

WORLD TRADE ORGANIZATION

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ASSOCIATION AGREEMENT BETWEEN THE EUROPEAN COMMUNITY AND MALTA

Biennial Report on the Operation of the Agreement

Communication from the Parties

The report below presents the information received from the Permanent Delegation of the European Commission, dated 21 March 2000. It is organized in accordance with the standard format (WT/REG/W/6).

I. BACKGROUND INFORMATION ON THE AGREEMENT

1. Membership and dates of signature, ratification and entry into force

Relations between Malta and the European Union are governed by the Agreement establishing an Association between the European Economic Community (EEC) and Malta, which entered into force on 1 April 1971.

2. Type of agreement

The Association Agreement provides for the creation of a customs union in two five-year stages, involving the total elimination of barriers to trade between the two parties and the adoption of the common customs tariff, by Malta.

The first stage has been extended on a regular basis since 1977, first by agreement between the European Community (EC) and Malta and, since December 1991, automatically on an annual basis without notification. As the first stage has not been completed, the second has not been initiated. Consequently, the Agreement has not yet had the intended effect of opening up the Maltese economy to European competition and aligning the country's legislation, practices and level of competitiveness with those of the Community.

4. Trade data

Imports into the EU from Malta amounted to €763 million in 1998, while exports to Malta totalled €2 billion. Three quarters of Malta's foreign trade is conducted with the EU.

The relevant statistics on the development of foreign trade are provided in annex.

II. TRADE PROVISIONS

- 1. Import restrictions, and**
- 2. Export restrictions**

The Association Agreement provides for the dismantling of tariffs by the two parties during the first stage (free-trade area).

Industrial products originating in Malta may be imported into the Community without quantitative restrictions or measures having an equivalent effect and with exemption from customs duties or charges having an equivalent effect. The reverse is not generally true. Indeed, in 1989 Malta introduced import taxes, theoretically as a temporary measure, following the dismantling of its import licensing regime. The Maltese authorities decided on the progressive abolition of import taxes over the period October 1999 to January 2003.

The transitional measures provided for in the additional protocols signed in 1987 following the accession of Spain and Portugal to the European Communities and relating to imports into those two countries of industrial and agricultural products from Malta have now expired.

- 3. Rules of origin**
- 4. Standards**
- 5. Safeguards**
- 6. Anti-dumping and countervailing measures, and**
- 7. Subsidies and State aid**

The Association Agreement does not contain provisions relating to standards or State aid. With regard to trade defence instruments and rules of origin, the provisions of the Agreement remain unchanged.

8. Sector-specific provisions

Annex I, Article 2 of the Association Agreement provides for tariff quotas in respect of certain products (category 6) in the textiles sector. Complete trade liberalization in this sector is foreseen in the framework of the EU's Mediterranean policy.

The provisions of the Agreement concerning agriculture remain unchanged.

III. GENERAL PROVISIONS OF THE AGREEMENT**5. Institutional framework**

The institutions established by the Association Agreement, including the Association Council, are functioning smoothly; the most recent meeting took place in April 1998.

IV. OTHER

Financial aspects

Malta has benefited from a total contribution of €93.5 million (including EIB loans and venture capital) under three successive financial protocols, spread over the years 1978 to 1993. All these funds have been committed. A fourth financial protocol worth €45 million came into force on 1 January 1996. It consists of €30 million in EIB loans, €13 million in grants and €2 million in venture capital.

The fourth financial protocol expired on 31 October 1998. At the request of the Maltese authorities, the Council agreed to extend the commitment period of the protocol until 31 December 1999.

Pre-accession

In July 1990, Malta filed an application with the Council for Community membership.

The Commission's Opinion, submitted to the Council in June 1993, stated that "the adoption of the *acquis communautaire*, especially on trade, economic, financial and competition issues depends on a thoroughgoing overhaul of the Maltese economy's regulatory and operational systems". The Opinion also stated that "the problems posed by such an overhaul are far from insurmountable, but ... the government's undertaking to adopt the *acquis communautaire* in its entirety must be backed up by the adoption of an overall structural reform programme. Once these priority reforms are implemented and the global reform programme has been adopted, accession negotiations could get under way".

This position was confirmed in the updated version of the Commission's Opinion on Malta's application for membership, adopted in February 1999.

Services and intellectual property

These aspects are not covered by the Association Agreement. No specific agreement has since been signed in these areas.

ANNEX¹

EU Imports from the World and Malta 1980-1988 (Millions of ECU)

SITC:	0	1	2	3	4	5	6	7	8	9	TOTAL
1980 (EU 9)											
World	23,908	1,929	27,501	85,384	1,579	11,374	37,648	37,853	22,176	20,502	269,853
Malta	3	7	5	5	0	1	39	20	159	14	252
1984 (EU 10)											
World	33,643	2,810	36,139	107,594	2,803	19,968	48,969	71,432	34,537	24,205	382,100
Malta	3	0	5	7	0	3	46	61	183	28	338
1988 (EU 12)											
World	32,221	2,152	35,752	47,393	1,499	25,067	59,078	106,689	49,968	27,937	387,757
Malta	5	1	5	0	0	5	44	131	172	27	390
1992 (EU 12)											
World	34,580	3,215	32,218	65,183	1,748	33,888	69,355	146,277	76,771	23,900	487,135
Malta	7	0	2	5	0	13	51	549	200	27	855
1996 (EU 15)											
World	41,305	3,599	34,829	75,910	2,423	44,328	75,479	189,056	93,962	20,131	581,065
Malta	6	1	8	55	0	18	48	356	273	32	797
1997 (EU 15)											
World	44,248	4,072	40,131	85,155	2,554	51,485	87,685	229,346	108,779	17,690	672,413
Malta	8	1	4	2	0	10	56	317	279	6	701
1998 (EU 15)											
World	45,198	4,458	39,370	64,843	2,891	55,290	94,672	264,153	116,092	22,676	709,643
Malta	8	1	4	10	0	10	55	350	298	10	763

¹ Source for all tables: Eurostat (COMEXT).

Table 2 - EU Exports to the World and Malta 1980-1988
 (Millions of ECU)

SITC:	0	1	2	3	4	5	6	7	8	9	TOTAL
1980 (EU 9)											
World	13,662	3,422	4,327	10,071	717	23,228	46,455	84,154	21,333	13,716	221,084
Malta	53	13	4	63	2	36	152	88	43	29	483
1984 (EU 10)											
World	21,120	5,784	7,319	18,087	1,343	38,465	65,412	129,088	39,835	24,806	351,259
Malta	54	16	6	120	3	45	186	157	67	41	695
1988 (EU 12)											
World	19,588	6,205	7,602	8,232	1,158	44,449	65,673	141,249	48,507	20,256	362,917
Malta	71	17	8	37	3	66	202	312	88	40	843
1992 (EU 12)											
World	24,887	8,778	8,068	10,552	1,491	54,200	71,091	180,838	59,247	16,939	436,091
Malta	111	17	10	85	4	97	234	809	154	36	1,556
1996 (EU 15)											
World	30,646	10,339	11,414	15,431	1,998	79,144	102,957	283,081	79,287	12,695	627,011
Malta	125	18	16	310	5	118	234	818	195	25	1,870
1997 (EU 15)											
World	33,504	12,374	13,084	17,109	2,575	93,046	114,927	331,113	88,686	13,717	721,109
Malta	150	26	18	273	5	134	250	894	213	11	1,999
1998 (EU 15)											
World	31,772	12,005	11,554	13,833	2,831	95,885	112,815	343,435	89,424	16,869	730,423
Malta	145	24	17	213	6	130	256	932	206	28	1,970

Table 3 - EU Trade with Malta by HS Section
(Millions of ECU)

EXPORTS					
SECTION	1988	1992	1996	1997	1998
TOTAL	843	1,556	1,870	1,999	1,970
I	19	42	37	41	37
II	23	22	28	34	29
III	3	5	6	6	7
IV	48	68	87	112	111
V	41	90	321	285	228
VI	47	69	87	102	105
VII	36	52	62	68	70
VIII	15	18	20	20	20
IX	7	9	11	11	12
X	23	34	51	51	52
XI	102	-103	110	122	120
XII	5	9	13	13	13
XIII	19	31	29	31	32
XIV	5	36	28	31	41
XV	62	74	68	71	75
XVI	249	651	646	667	707
XVII	64	162	176	234	228
XVIII	20	30	30	39	33
XIX	1	1	2	1	1
XX	14	21	30	31	28
XXI	17	7	7	5	7

IMPORTS					
SECTION	1988	1992	1996	1997	1998
TOTAL	390	855	797	701	763
I	0	4	3	4	4
II	5	2	7	3	3
III	0	0	0*		0
IV	2	2	1	1	1
V	0	5	55	2	10
VI	5	17	16	10	9
VII	18	21	34	39	33
VIII	4	6	10	9	8
IX	0	1	0	0	0
X	4	3	21	18	27
XI	127	128	149	148	155
XII	16	20	26	25	28
XIII	1	0	1	1	3
XIV	2	1	2	1	2
XV	20	18	12	17	16
XVI	103	537	328	273	285
XVII	28	12	28	44	65
XVIII	13	26	39	38	43
XIX	*	*	0	0	*
XX	16	24	33	43	43
XXI	4	4	6	6	9

Table 4- EU Trade with the World by HS Section
 (Millions of ECU)

EXPORTS					
SECTION	1988	1992	1996	1997	1998
TOTAL	362,917	436,091	627,011	721,109	730,423
I	7,060	8,001	9,980	10,897	10,062
II	6,372	8,511	8,819	9,757	9,145
III	1,341	1,673	2,286	2,977	3,156
IV	13,817	19,194	24,510	27,744	27,279
V	9,723	12,152	17,487	19,630	16,711
VI	37,393	46,951	68,968	81,772	85,215
VII	15,521	16,914	23,128	27,148	27,504
VIII	4,119	4,084	7,159	7,375	6,435
IX	1,771	2,035	4,045	4,927	5,182
X	7,937	10,271	18,033	19,764	19,803
XI	20,244	25,208	31,611	34,724	35,221
XII	3,440	4,526	5,922	6,313	6,043
XIII	7,153	8,120	11,257	12,916	12,894
XIV	13,026	12,425	16,992	19,285	17,990
XV	30,826	30,864	42,214	46,944	45,623
XVI	93,666	120,842	193,730	226,482	234,539
XVII	46,674	59,351	89,086	104,705	110,049
XVIII	14,107	17,067	23,982	28,129	29,109
XIX	402	388	1,097	1,326	1,656
XX	7,819	9,378	13,350	15,177	15,242
XXI	8,204	5,727	13,354	13,115	11,565

IMPORTS					
SECTION	1988	1992	1996	1997	1998
TOTAL	387,757	487,135	581,065	672,413	709,643
I	8,349	10,300	10,897	12,227	13,296
II	17,555	17,353	23,130	25,437	24,992
III	1,542	1,781	2,250	2,390	2,693
IV	13,638	15,595	18,511	19,019	19,518
V	55,920	73,081	84,793	95,737	75,508
VI	22,179	29,303	39,774	46,234	49,432
VII	10,125	13,862	17,132	19,323	21,043
VIII	6,121	5,701	7,590	8,498	8,224
IX	9,615	10,926	9,118	10,973	11,434
X	17,605	19,227	11,110	11,996	12,571
XI	28,639	39,478	47,467	55,248	57,903
XII	3,325	5,451	7,029	8,308	8,274
XIII	2,593	3,883	4,386	5,090	5,648
XIV	17,526	15,037	21,620	23,890	26,981
XV	26,101	29,345	33,661	40,312	44,472
XVI	81,389	106,397	146,298	173,122	195,378
XVII	25,240	40,386	42,797	56,275	68,476
XVIII	14,869	19,652	24,343	27,814	29,926
XIX	118	194	466	603	510
XX	6,655	12,072	14,394	17,529	19,046
XXI	5,733	5,511	14,298	12,387	14,318