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Malta and EU Membership: Adaptation, Change and Modernisation

Introduction

Soon after gaining independence from the United Kingdom in 1964, Malta began to seek to establish a formal link with the European Economic Community (EEC). Since then it has used these relations as a vehicle for adapting itself to the ever changing international context and as a tool for facilitating the much needed process of change and modernisation of the domestic economy. EU membership opens up a new phase whose ramifications on Malta may be much broader and deeper, touching not only on Malta's economy and its international relations, but on other key domains such as the environment, the legal system and the judiciary, Malta's social structure and political culture.

Malta's relations with the EU can be approached from various angles but the framework employed in this article relies on a small state approach. This mainly involves framing the analysis within the broad policy aims that small states pursue in their domestic realms as well as in their regional and global environments. On many counts, these aims do not differ markedly from those of other states: they comprise the state's security, trade, economic development, social stability and identity. However, due to their small size, small states have different strengths and weaknesses when compared to bigger states in confronting similar challenges.

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difficulties. While alliance may appear as the rational answer to the small state’s security dilemma, it may also lead to the small state’s subjugation to the hegemony of the leading power within the alliance. Similarly, neutrality might give a small state a sense of security in peacetime but this holds true only in so far as neutrality is respected by its neighbours. It is difficult to answer categorically to the question of what is the most advantageous policy for a small state, whether it is neutrality or alliance? No course of action seems to offer the small state water-tight guarantees.

In the economic field, small states lack a sufficiently large domestic market to permit the attainment of economies of scale in most economic sectors. Two non-mutually exclusive approaches can be taken: integration in the world economy using the multilateral approach such as the World Trade Organisation (WTO), or, integration within a regional trading group. In the latter case, there are however

various stages of integration ranging from a free trade area and a customs union to joining a common market or a monetary union. It is up to the state in question to decide how it wants to relate to regionalism in its geographic area. There being no universally accepted solutions nor one-way benefits, the small state, as any other state has to weigh the benefits and drawbacks of integration. Thus, while integration constrains a small state’s economic and political freedom, this must be balanced against the ‘real’ freedom it enjoys in the global economy and international system. One advantage that small states derive from regional integration does not concern only their domestic domains but also the management of their external economic and political environment. It enables them to achieve a critical mass to better deal with the challenges of globalisation and participate in global governance. In the words of Keohane and Nye, “Regionalism can be seen as a response to globalisation. Regionalisation may enable a group of states to reach a sufficient ‘critical mass’ to make more effective its regulations towards global corporations and other mobile entities. For instance, the European Union is much more able to respond to unilateral United States policy as a group, than individual countries of Europe would be able to do”¹.

In a European context, the process of European union provides the small states of Europe with a number of economic and political advantages. The EU is a stabilising factor in the European continent and its periphery. A union established to end Franco-German rivalry has locked the states of Europe in a co-operative structure that has so far prevented war from breaking out. Enlargement serves to extend this structure. The survival prospects of small states have increased as a result. Often states are born as a result of war but

European history has shown that the existence and separate identities of small states have been most threatened or obliterated in periods of war and imperialism. European unity has also provided the basis for economic wealth to be increased. All European states have benefited from this but small states appear to have been the most successful due perhaps to their greater flexibility linked to their smallness. The Union is based on the principle of solidarity and the transfer of economic aid to the poorer regions. The small, developing states of Europe particularly Malta, Slovenia and the Baltic states can shorten their economic 'catching up' time with the help of such aid, plus access to a bigger market, as happened in the case of Ireland, provided they take advantage of the opportunities presented by membership.

Increasingly the EU is consolidating itself as a factor of stability in its peripheral regions, namely the Mediterranean, South-Eastern (the Balkans) and Eastern Europe. Serious upheavals in these regions and sub-regions can upset the economic well being of all European states but particularly that of the weakest. In addition, in the case of small states such as Cyprus and Malta, Slovenia and the Baltic states, upheavals on the EU's periphery present not only an indirect but also a direct threat to them. Hence these small states have a bigger interest in strengthening the process of European union. In addition, participation in the process gives them a bigger weight in determining policies and events to their advantage than non-participation.

This article follows this pattern of analysis:

- A panoramic view of EU-Malta relations from around Malta's independence in 1964 to the present;
- The progress of and main results of the EU-Malta membership negotiations and their impact on Malta and the EU;
- A discussion of possible future scenarios

A Historic Account²

In 1962, Malta formally asked for independence from the UK. From a Maltese perspective this request was being made in quite a momentous international context. In the previous year, on August 10th 1961, the United Kingdom had applied to join the EEC. This application raised concerns about the UK's future relations with its actual and former colonies in the Commonwealth, which enjoyed special economic and political relations with it, especially trading preferences in the UK market. The main implication for Malta was that its independence from the UK could only be realistically entertained in the context of some formal link with the EEC if Britain joined. This would enable Malta to maintain its special links with the UK until such time as it could achieve and strengthen more varied links of interdependencies with other member states of the EEC. The Maltese authorities soon found out that membership of the Community was not possible in the short-term given Malta's economic backwardness. However, an association agreement was a distinct possibility.

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On July 9th 1961, the Athens Association Agreement had been signed between the EEC and Greece, providing a model for potential and similar agreements between the Community and non-member countries of the Mediterranean region. Indeed in the domestic debate on Malta's future relations with the EEC, references were made to the Athens Agreement as a possible model for Malta. However, for such an agreement to be concluded with the EEC, Malta had first to achieve formal independence from Britain. At the same time, and in the prevailing political context existing then, the Maltese political elite perceived EEC membership in a broader sense, indeed as signifying more than just

maintaining the special links with Britain. Malta's Prime Minister on arriving for a conference of Commonwealth Prime Ministers convened in London in September 1962³ expressed it quite succinctly: "We have expressed our wish that Malta joins the European Community, though we still do not have a formal application. We believe that eventually, Malta will join the Community, both in the event of the UK's membership and not. We too form part of Europe. Since Malta is still not independent, it can only apply for an Association Agreement. We are hoping to gain independence in a short while. In that way we will be able to ask for full membership. [However] Malta will not make a formal application before examining the problems which the UK will face in its own application"⁴.

At a later stage when EEC-UK membership negotiations were in full swing, the European Commission proposed an interim and *sui generis* agreement, which would apply in the event that the UK joined the Community before Malta had become independent. France's eventual blocking of the membership negotiations with the UK rendered the latter proposal superfluous.

Malta achieved its independence in 1964 and its first priority became that of consolidating its statehood, leaving relations with the EEC on the backburner for the time being. At the same time Malta strove to improve its "European credentials" by joining the Council of Europe in 1965, a step described by Malta's Prime Minister, as a "*home coming after a period of absence*"⁵. In the meantime any hopes that were entertained at the time of developing stronger economic relations with North Africa were dashed by the strong trade protectionist policies followed by the states of the region. Relations with Italy were high on the Maltese authorities' wish list. But these could not be adequately pursued until an association agreement had been concluded with the EEC. In any case, in the first three years following Malta's independence, Italy showed no signs of over-enthusiasm for developing special links with Malta, despite the long-standing historic ties between the two countries. This can be explained by the fact that in the cold-war era, Rome tended to perceive Malta as forming part of the UK's sphere of influence.

Relations with the European Free Trade Area (EFTA) were not attractive to the Maltese Government, who preferred relations with the EEC for what may be described as ideological/political reasons. In any case, the UK's application to join the Community was a clear sign that EFTA's longer-term prospects were not bright. The apparent paradox that emerges from this discussion is that the Nationalist Party which had struggled for Malta's independence was the same party which was actively seeking integrate Malta into the European Community once independence had been achieved. This can be explained by the fact that the Nationalist Party's "nationalism" was a "soft" one defined largely by the need to obtain self-government from the UK while maintaining Malta securely within the Western European fold and possibly NATO. This vision also comprised the strongest of possible relations with the UK. When discussing the Nationalist Party's attitudes towards European integration and Malta's place in that process it might be apt to recall that there is some evidence to suggest that the leading intellectuals of the Nationalist Party, founded in 1880 to achieve independence from Britain, had from that time enthusiastically espoused the 19th century ideal of a "United States of Europe".

Malta returned to its EEC agenda in 1967, when it asked for negotiations with the Community in order to conclude some form of trade agreement. This renewed interest may have also been precipitated by the economic consequences of the UK's decision to scale down its military bases in Malta, a decision which among other things implied laying off thousands of Maltese employees of the British military services. Valletta perceived freer access into the Community market as a means of strengthening the growth of the manufacturing sector which together with tourism was expected to provide alternative job opportunities. The Maltese initiative led to the conclusion of an Association Agreement with the EEC⁶, which was signed in Valletta in 1970 and which provided for the eventual attainment of a customs union with the Community at the end of its second and final stage. No reference to eventual Community membership was made in the agreement but both sides seemed to regard it as a preparatory stage to membership. A Government *white paper*⁷ in preparation for the ratification of the agreement in the House of Representatives (Parliament) roundly stated that although full membership would, for the time being, be too great a burden on Malta, integration with Europe was the ultimate objective⁸. A few weeks later, the Prime Minister, Dr George Borg Olivier, in a speech on the occasion of the signing of the agreement, referred to its objectives thus: "The agreement offers incentives and encouragement which should be of considerable assistance to us in our efforts to diversify our economy and to place it on surer foundations...The political significance of our association with the Community lies, for our part, mainly in the establishment of yet another strong link with the democracies of Europe...We are also hopeful that in the course of time it could develop into fuller participation in a united Europe"⁹. The President-in-Office of the European Council, Mr Sigismund von Braun, replied: "The Community is

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aware of the fact, that, in seeking association with it, Malta has made a choice which goes beyond the mere settlement of economic matters...The Maltese Government has in fact decided on the close participation of the country in the work of European integration...This agreement is in fact a starting point, not an achieved goal¹⁰.

The Association Agreement was expanded further by additional protocols in the mid-1970s in line with Maltese requests to this effect and also because the EC was strengthening its relations with the countries of the Mediterranean littoral in line with its newly launched Global Mediterranean Policy (GMP) of 1972. A 1977 protocol extended the first stage of the Association Agreement to the end of 1980. Few serious difficulties were encountered with the EC throughout the first stage of the agreement but this stage expired with an impasse between the two sides on the contents of the second stage. The EC wished Malta to embark on the second stage leading

to a customs union while Malta demanded a 'special relationship' that would not lead to this objective. As a result of this impasse, the legal basis of the agreement expired, but its trade provisions continued to be renewed unilaterally by the Community until agreement was eventually reached at the end of 1980s to renew the first stage for an indefinite period.

Since February 1979, just prior to the closure of the UK's military bases in Malta¹¹, the Nationalist Party had been insisting stronger than before that for political (particularly security considerations) and economic reasons it was important for Malta to join the EU. The applications to join the Community launched by Greece, Spain and Portugal provided an added incentive for Malta to apply but the Labour Government shunned the opportunity. Following a change of Government in Valletta in 1987, which saw the return of the Nationalist Party (Christian Democrat) to power, relations with the Community began to improve again. In 1990, Malta applied to join the European Union. Six years later, as a result of another change in government in Valletta, the application was suspended. Following yet another change in government in 1998, Malta changed direction again and reactivated its application. Accession negotiations started in 2000 and were completed by the end of 2002. A referendum on whether Malta should join the EU was organised on March 8th, 2003. Around 91% of eligible voters participated in this referendum of which, 53.6% voted in favour and slightly less than 46% voted against. In the run up to the referendum, the Malta Labour Party (MLP) campaigned strongly against membership and proposed as an alternative a Euro-Mediterranean Partnership agreement with the EU. Since the MLP refused to recognise the

result of the referendum and in order to remove the uncertainty created by this stance, and its obvious negative economic repercussions, an early election was called for April 12th 2003. The Nationalist Party was again returned to govern for another period of five years and Malta signed the Athens Accession Treaty on April 16th, 2003.

The Domestic Political Context

The degree of polarisation varies from one polity to another. However, Maltese politics are highly contested and adversarial as shall be argued below, and this is indicated by its high participation rates in general elections. Since independence, politics have been dominated by the Nationalist Party-Labour Party duopoly. The two parties have alternated in power as shown in the appendix. The EU membership debate fell into the familiar mould of Maltese politics. The governing Nationalist Party unequivocally supported EU membership while the Opposition Malta Labour Party (MLP) which has vacillated between a pragmatism that does not rule out membership altogether to a more doctrinaire position that considers membership as detrimental to Malta's interests opposed it. Up to the election of April 2003 the MLP campaigned for a 'partnership' with the EU based on a free trade area. However, in the aftermath of the negative electoral result it obtained, many of its key spokesmen declared that the "membership question" is no longer an issue and that the Party has now to work within the confines of this new reality. The highly contested nature of Maltese politics can be shown by the fact that in the general elections of the last three decades the turnout (valid votes/eligible voters) has never dropped below 90%¹². Each major political party owns a television and a radio station and both are deeply involved in the print media and the internet. Their potential for mobilising the electorate is therefore significant as the history of Maltese elections testifies. Attempts to extricate the EU membership debate from the partisan political setting failed because of the strong presence of the main political parties while the referendum result was always expected to be close, either way, as indeed it was¹³.

The effects of this political fissure are mostly negative, but some of its positive effects cannot be ignored. Beginning with the negative ones, the strong adversarial politics have tended to unnecessarily dissipate national energies. Small states by definition lack adequately trained human resources, if not in per capita terms certainly in the raw quantitative terms required to execute efficiently the tasks of statehood. At the same time the demands made on this resource in a small country are in some cases similar to those placed on larger ones. Thus while economic progress diverts qualified human resources away from the public to the business and economic sector, the state has still to man 'vital' institutions that 'make a state, a state' such as the police, the army, the judiciary, the national health service, the educational system, diplomatic representation overseas, the line ministries, a Central Bank, an array of new

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regulatory agencies that have been set up in response to privatisation and liberalisation and similar other organisations. The practice of 'winner takes all' that has characterised successive changes of government in Malta means that key positions in government at various levels are awarded to Party supporters. Thus at any one time a substantive segment of the country's limited and trained human resource is left under-utilised, or at worse isolated and ignored in public policy-making. Moreover, political polarisation spearheaded by politically biased media have tended to obscure issues by the dissemination of exaggerated claims and counter-claims, not least on the question of EU membership leading to public uncertainty and undue pressures

on the democratic institutions, delays and often less than optimal decisions.

On the positive side the duopoly has led to stable governments normally lasting the whole legislature. Furthermore, wafer-thin majorities, which successive governments have had to content with over the past 32 years, have made them vulnerable to shifting public moods. For this reason, in the context of EU membership the Government has been obliged to take on board when negotiating with the EU, a number of issues that in the popular images encouraged by the opponents of EU membership, were perceived to be threatening to Malta's interests, immaterial of whether or not the threats were real or imagined, likely or unlikely to materialise. Furthermore, the extreme political polarisation has led to an intense public debate on the EU and its institutions and a heightened public awareness of the main issues.

Popular images particularly those which are linked to Malta's identity were not only salient in the domestic political debate but they also exerted a strong influence on the foreign policy-making process. A case in point were the questions as to whether the Maltese language would eventually be admitted as an official EU language and the safeguards against abortion. Another question concerned the free movement of workers and the populist 'image' of the dangers of an overwhelming influx of 'foreign workers' after Malta joins the EU. Equally important were other issues such as the future of the ship repair and shipbuilding sectors, agriculture and fisheries and the removal of protective levies in trade with the EU. During the negotiations the Maltese negotiators were pressurised in no small measure into including these demands in their negotiating brief and in trying to negotiate an appropriate package that would answer to these concerns. Two general stances were taken by the negotiators to achieve their aims: they successfully used Malta's small size to justify their demands for 'special treatment' by the EU. They also argued most successfully that the 'major' (from a Maltese perspective) concessions requested were in reality 'unimportant' or insignificant for the Union. The results obtained by

Malta demonstrate clearly that small states may not be completely helpless when negotiating with a stronger party.

Another important political development that has been triggered off by the EU membership bid is that outside the Government-Opposition nexus, the level of consultation between the Government and representative bodies of the various sectors of society has increased. EU membership, which touches on all aspects of national society is no longer perceived simply as a foreign policy issue, although the Ministry of Foreign Affairs takes the lead. In an attempt to achieve a modicum of consensus the Government set up the Malta-EU Action and Steering Committee (MEUSAC) involving the so called constituted bodies (such as the Malta Federation of Industries, the Chamber of Commerce and the Employers' Association), the trade unions as well as many other organisations representing sectorial and economic interests, in all about 130 organisations representing the special interests of their members. MEUSAC debated and approved the draft negotiating position papers before these were transmitted to Cabinet for final approval. Major changes to these position papers, which were required during the negotiations, were also referred to MEUSAC for approval. Although it was placed under enormous time pressure, mainly due to the time lost when the Maltese application had been suspended, and although many of the participating organisations sometimes complained about the time constraints placed upon in discussing certain points with their members, MEUSAC managed to introduce an unprecedented element of Government consultation hitherto not achieved in Malta's political history. The Labour Party was invited to sit on the Committee as a permanent 'core' member but refused. Although there is no legal or constitutional provision to ensure MEUSAC's permanence, the government has already pledged that it would continue to convene it prior to and after Malta officially joins the EU on May 1st 2004.

Another important development attributable to the EU membership application is that Malta's economic system has also been shaken in an unprecedented manner. Compliance with the EU's *acquis communautaire* has put the environment at the top of the agenda in the public debate. But the quest for EU membership has also instigated a number of changes in many other sectors. Tackling the macro-economic fundamentals has become a priority in view of the country's bid to join European Monetary Union (EMU). The need to remove customs tariffs led to the introduction of Value Added Tax (VAT) and a wholesale reform of the antiquated tax system; privatisation, liberalisation and the introduction of rules on fair competition and standardisation have led to the establishment of semi-independent authorities to regulate various economic sectors; protectionist barriers are rapidly being dismantled and the process will be completed during 2003; agricultural reform including the adoption of phytosanitary standards has commenced; the independence of the Central Bank has been strengthened and a hard look has been taken at the question of state aid which mostly affects the shipyards and which are due to be ended by 2008

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when the yards' restructuring programme is scheduled to be completed. In the social and labour fields new rights for workers and especially health and safety norms have been introduced. What is noteworthy is that it is unlikely that most of the structural changes that have taken place over the past five years would have happened in the absence of an EU membership application and the start of the accession negotiations. In short, the EU membership process has provided Malta with a stimulus to modernisation on many fronts to a degree not previously experienced in the country's history since independence.

Security and Identity

As already stated, considered in the abstract the aims of small states in international affairs are not much different than those of larger and stronger states. Small states seek to safeguard their security, including the inviolability of the national territory against traditional military incursions and against 'softer' ones such as those posed by organised crime or environmental threats. Small states tend also to be jealous of their identities given their past histories of foreign domination, even though they may not view EU membership as constituting such a threat. Small states cannot rely on self help to maintain their security and have to borrow the strengths of others to do so, often opening themselves to the danger of falling under their hegemonic rule. They are more dependent on external trade and thus have a keener interest in maintaining their access to large markets, ultimately in safeguarding their economic security. For analytical purposes it may be useful to examine the economic and political aspects of security as two separate domains. But in actual fact they are two parts of one whole.

The EU internal market provides small states with the right market access opportunities and serves through its common commercial policy as their gateway to world markets via the plethora of preferential trading arrangements which the Union has with nearly all the countries of the world. It also gives the individually weak small states a stronger negotiating potential in multilateral economic forums such as the WTO. Since the EU is also actively trying to stabilise the adjacent turbulent regions which surround it, and many small states like Malta, Cyprus, Slovenia and the Baltic countries are peripheral states, the EU becomes an essential element of their security and survival.

Looking back at Malta's approach to its security challenges one can perceive some very clear periods. In the immediate post-independence period, 1964-71, the Maltese saw that the presence of UK military bases and NATO's southern flank headquarters were enough to deter serious military challenges particularly those that could originate from the Soviet Mediterranean fleet and

the lesser ones from neighbouring countries. From 1971 to 1987 a major policy shift towards neutrality defined in terms of non-alignment and 'third world socialism' occurs following the election to Government of the Labour Party led by Dom Mintoff. However, this new stance altered very little in the underlying Maltese perception about the nature of the threats faced. What really changed was the prescribed method of tackling them. After 1971, relations with the EU continued to be perceived as the key to Malta's economic growth prospects particularly following the eventual closure of the UK military bases in 1979. The Association Agreement was to serve both as a means to prepare Malta for this 'great appointment with its historic destiny' and to sustain it afterwards¹⁴. However, Malta's formal assumption of a neutral status following the closure of the UK military bases and its very ambivalent foreign policy following this, often perceived at the time to be drifting towards the Communist Bloc countries ostensibly with the excuse of 'maintaining a stronger balance' between East and West, led to the Nationalist Party asserting EU membership with a stronger intensity than before, as a means of safeguarding Malta's democracy and its market economy, ultimately its "Western" orientation¹⁵. Between 1971 and 1987 Malta's "European identity" was perceived by some to be endangered by this foreign policy tilt.

Following the 1987 election and the return of the Nationalist Party to Government, Malta's EU membership ambitions were re-activated, but not without difficulties. Malta's neutral status was perceived to be problematic on the EU side, which was already aiming towards political union, and this despite the fact that the Union already had a neutral member state, namely Ireland¹⁶. Positively for Malta, this obstacle was overcome thanks to the unexpected and dramatic changes that took place in Europe following the fall of communism and the end of the cold war. These developments also led to reassessment of the concept of neutrality itself and cleared the way for the entry of three more neutral states in the EU namely Austria, Finland and Sweden in 1995. On the basis of the Maastricht Treaty no serious obstacles seemed to be posed by these states' neutrality and the pursuit of the Common Foreign and Security Policy (CFSP).

In the 1990s, the nature of the security threats facing many European states changed. The probability of military confrontation existed mostly in the Balkans and perhaps in the unsettled border and ethnic questions in the former Soviet states and Cyprus. Meanwhile in the Mediterranean region, the other area of concern to Malta's security, the situation appeared to be progressing towards more stability despite the fact that the traditional crisis points were still active or semi-dormant. A number of developments gave cause for optimism: the Oslo-Madrid Middle East Peace Process (1991), the Five+Five Dialogue in the Western Mediterranean, the Mediterranean Forum and most of all the launching of the Euro-Mediterranean Partnership in 1995 all pointed to the fact that things were improving even in this turbulent region. In 1994, NATO also launched its Mediterranean Dialogue¹⁷. The chances of a direct north-south

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military confrontation in the Mediterranean region, absent since the Suez intervention of 1956 was rendered much less probable by the developments just summarised. From Malta's "small state" angle, the main challenge to the overall stability of the region apart from the traditional ones that had dogged it for many decades came from illegal immigration, organised crime and illicit drug, arms and human trafficking and the destabilising effects of a collapse of the political order in one or more of the key southern littoral states under the impact of the Islamic Fundamentalist challenge. More items could be added to this demoralising list following the events of 11th September, mainly the threat of terrorism and the proliferation of weapons of mass destruction.

A rational appraisal of Malta's regional and international context shows that its most efficient policy response to it can be achieved through EU membership. EU membership gives Malta the possibility of participating in the decision-making institutions of the EU from where the policies towards the Mediterranean region originate. This not only helps Malta gain more influence to shape developments but it also increases its influence with its southern Mediterranean neighbours, given that it would be one of the countries to whom the Arab World will attribute due importance by virtue of its membership of the Union. As a former non-aligned and still a neutral, small country, Malta is excellently placed to play the role of honest broker in the north-south politics of the region. By contrast, outside the EU, Malta will be the smallest of 28 states with no direct influence in any of the capitals of the Union let alone in the southern Mediterranean countries. In

addition, the southern littoral states have recently shown signs of increased unity considering the efforts to revive the Greater Arab Maghreb Union and the Agadir Initiative that seeks to create an Arab free trade area¹⁸. These developments in the economic and trade fields can lead to increased political unity among the Arab countries, already loosely coalesced within the Arab League. Somewhat paradoxically, while these positive developments help to stabilise the Mediterranean region if pursued in the longer-term, they would diminish Malta's influence and role in the region had it decided not to join the EU.

A discussion of Malta's security must by necessity focus also on its neutrality. Malta's neutrality is defined in its Constitution, which states that "Malta is a neutral state actively pursuing peace, security and social progress among all nations by adhering to a policy of non-alignment and refusing to participate in any military alliance"¹⁹. The Constitution also states that this status implies that no foreign military base is allowed in Malta, that no military facilities are allowed to be used by foreign forces except in the exercise of self-defence in the eventuality that Malta is attacked or whenever there exists a threat to its sovereignty, independence and neutrality; no military personnel are allowed on Maltese territory except when performing civil works, although a "reasonable number of military technical personnel" assisting in Malta's defence are permissible; the shipyards are to be used for commercial purposes but military vessels put in a state of non-combat can also be repaired, with the sole exception of those of the "two superpowers". The interpretation of the Constitution is that it allows Malta to adopt an activist foreign policy and to participate in actions under the so called Petersberg Tasks as defined in the EU treaties in so far that this does not entail breaking the other conditions stipulated by the Constitution as outlined here. On the other hand another interpretation of neutrality often aired in Malta, leans more towards the traditional concept of no participation whatsoever in activities of a military nature. That part of the constitution calling for the denial of the shipyards to the military vessels of the two superpowers has been challenged by allowing the yards to carry-out repairs on USA military vessels. The argument employed by the Maltese authorities to justify this is that the constitution is obsolete in this respect because it refers to a situation existing during the cold war, which is no longer the case. The financial situation of the shipyards meanwhile makes the refusal of such contracts difficult to acquiesce to. Given these considerations, Malta's EU accession negotiations on the Common Foreign and Security Policy did not prove to be very problematic.

Membership Negotiations

What follows here is a short review of the most salient points of the membership negotiations with the European Union. Beginning with the question of neutrality, the issue was dealt with under the Chapter covering External Relations and the CFSP. Negotiations were successfully concluded without requiring Malta to change its neutral status. A declaration on Malta's neutrality was attached to the accession treaty. What helped in this case is that participation in EU defence related matters remains voluntary, although there should not be any points of divergence between Malta's neutrality and EU action under the Petersberg Tasks.

Two other important issues dealt with in the negotiations, namely the status of the Maltese language and laws permitting abortion concern the Maltese

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people's cultural and religious identity. These two issues evoked a lot of popular interest in Malta even though they may be considered to be of lesser importance by outsiders. The two issues were also manipulated by the opponents of EU membership. During the negotiations, the Maltese language was accepted as an official EU language²⁰. On the second issue, abortion, there are no laws permitting abortion in predominantly Roman Catholic Malta. The main public concern was that once it joined the EU, Malta would be forced to introduce laws permitting abortion. A protocol was secured by the Maltese negotiators, similar to a protocol secured by Ireland and attached to the Maastricht Treaty stating that nothing in the treaties "shall affect the application in the territory of Malta of national legislation relating to abortion."

Another category of concessions secured by Malta related to its small and limited territorial size. One of them regarding the acquisition of residential property by non-Maltese citizens, the other concerned the free movement of labour. Malta has been allowed to retain on a permanent basis notwithstanding the EU treaties, the legislation in place on the date of accession regarding the acquisition of secondary residencies by foreigners. The Maltese negotiators successfully argued on the basis of Malta's restricted territorial size (316 square kms) and its high population density, which at 1,911 persons per square km is the second highest in the world, that it should be allowed to retain restrictions on the purchase of property in Malta by foreigners, including EU citizens, on a non-discriminatory basis.

Thus upon membership, EU citizens resident in any member state are allowed to own a secondary home in Malta only after prior authorisation, provided they satisfy certain conditions as currently applied by Malta (threshold price of the property etc) and they are not entitled to own more than one property. In order to own property freely, including property required in connection with a business activity, EU citizens are required to have resided permanently in Malta for a period of five years. These restrictions were needed to prevent a burst of property speculation by foreigners, given that the building area in Malta is so restricted which would lead to property price inflation and its consequent social costs. As Commissioner Verheugen was quoted to have said on December 12th, 2001, "it cannot be in the interest of the EU that an ordinary Maltese family could find difficulty buying property in its own country"²¹. This arrangement is being safeguarded by a protocol attached to the Accession Treaty.

With respect to the free movement of persons, Maltese citizens shall enjoy

complete free movement in the rest of the EU upon accession. But Malta has secured a seven-year transitional arrangement in which it may apply safeguards on the right of EU citizens to seek employment in Malta. After this period, Malta can seek a remedy together with the EU. Again in this case the arguments used by Malta were based on the restricted and small labour market and that a hypothetical influx of a few hundreds of EU citizens could lead to problems for Maltese citizens seeking employment.

In the economic sector, the most salient acquisition for Malta has been on Value Added tax (VAT). Until January 1st 2010, food and medicines will not be liable to VAT. But this arrangement is valid only if until that date no other EU member state would still enjoy an exemption. International passenger transport, inland transport and transport between the islands of Malta and Gozo will be exempt from VAT as will new buildings and building land and water supplied by public authorities.

On the island of Gozo, a Declaration by Malta is attached to the Treaty noting the economic and social specificities and drawbacks of the island and proposes measures to overcome them.

In fisheries, Malta secured a 25 nautical mile conservation zone in order to control fishing and help preserve the small Maltese fishing industry. Similarly on Maltese agriculture the Maltese argued on the basis of the limited arable land available, highly which is fragmented and parcelled into many small sized holdings that make meaningful economies of scale impossible. Besides, the sector suffers from many natural drawbacks such as shallow soil and lack of water. Furthermore, the agricultural sector is important for the preservation of what remains of Malta's rural environment, with obvious positive ramifications for the tourist industry.

Malta's approach in the negotiations was based on the notion that its small size qualifies it for 'special treatment' in the application of key parts of the *acquis communautaire*. In other words what many perceive to be a serious handicap is being employed successfully to plead a 'special case'.

Conclusions

It was impossible to cover in this article to the required depth, the many issues concerning Malta's relations with the European Union, their effects on Maltese society, politics and economy. What has been shown here are just the most salient points of this relationship. Some general conclusions can however be drawn. The most obvious one is that even in the pre-membership scenario, the EU has proven to be useful in helping Malta achieve its main ambitions post-independence: namely, it has helped her consolidate her security, diversify its markets and achieve a sound measure of good governance which has in turn strengthened Malta's statehood and independence. The run up to EU membership since 1990 has instigated deep economic, political and social changes, unprecedented in its history. It is

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hoped that membership will present the right environment in which these trends can be further consolidated.

Malta pays and will continue to pay some price for these adjustments but the returns are also quite significant. The issues that the Maltese people perceive to be salient to their identity and values – namely the Maltese language, neutrality and religious fundamentals such as the stance against abortion are not in any way jeopardised by EU membership. The threat that Malta would be negatively affected with a possible loss of identity as a result of the free movement of persons and an unrestricted property market has also been allayed.

Still on the positive side, Malta now forms an integral part of a community of democratic states, which will underwrite its security and strengthen it when facing its vulnerabilities. It does not stand alone when facing the many soft security threats emanating from the Mediterranean region nor when it confronts the more serious ones, such as terrorism and the proliferation of weapons of mass destruction. Through its participation in the EU decision-making institutions it is more capable of influencing the development of the EU's external policies particularly those seeking to stabilise the Mediterranean region, which is where Malta has to survive, grow and prosper. None of these tasks could be performed by Malta standing alone. By staying out of the EU, Malta would have become more insignificant, in Europe and in the Mediterranean region.

Last but not least the effect of Maltese domestic politics on Malta's foreign policy process need also to be properly understood. Maltese society is politically mobilised, and highly so. This has its advantages and disadvantages as discussed above. However, below this upper layer of adversarial politics and contestation lies an underlying pattern of recurrent behaviour, which often leads to consensus albeit of a noisy kind. Following the March referendum and the April 2003 General Election Maltese society and politics are finally settling into the newly found consensus and equilibrium defined by support for EU membership. Slightly more than half of the population is content that membership was the rational way forward; slightly less than half thinks that this is the reality that they must accept. Between both of them the absolute majority of Maltese citizens agree that what matters from here onwards is EU membership.

Appendix

Malta National Elections, and Referenda - Turnout and Majorities since Independence

National Election Year	Party Votes			Turnout Valid Votes as % of Registered Voters	Number of Parliamentary Seats		
	Nationalist Party		Malta Labour Party		Nationalist Party	Malta Labour Party	Others
	% of First Preference Votes cast						
1966	47.9		43.1	89.71	28	22	nil
1971	48		50.8	92.4	27	28	nil
1976	48.43		51.54	94.3	31	34	nil
1981	50.92		49.07	95	31	34	nil
1987	50.91		48.87	95.48	35	34	nil
1992	51.78		47.69	95.3	34	31	nil
1996	47.8		50.72	95.02	34	35	nil
1998	51.81		46.97	94.01	35	30	nil
2003	51.79		47.51	95.95	35	30	nil

REFERENDA IN MALTA							
	Registered Voters	Votes Cast	Votes Cast as % of Registered Voters	No	yes	invalid	
				(% indicated as of votes cast)			
1956 Integration with the UK	152,823	90,343	59.12	20,177	67,607	2,559	
				22.33%	74.83%	2.83%	
1964 Independence Constitution	156,886	129,649	82.6	54,919	65,714	9,106	
				42.35%	50.68%	7.02%	
2003 EU membership	297,881	270,650	90.85	123,628	143,094	3,928	
				45.67%	52.87%	1.45%	

Brief Explanatory Note

As can be seen from the first diagram, since 1966 Maltese politics have been dominated by the Nationalist Party – Malta Labour Party ‘duopoly’ which have alternated in power. Election results have always been close with just a few thousand votes normally separating the two parties and a difference in parliamentary seats ranging between 1-5. What is also interesting is the fact that turnout is always quite high, the highest in the world in fact. This shows that the Maltese electorate is a highly mobilised one. The high turnout and electoral mobilisation can also be explained by the acute polarisation in the country.

The referendum for EU membership was called for March 8th 2003. About 91% of registered voters cast their votes of which 52.87% voted yes and 45.67% voted no. The MLP refused to acknowledge the validity of the referendum claiming that the issue of EU membership must be decided by a general election. A general election was called for April 12th and the Nationalist Party gained an overall majority of 51.79% of the valid votes cast which translated into 35 parliamentary seats to Labour’s 30. The Nationalist Party has now a mandate to govern until the end of 2008.

Notes

1. R. Keohane - J. Nye (eds.), *Power and Interdependence*, third edition, London: Longman, 2001, p. 260.
2. For a more detailed analysis of the issues discussed in this section, see R. Pace, *Microstate Security in the Global System: EU-Malta Relations*, Malta: Midsea Books, 2001
3. For a brief account of the problems outlined during this conference see F. Nicholson - R. East, *From the Six to the Twelve: The Enlargement of The European Communities*, Keesing's International Studies, London : Longman, 1987, p.p 5 - 11.
4. Quoted in "Ir-Review", Department of Information, Malta, September 1962.
5. Statement made by the Prime Minister, Dr George Borg Olivier, to the Consultative Assembly of the Council of Europe, May 4th, 1965, Department of Information, Malta.
6. Agreement Establishing an Association between the European Economic Community and Malta, *Collection of Agreements Concluded by the European Communities*, Volume 1, 1977, p. 435 ff.
7. "Proposed Association of Malta with the European Economic Community", Presented to the House of Representatives by the Minister of Commonwealth and Foreign Affairs, October 19, 1970.
8. *Ibid.*, point 11, page 2
9. *Ibid.*, page 5.
10. *Malta Today*, V, No 12, December 1970, Department of Information, Malta, page 4.
11. The military bases closed down on March 31st, 1979.
12. In the 1962 election the turnout (for this purpose defined as the valid votes cast as a percentage of eligible or registered voters) was 90.77% while in the last election held, that of 2003, the turnout was 95.95%. The highest turnout was registered in the 1987 election. As Wolfgang Hirczy points out, "The Maltese clearly set an international record in electoral participation." W. Hirczy, "Explaining Near-Universal Turnout: The Case of Malta", *European Journal of Political Research*, Vol. 27, No. 2, 1995, pp. 255-272.
13. A survey carried out by *The Malta Independent on Sunday* (9th June 2002) showed that 51.3% would vote in favour of membership in a referendum, 29.3% would vote against and 19% would abstain.
14. See *Development Plan for Malta: 1973-1980*, Office of the Prime Minister, October 1974, page 49, "One of the primary objectives of the plan is to increase Malta's productive activity to an extent which would make it possible for Malta to dispense after 1979 with the economic returns accruing from defence arrangements negotiated with foreign powers."; The growth in competitiveness and productivity of the Maltese economy was seen to happen in an EEC context (See pp 67 onwards). See also *Supplement to the Development Plan* pp. 74 -78 and *Development Plan 1981-85*, pp. 72-75.
15. Motion approved by the National Executive of the Nationalist Party on February 16th, 1979.
16. Commission Opinion on Malta's Application for EU Membership, *Bulletin of the European Communities*, Supplement No 4, Brussels, 1993; Also, Report Drawn on Behalf of the Political Affairs Committee on *Malta and its Relations with the European Community*, Document A2-0128/88 of June 29th, 1988, Rapporteur Derek Prag approved by the European Parliament on September 15th, 1988.
17. Initially open to Egypt, Israel, Mauritania, Morocco and Tunisia it was extended to Jordan in 1995 and Algeria in 2000.
18. The 'Agadir Initiative' to create a free trade area is supported by the EU. It started in May 2001 and involves Morocco, Egypt, Tunisia and Jordan and is open to all Arab countries members of the Arab League.
19. Constitution of Malta, Chapter 1, Article 1.
20. The Maltese language is a unique old language, spoken and written by nearly all the Maltese people, is derived from Arabic with a few imports from European languages.
21. Quoted in a report on the web-site of the Malta-EU Information Centre, http://www.mic.org.mt/Malta-EU/results/fmoc_negs.htm