratorium imposed on issuing of new licences for trapping. But existing licence holders will not be affected.
87. Strict monitoring and enforcement of hunting laws will be required.
88. The Ornithology Committee will regulate hunting and trapping practices in Malta. Hunters and environmentalists to be represented in this Committee.

COMMENTS:

1. The outcome of negotiations contradicts the commitment given to sportsmen by government that the conditions regulating their sport would not be changed.

THE PARTNERSHIP OPTION:

1. Prevailing conditions regulating hunting and trapping will be maintained.
2. Enforcement of hunting and trapping regulations will be beefed up via the deployment of additional human and physical resources (vide the Labour Party's document "Ambjent b'Sahhtu ghal Sahhitna"). Meanwhile, environmental education will become a priority concern.

Fuel stocks

89. Transitional period until end 2006 to increase fuel storage capacity to cover 90 days supply and to purchase the necessary fuel stocks.

COMMENTS:

1. The proposed increase of fuel storage capacity has been adopted without any real indication that it is necessary for management of Maltese stocks. It will increase carrying costs by Enemalta to unnecessary levels, and the government has already had to give a bank guarantee to Enemalta to enable the latter to finance the extra expense through a bank advance, for it had no internal resources with which to carry out the transaction.

THE PARTNERSHIP OPTION:

1. The arrangement made on fuel stocks will be reviewed.

3. Cost of living

Removal of Levies

90. All levies on imported goods removed from January 2003, except:
91. Levies on furniture were removed in October 2002 (Lm1.60 per kilo on every item).
92. Levies on food and agricultural products will be removed by membership.

COMMENTS:

1. While levies that Malta sets to protect its farm output have been/are to be removed, new levies will be introduced on agricultural and food goods that the EU produces, on imports from such countries as the US, Australia, and South America, such as for chilled meat, sugar, rice etc.
2. While Malta has been made to dismantle its protective systems for agriculture and processed farm goods, the EU has confirmed recently in the run-up to Copenhagen, its commitment to protect its farm trade from cheaper worldwide competition.

THE PARTNERSHIP OPTION:

1. Protection will be retained for agricultural products deemed strategic for Malta as well as for processed agricultural goods that have a genuine Malta based value added.
2. The Marrakech declaration of 1994 under the World Trade Organization aegis, specifically allows small island and developing countries to protect their agriculture for strategic reasons related to their national development.
3. Food and other agricultural goods that are not produced in Malta will again be allowed importation without being subjected to protective levies and other barriers to trade.

Food Prices

93. Food prices will go down on imported food products because of the removal of levies. Products include beef, pig meat, poultry and eggs, fruit and vegetables and a range of food items, including tinned food, biscuits and ice-cream, drinks and wine.
94. Some examples of what consumers will save:
 - 15 cents on every kg of pig meat
 - 10 cents on eggs (per dozen)
 - 4 cents on every kg of poultry
 - 81 cents on every kg of tomato polpa
 - 45 cents on every kg of pasta
 - 50 cents on every kg of peaches, plums,
 - 70 cents on every kg of ice-cream
 - 15 cents on every litre of juices
 - 25 cents on every litre of beer
 - Lm1.50 on every litre of wine

95. On certain products, Malta will have to adjust to higher EU prices. But compensation, partly funded by the EU, will be given so that consumer prices are not affected. Affected products are sugar, cereals, rice, semi-processed tomato products and some beef and dairy products.
96. Food will remain free from VAT until January, 1, 2010. Malta agreed on the understanding that by that time, no other EU country will still have an exemption. If Malta introduces VAT, it can apply a reduced rate of 5% and can give cost of living compensation.

COMMENTS:

1. While food prices will go down on certain items coming from the EU, it is likely that given existing mark up and distribution arrangements, the consumer would not benefit in full from the price decreases at import level.
2. Meanwhile, with the application of levies to non-EU imports of food, the higher prices that Maltese consumers will face, will be much more significant than the benefits they obtain from cheaper imported items. It is estimated that for every Lm1 that consumers would save, they would have to spend an extra Lm4 to Lm5 on what they would have to buy more expensively, with a clear impact on the cost of living and eventually on wage and production costs.
3. Some examples of what consumers would be facing:
 Frozen meat: The current export subsidy the EU pays for meat exports to Malta stands at 75 cents per kilo. This will now be waived, since Malta should start buying at EU internal prices, and it would become an extra charge on the consumer.
 Similarly for cuberoll: an increase of Lm1.00 per kilo
 For sirloin: an increase of Lm1.00 per kilo.
 For butter: an increase of 70c/80c per kilo
 For cheese: an increase of 49c/52c per kilo;
 For sugar: an increase of 20c/22c per kilo;
 For skimmed milk: an increase of 50c/55c per kilo;
 For flour: an increase of 5c per kilo.
4. Non-EU meat would face an increase in levy on every Lm100 by value of say, fillet imports, from the present Lm 10, to Lm 89.90c.
 Non-EU sugar would have to pay a new levy of Lm250 for every Lm 100 of import value.
 Non-EU wheat, maize and barley would face a new charge to the tune of Lm61.0c on every Lm100 of import value.
5. The arrangements being proposed to "hide" this from consumers are an economic nonsense. The subsidies to hide the impact of levies on a number of food items, will have to be funded from taxes, that are paid for by the consumer. The idea that part of the funds coming from the EU will also be used to "subsidise" items whose price has been artificially raised in order to align them with internal EU prices, is also from an economic point of view, nonsensical and unacceptable since such funds should have been raised and allocated to service productive uses. In effect, Maltese consumers are being asked to pay higher prices (directly or through new taxation) in order to subsidise not their own farmers, but the farmers of the European continent.
6. The acceptance to impose VAT on food at some future date is a socially retrograde step. Claiming that this will be compensated for by cost of living adjustments, compounds the nonsensical economic merry go round that has characterised the outcome of EU membership negotiations in this sector, and will surely disadvantage most the least protected sectors of our society.

THE PARTNERSHIP OPTION:

1. Malta will continue to provide reasonable protection to its farm and processed agricultural sectors, but will apply free trade principles in the importation of agricultural and processed agricultural goods in which it has no strategic national interest.
2. VAT will not be applied to food products.

Taxation

97. Malta will align its VAT law with EU law. But Malta will keep VAT exemptions on services such as on water, Gozo ferry, public transport and international transport. On the other hand, a reduced VAT rate of 5% will be introduced on printed matter.
98. Food and medicine will remain free from VAT until January, 1, 2010. Malta agreed on the understanding that by that time, no other EU country will still have an exemption. If Malta introduces VAT, it can apply a reduced rate of 5% and can give cost of living compensation.
99. VAT standard rate remains 15% - up to Malta to decide.
100. VAT ceilings for small businesses and self-employed will be kept as they stand today.
101. EU has no laws on income tax, company tax, property tax – up to Malta to decide.
102. Any new decision on taxation needs the agreement of all EU countries (unanimity), including Malta..

COMMENTS:

1. Alignment of VAT with EU law will bring in its wake further alignments should the EU decide to go down this road. Already on such matters as tour operators working to Malta, alignment with TOMS and VAT will be increasing the cost of a Malta holiday.
2. Such alignment of Malta VAT with EU law will decrease Malta's flexibility and affect its competitiveness.
3. VAT on printed matter will affect negatively the educational sector and the book publishing/printing sectors.
4. Full harmonisation of VAT and other rates could become a top level agenda in the EU as member states proceed with the guidelines for economic convergence. It is futile to claim that there will need to be unanimity before this can happen, since it is not conceivable that were Malta to be a member state, it would all the time be having to wield its veto in order to prevent things from happening.
5. The acceptance of the principle by which in 2010, VAT would be charged on food and medicine is a retrograde step in social terms. Claiming that this could be compensated for by cost of living adjustments, amounts to stepping on an uneconomic merry go round that will increase the drag on competitiveness, while treating unfairly the elast protected sectors of Maltese society.

THE PARTNERSHIP OPTION:

1. VAT in Malta will be run flexibly, in accordance with the operations of a free trade agreement with the EU, while seeking to improve the competitiveness of leading economic sectors such as tourism.
2. VAT will not be introduced on food, medicines, the educational sector.

Medicines

103. Medicine will remain free from VAT until January, 1, 2010. Malta agreed on the understanding that by that time, no other EU country will still have an exemption. If Malta introduces VAT, it can apply a reduced rate of 5% and can give cost of living compensation.
104. Parallel importation of medicines is possible from membership, leading to more competition, cheaper prices.
105. Transitional period until end 2006 for the registration of medicines.

COMMENTS:

1. The acceptance of the principle by which in 2010, VAT would be charged on medicines is a retro-grade step in social terms. Cost of living compensation will not be enough for the least well-off sectors of Maltese society.
2. The procedures by which registration of medicines has been introduced have been extremely shaky.

THE PARTNERSHIP OPTION:

1. VAT will not be introduced on medicines.
 2. Procedures for the registration of medicines will be maintained and improved.
-

Subsidies on essential services

106. Water and electricity can be subsidised if consumers benefit directly.
107. Public bus transport can be subsidised if consumers benefit directly.
108. Gozo ferry transport can be subsidised for Gozo residents.

COMMENTS:

1. It is clear that all the items mentioned will not affect the operations of the European single market in any way. Yet it is symptomatic of the invasiveness of the membership procedure that their retention still had to be cleared with Brussels.

THE PARTNERSHIP OPTION:

1. Subsidies on essential services will be maintained.
-

Purchase of property in Malta

109. Currently, foreigners can already buy one property each, but no more. This limit will be kept even after membership.
110. five years.
111. Citizens of non-EU countries will not be able to buy more than one property, same as today.
112. This derogation will apply on a permanent basis and will be protected by a Protocol attached to the Treaty.

COMMENTS:

1. The agreement reached on purchase of property in Malta, relinquishes control over the management of the national property market. Given the very limited territory of Malta, this means that outside "market" forces will determine price levels for property in ways that national decision-makers will not be able to control or influence. One does not need to prospect that there will be a tsunami of demand -- a larger than "sustainable" influx of property seekers will lead to a more than proportionate rise in price levels. Thus a 5 per cent extra growth in demand for Maltese properties, would lead to double or triple a rise in the price level growth rate.
2. An inordinate rise in the property price level, would have a clear impact on rent levels and on repayment pressure felt by households to finance loans on house purchases. The impact will wash onto the cost of living, and trigger pressures for wage and salary hikes, that in turn would continue to erode Maltese competitiveness in the export of goods and services, including tourism.

3. The Balearic islands are a case in point of how an influx of continental purchasers of property from the EU can create huge internal price pressures on the property market, to the detriment of native residents.
4. The "special" arrangements obtained under this chapter do not amount to much:
 - Agricultural land can be purchased by EU nationals without their having to reside in Malta.
 - Any EU citizen can set up a company in Malta to deal in real estate, and can purchase as many properties as he/she likes without restriction, to do business with them.
 - Regarding EU citizens who have lived in Malta for five years or more, and who can directly buy more than one property, it appears that this arrangement would apply equally to all those EU citizens who in the past have lived in Malta for more than five years, even if they no longer do so. A point to note: what measures can be taken to ensure that the five year residence requirement is being really observed?
5. Under the agreement reached, the children and grandchildren of Maltese emigrants to Australia and elsewhere, would be given less favourable treatment than that accorded to EU citizens.
6. Most interest for the purchase of property in Malta comes from EU citizens.

THE PARTNERSHIP OPTION:

1. Management of the national property market parameters would remain in local hands.
 2. While there would be areas denoted as special development zones and within which full freedom to buy property would apply for non-Maltese nationals, existing or equivalent management rules covering acquisition of property by non-Maltese citizens would continue to apply in the remaining Maltese territory.
 3. Descendants of Maltese emigrants would be guaranteed treatment that would be in no way less advantageous than that accorded to non-Maltese citizens, including those coming from the EU.
-

4. EU Funding

EU funding

113. The EU is bound to help its poorer regions and countries improve their economic development.
114. Malta's level of economic development (GDP) stands at just over half of the EU average (56%).
115. An average Irish citizen is twice as rich as a Maltese, a Luxembourger three times as rich.
116. Malta will therefore be eligible to the highest level of EU funding (Objective One area).
117. EU funding can be used for projects such as transport, environment, agriculture, industry, small businesses, education, health and training.
118. EU funds are grants, not loans.

COMMENTS:

1. Measurement of the level of economic development (GDP and GDP per capita) depends on the statistical procedures that are followed to arrive at a given measurement.
2. Upcoming adjustments in Malta's economic statistics will give a greater weight to rent, property and real estate inputs into the economy, thereby increasing Malta's rating vis à vis the EU average.
3. EU funds are allocated either on a direct contribution basis to the national government budget, allowing that government full discretion in the spending of such funds; or it is project based, as a result of which co-financing is required from the government concerned, and a whole panoply bureaucratic procedures comes into play by which projects are assessed, redesigned, farmed out for tender and implemented.
4. The implementation of project funding mechanisms is a lengthy bureaucratic process with disbursements and actual implementation usually taking much longer than is usually forecasted in the initial plans.

THE PARTNERSHIP OPTION:

1. The problems of project funding from EU sources apply both within and outside the EU.
-

What Malta will pay, what it will get

From 2004 to 2006

119. Malta will be allocated from the EU Lm81 million (EUR 194.30) more than it will pay. This is calculated by deducting Malta's contribution from its allocation, which as follows:
120. The EU will commit to Malta a total of Lm154.71 million (EUR 371.30 million) whereas Malta will contribute to the EU budget a total of Lm73.75 million (EUR 177 million).

After 2006

121. A new budget will apply. To be approved, budget needs agreement of all EU countries (unanimity), including Malta.

122. Because of its low GDP level, Malta is still expected to remain a net beneficiary.

COMMENTS:

1. The figures given above were presented in Parliament by the Prime Minister in mid-December 2002. In this account, the Lm81 million over three years from 2004 to 2006, was arrived at by:

On the EU side, projecting there would be budget commitments in favour of Malta in millions, to the tune of

For agriculture:	Lm 12.08
For structural operations:	32.92
For Community programmes:	12.50
For budgetary compensation:	97.21

TOTAL RECEIPTS BY MALTA	154.71
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TOTAL PAYMENTS BY MALTA	73.75
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NET BENEFITS FOR MALTA	Lm 80.96.
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2. As has already been indicated above, (vide Comment 3 under "EU Funding"), the agricultural/structural operations and Community programme inputs relate to project funding that takes time to materialise. Most of it will not happen during the period 2004-2006, as Commission officials in Brussels are already emphasizing. So the real cash in hand, that the Malta government would be obtaining in 2004/2006, will be the net amount resulting from the Lm97.21 million that Malta would be receiving, less the Lm 73.75 (in cash) it would be paying during the same period, which works out to about Lm 8 million annually.
3. However, annually too, the EU is at present spending some Lm 6.5 million a year to subsidize farm and food goods we now buy from it at competitive international prices. This the EU need not spend any more, since Malta would be obligated to buy from EU sources, even if they are higher priced. So, "out of pocket", in funds that are available for immediate use, Malta would be benefitting by an extra Lm 1.5 million from EU sources.
4. The situation is complicated by the release in Brussels of financial figures that seem to challenge the figures advanced by the government for the package obtained in Copenhagen.
5. It is to be noted that the figures quoted above sidestep the balance of payments effects that EU membership would bring in its wake (negative) and the added operating costs that the Malta government must support in order to run EU programmes in Malta. For instance, the local administration would have to set up a full blown agricultural monitoring system as devised under the EU's common agricultural policy, even though there really is no need for it in Malta. Administrative burdens resulting from ongoing compliance with EU procedures could reach between Lm 20 million and Lm 30 million in additional annual operating costs.

THE PARTNERSHIP OPTION:

1. Since partnership is more in the nature of an ongoing exercise, that seeks to match trade and cooperation, funding arrangements are less relevant to it. There will be minimal compliance costs under the partnership option for rules that must be adopted simply for the sake of membership. On a net basis, the EU would still be subsidising to the tune of Lm 6.5 million a year, the food output it exports to Malta (which would cease under the full membership scenario).
2. Partnership will rely on cooperative ventures between the Maltese public sector, and the Maltese and EU private sectors, to launch ventures that would create the basis for new developments in

the productive, infrastructural and social sectors (including the environment).

3. Huge savings would be made in the administrative and operating costs currently being incurred, to copy and map all EU procedures into the Maltese public administrative system.

Island Region of Gozo

123. A Declaration on the "Island Region of Gozo" will be attached to the Treaty to take account of Gozo's specific circumstances. In 2000, Gozo's regional GDP stood at just 71.7% of Malta's national average.
124. Gozo will be considered as a separate region from Malta for statistical purposes (NUTS III), while the Maltese islands will be classified together for the purposes of EU funding (NUTS 1 and 2 levels).
125. Gozo's regional development will be a separate priority in Malta's programme for EU funding (Single Programming Document). A Gozo Regional Project Committee will work on Gozo projects.
126. State aid for transport of agricultural goods will continue for five years after membership.
127. Inter-island passenger transport (Gozo ferry) will remain VAT-free.
128. Gozo ferry transport will remain subsidised for Gozitan residents.

COMMENTS:

1. Gozo's regional GDP has never been well defined. Reliable regional data for Gozo is still extremely skimpy.
2. The EU has refused to consider Gozo as a separate region and as a sop, has accepted to consider the island separately only for "statistical" purposes. The reason is that by EU standards, Gozo is too small an entity to qualify as a region. The outcome of the negotiations amounts to a bureaucratic fudge, compounded by the creation of the "Gozo Regional Project Committee", whose terms of remit will ensure that it has little thrust in ensuring that project funding for Gozo can be dynamically mobilised.
3. Although the EU considered Gozo as too minute to qualify as a region, it still felt that state aid for the transport of agricultural goods between Malta and Gozo would somehow undermine the principles of the single continental market. It is extremely sad that the Malta government has accepted to withdraw state aid for the transport of agricultural goods five years after membership, since this contradicts all the fundamental assumptions that have been advanced in past years about how to promote Gozo's development, given its isolation.

THE PARTNERSHIP OPTION:

1. As part of national policy, Gozo will be considered as a region and regional structures will be introduced, following full consultation with Gozitans. A model of partnership between public institutions and the different levels of civil society will be promoted, to create new foyers of initiative, related to an island wide development plan that will be drawn up.
2. State aid for the inter-island transport of farm goods will be maintained, and new state aids will be considered covering tourism, industry, the self-employed sector, artisanal enterprise and other cottage industries.
3. While inter-island passenger transport (including air services) will be VAT free, ferry transport will remain subsidised for Gozo residents.

5. Work and the economy in Malta

Free Trade

129. Free trade in goods and services applies. No restrictions, such as levies, quotas or import licences.
130. The EU represents its members' trade interests with non-EU countries and in the World Trade Organisation (WTO).

COMMENTS:

1. Under the accession agreement, Malta will be introducing new barriers to trade following from the application of the common agricultural policy (through new levies, new norms that serve as non-tariff barriers to trade etc.)
2. Malta is the only European country which has such a high proportion of its GDP dependent on tourism (up to 35 per cent). In no other European country is this the case. Therefore, the application of EU norms that are not expressly designed for economies that have profiles similar to that of Malta, might be deleterious to future economic prospects.
3. With EU membership, Malta would lose its separate voice in WTO councils.

THE PARTNERSHIP OPTION:

1. Under the partnership option, a free trade system would be implemented with the EU. It would be tailored to fit the Maltese profile while taking into account the imperatives of European integration and the special needs of Maltese agriculture, tourism and small scale industry, in conformity with WTO rules.
-

Investment and job-creation in Malta

131. The EU is the world's main location for foreign direct investment because it has a single market of almost 500 million applying common rules.
 132. Maltese firms will have full access to EU market from membership (without current restrictions).
 133. Maltese firms will have automatic access to a new market of over 100 non-EU countries around the world with which the EU has concluded trade agreements (e.g. Southern Mediterranean countries, Switzerland, South Africa, Mexico and the African, Caribbean and Pacific [ACP] countries).
 134. From membership, Malta will become a member of the European Economic Area (EEA) that is made up of EU countries, Norway, Iceland and Liechtenstein.
 135. Maltese small firms will remain eligible for assistance granted under the old Industrial Development Act.
 136. Maltese large companies will also continue to benefit from assistance granted under the Industrial Development Act, but with some modifications.
 137. Investment incentives are now available under new Business Promotion Act, except for operating aid that must be phased out by 2008
-

COMMENTS:

1. Under membership conditions, while Maltese firms would have full access to the EU market, they would be subject to the cost pressures that result from the implementation of EU policies, most notably in the field of the common agricultural policy. This will tend to push wage levels and other operating costs up, which added to the transport cost handicap that an island like Malta must carry, will serve to further underline the economies of scale problems from which Malta suffers. All things being equal -- as they would increasingly become under conditions of full membership, since Maltese costs would track the costs borne by continental operators -- investors will judge that it does not pay to invest in Malta, since they can invest in operations that are just as expensive on the European continent, without carrying as well the transport handicap already mentioned.
2. Regarding the "automatic" access to the "new" market of 100 non-EU countries with which the EU has concluded trade agreements, two considerations have to be kept in mind:
 - (a) in reality, Malta needs to have privileged relations with a few countries (like say, Libya, Tunisia, Russia, the USA, China, Egypt, Australia, Canada, the Arab Gulf and Middle East countries) if in the medium term it is going to consolidate its export profile. With some of the countries that Malta needs to target, such as Libya, China, the US and Australia, Malta already has better deals, or the basis for better deals, than would happen were Malta to fit into the EU profile. With other countries with which the EU has preferential or trading agreements, such as the Caribbean or sub-Saharan Africa, it is highly unlikely that Malta could stand to benefit directly in a substantial way. The only exception in this regard might be Tunisia.
 - (b) all EU agreements are two way, in the sense that they would provide quasi-free access to the Maltese markets to low cost operators (in such areas as furniture, handicrafts, clothing and textiles, electrical and mechanical manufacturing), from the countries involved. In turn, it is not likely that Malta, with its high percentage of GDP inputs coming from tourism, would benefit from access to these markets.
3. Becoming a member of the EEA will mean that the four freedoms would apply equally to the citizens of these countries in so far as Malta is concerned.
4. The modifications required to the incentive schemes accorded to existing industries will hamper expansion and restructuring plans; the new rules governing investment incentives are not designed with a view to taking Malta's particular circumstances into account.

THE PARTNERSHIP OPTION:

1. **With partnership, covering free trade with the EU, Malta would have all relevant access to the EU market, not by way of just benefitting, but also in return for opening up the Maltese market to EU producers.**
2. **Special arrangements with target countries that we need to have special relations with, by way of partnership deals, would overall provide better benefits to Malta, than being tied into an EU bandwagon of agreements, that have been negotiated with the aims and situation in mind of the bigger continental European countries, which have in the past been imperial administrators over many of the countries with which the EU agreements have been signed.**
3. **Incentives for investment promotion and growth will be designed to fit in with the Maltese situation.**

EU workers in Malta

138. EU workers will have the right to work in Malta. But this right may be limited as follows:
 139. Until 2011, Malta can refuse their work permits if there is a serious threat to local jobs.
 140. After 2011, Malta can still seek a remedy, this time acting with the EU.

COMMENTS:

1. While Malta should remain flexible, in the sense that it should be able to let foreign workers come to work here, if the situation so warrants, Malta needs to retain the right to manage the labour market in terms of the national interest, as defined for a small island nation.
2. Despite the apparent concession regarding the "serious threat" to local jobs, pre and post 2011, it is clear that the right to manage the Maltese labour market has been relinquished to the EU.
3. EU citizens can freely come to Malta as self-employed and get employment under contract as self-employed persons, and there is nothing that the Maltese authorities could do under EU rules and under the agreement being proposed for accession to EU membership, that would stop this.

THE PARTNERSHIP OPTION:

1. **The existing regime, by which the Maltese authorities retain control and management over the allocation of work permits to non-Maltese workers will remain in place.**

Self-employed and companies

141. Maltese firms, including self-employed, may invest and set up shop or company in any EU country. The same applies to EU firms in Malta.
 142. Malta can continue to limit the number of licences in certain sectors in which self-employed operate (e.g. hawkers, land transport, petrol stations, pharmacies).

COMMENTS:

1. Free movement of self-employed people as per the single market regulations applying within the EU, has been accepted for Malta.
2. This will put pressure on numerous self-employed people, their families and concerns as an influx of self-employed operators should be expected. Nobody is saying that there will be a huge wave of such new entrants into the self-employment market. But already if because of full EU membership, such entry increases by 5 per cent per annum, it would seriously increase the pressures on the way of life of Maltese and Gozitan self-employed, many of whom are already subject to the tugs and pulls of unfair competition.
3. The limitation of licences in certain sectors of self-employment skirts the problem of having ceded the management on a national basis, of the the self-employment sector and has minimal relevance to the real problem.

THE PARTNERSHIP OPTION:

1. **The existing regime, by which the Maltese authorities retain control and management over the allocation of permits to non-Maltese self-employed will remain in place.**

Money and the euro

143. Maltese Lira will be replaced by euro after (a minimum of) two years of EU membership.
144. Malta must adhere to strict criteria to participate in the euro, including on budget deficit and debt.
145. Malta will participate in the European Central Bank that sets a common monetary policy.
146. Euro makes it easier to compare Malta prices with prices in EU, increasing competition.
147. Euro removes exchange costs and currency risks for trade and tourism.
148. Euro brings lower interest rates on loans, including house loans.
149. All remaining exchange control restrictions (money you can take in and out of Malta) will be removed.

COMMENTS:

1. It is necessary to evaluate in all seriousness the implications of any eventual Maltese move to the euro. These implications are more fundamental than just saying that it would be "easier to compare Maltese prices with prices in the EU, increasing competition". Other implications could include the loss of all autonomy in using exchange rate policy to safeguard Maltese competitiveness, and an awkward positioning with regard to the U.S. dollar in which the highest percentage of Maltese export trade in goods is conducted.

THE PARTNERSHIP OPTION:

1. **Without prejudging the issue, Malta would remain in a position to evaluate the implications of euro use in Western Europe, and take appropriate steps according to the change of circumstances, to maintain closeness to the euro zone while safeguarding national economic competitiveness.**

Agriculture

150. Protective levies will be removed by membership so that prices can go down for consumers.
151. Malta negotiated a special safeguard for five years after membership to protect the sector in case of difficulties.
152. Farmers will get direct financial support until 2014 so that price of local products can go down to compete with imported products.
153. Compensation will amount to around Lm38 million for farmers and Lm33 million for dairy, pig meat and poultry sector.
154. Financial support will also given for restructuring of the processing industry.
155. Additional EU funding will be given for rural development.
156. Financial package for agriculture will be paid in part by Malta, in part by the EU.
157. Malta and Gozo will be considered as a "less favoured area" and will get additional EU funding for rural development .

COMMENTS:

1. Agriculture has probably had the worst deal in the accession package. Protection has been removed for the sector, insufficient "compensation" has been introduced, while new protection in line with the EU's common agricultural policy, is being introduced for farm products that are not produced in Malta.
2. In most cases, the financial support promised to farmers and agricultural operators and processors, will leave them short of the income they need to survive.
3. The promised compensation will come in large part from Maltese taxes, that Maltese consumers

will pay. The latter therefore while being promised cuts in food prices, would still have to pay the "old" "high" prices, but in the form of taxes.

4. In real terms, the EU "share" of the insufficient compensation being given to farmers and agricultural operators, will come out of Malta's contribution to the EU budget (vide Comments, under section "What Malta will pay, what it will get".)

THE PARTNERSHIP OPTION:

1. Protection for agriculture will be maintained, in conformity with the practice of the EU and other leading trading blocs, as well as with WTO rules under the Marrakesh declaration of 1994.
2. Levies and other protective mechanisms will not be maintained, with respect to products which are not produced by Maltese agriculture.
3. As part of a reciprocal contractual arrangement, Malta would seek to give concessions to EU farm products for entry to Malta, under special arrangements.
4. Maltese agriculture would be boosted through extension and support programmes to diversify and improve output.

Fisheries

158. Malta negotiated a 25-mile fishing conservation zone around Malta in which fishing effort will not increase.
159. Only those holding a licence will be able to fish in zone and no new licences will be granted.
160. Only boats smaller than 12 metres (94% of Maltese fleet) can fish in the zone (with some exceptions).
161. Maltese boats that are larger than 12 metres get financial assistance to upgrade and fish outside the zone.
162. Maltese fishermen qualify for EU funding for modernisation of fishing fleet.
163. EU funding also available for improvement of port facilities and the fish market (pixkerija).
164. Lampuka to be included in the list of fish for common market organisation.
165. The EU will represent Malta's interests in fishing disputes with non-EU fishermen.

COMMENTS:

1. If the small print of the agreement reached on fisheries is well read, the conclusion can only be that the 25 mile fishing conservation zone around Malta for Maltese fishermen has been ceded to the EU.
2. Chunks of rights within the conservation zone have been opened to EU fishermen, with no gain at all for Maltese fishermen.
3. Public funds have been allocated to placate some fishermen with the purchase of new boats. The management of this allocation has been riddled with abuse.
4. Malta's interests in fishing disputes has been subsumed in that of the EU, when it comes to handling negotiations with third parties.

THE PARTNERSHIP OPTION:

1. The 25 mile fishing conservation zone will be retained by Malta, with the rights that it has traditionally enjoyed.
2. Mutual concessions on a contractual basis will be sought with the EU on fisheries.
3. Representation of Malta's case will in future still be made on a national basis, rather than by giving it off to the EU.

Transport

166. Transitional period until end 2004 for roadworthiness testing (VRT). VRT applies to all vehicles, whether public or private, including buses.
167. Transitional period until end 2005 for fitting speed limitation devices in certain categories of trucks.
168. Transitional period until end 2004 for minimum road taxes on Maltese registered heavy goods vehicles that operate internationally (passenger cars not affected).
169. Transitional period until end 2005 for minimum road taxes on Maltese registered heavy goods vehicles operating in Malta (derogation possible after membership), (passenger cars not affected).
170. Maltese hauliers can operate in EU countries without restrictions. But the number of Maltese burdnara can remain restricted by security pass.

COMMENTS:

1. Enforcement will remain an administrative challenge, under partnership or full membership of the EU. The transition periods listed under the "Transport" heading, do not appear to be realistic.

THE PARTNERSHIP OPTION:

1. The setting of standards for motor vehicles along EU levels and standards, will be carried out on an autonomous basis.

Restructuring of drydocks

171. Malta may continue to subsidise drydocks until end 2008.
172. Subsidies will help implement restructuring plan to return the drydocks to commercial viability.
173. Lm420 million to be paid in subsidies until end 2008, including the writing-off of Lm300 million in accumulated debts.
174. Subsidies cover investment, training, compensation for social costs and working capital.
175. After 2008, the drydocks can still receive subsidies on specific measures, but within EU rules.

COMMENTS:

1. The Maltese drydocks are in stand alone mode -- they cannot benefit like other European yards from national defence contracts. So it is not fair to apply to them the same rules that are applied in the EU to shipyards there. Also, the drydocks have a special relevance to Malta, since they are suited to the kind of work that can thrive again in Malta's Grand Harbour.
2. It is a well-known assessment that the multi-annual plan mooted for the Drydocks to return to viability, is not based on realistic premises.
3. EU policies rule out operating aid from the state for shipbuilding and shiprepair yards.

THE PARTNERSHIP OPTION:

1. While the target will be to achieve breakeven and profitability over a reasonable period of years, it will be prudent to retain the right to giveoperating and other subsidies to Malta's shiprepair and shipbuilding yards.

6. Travel, work and study in the EU

Travelling

176. You can travel, work, study, train, reside or retire in any EU country without any restrictions.
177. Within the EU there is border-free travel. No passport required.
178. To enter the EU from a non-EU country, you can pass through the immigration channel reserved for EU citizens.
179. Additional passenger rights will apply for those who travel.
180. No customs checks.
181. If you need hospitalisation abroad, you must be treated like a national of that country.
182. No visa is required for EU countries, even if your stay exceeds three months.
183. Visas will be removed for some countries (e.g. Bulgaria, Romania), introduced for others (e.g. Libya, Tunisia).
184. With EU support, Malta must strengthen its border controls, including coastal patrols, to control illegal immigration.
185. When you are in a country where Malta has no embassy, you can seek protection from embassies of other EU country (e.g. if you lose your passport).

COMMENTS:

1. Work and study will under conditions of full EU membership, be constrained by the prevailing rates of unemployment in EU countries, as well as by the fees that will have to be paid, to the same amount as are paid by EU citizens.
2. All rights to travel, work, study, train etc. are reciprocal. That is, Malta will have to grant them on an equal basis to the nationals of all EU and EEA countries. The same holds for hospitalisation dues.
3. The introduction of visas for Mediterranean countries for which Malta requires no visa now, creates new barriers for Malta with neighbouring countries, re-introducing the old image of the island as a former frontier fortress.

THE PARTNERSHIP OPTION

1. Visa requirements with EU members states for travel purposes have been, and will remain minimal.
2. Visas will not apply for neighbouring Mediterranean countries.
3. Malta will continue to enjoy and promote its bilateral arrangements with Western European countries concerning the protection of its nationals when they encounter problems abroad, like the loss of a passport.
4. A special protocol being proposed under partnership, would cover security issues in the central Mediterranean, including the control of illegal migration.

Maltese workers in the EU

186. From the first day of membership you have the right to seek work in any EU country.
187. Unlike today, you will not need a work permit to work abroad.
188. You must be treated as a national of that country.

COMMENTS:

1. To seek work is a natural reason for migrating; but in recent years, the employment situation in the EU has not been looking good: in November 2002, the average unemployment rate for males and females under 25 years stood at 15.1 per cent.
2. This situation will be reciprocal -- what is being claimed for Maltese workers in the EU, will be available in Malta for EU workers, as well as those coming from the European Economic Area (Norway, Iceland and Liechtenstein).

THE PARTNERSHIP OPTION:

The situation would be exactly like it was in January 2003.

Students

189. You may study abroad at same fees, if any, as students who are nationals of that country.
190. You have the right to work while studying abroad.
191. You can keep your stipend when abroad on an Erasmus exchange.
192. EU students may study in Malta, but stipends are reserved for Maltese students.

COMMENTS:

1. The situation will be reciprocal, but while most educational institutions in the EU are fee paying, Malta's University is free of charge, so that it could attract more students from the EU, than Maltese students would find placements in EU universities. In which case, there would be greater strains on the academic and physical infrastructure, leading to pressures for the introduction of fees at the Malta University (vide the UK experience as at January 2003).

THE PARTNERSHIP OPTION:

1. There will be full participation in the EU's educational exchange programmes.
 2. A fund of some Lm1.5 million will be set up to assist on a revolving basis, Maltese students wishing to proceed with their further studies in EU or other academic institutions, outside the country.
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Malta's participation in EU Programmes

193. Participation was open to Malta as a candidate country, since 2000: 1,578 participants, 221 projects (2000-2002).
194. Participation continues upon membership, paid from EU budget (from which Malta will be a net beneficiary).
195. Malta's participation in the EU Youth programme (2000-2002): 740 youths in 46 projects.

196. Malta's participation in the EU education programme, Socrates (2000-2002): 356 students, 119 educators, 125 projects.
197. Malta's participation in the EU training programme, Leonardo (2000-2002): 363 participants, 3 projects.
198. Malta's participation in the EU Research programme, FP5, (2000-2002) : 47 projects.
199. EU Culture programme (from 2003).
200. Other EU programmes such as LIFE (environment) and the Multiannual Programme for SMEs.

COMMENTS:

1. Participation in most of these programmes is not contingent on EU full membership.

THE PARTNERSHIP OPTION:

1. Malta will continue to participate in all these and other programmes.
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