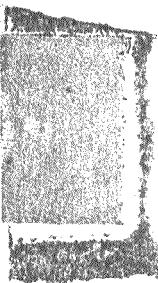


ECONOMIC AND SOCIAL STUDIES

BOISSEVAIN
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Volume 3

1974

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General Editor: Salvino Busuttil

*Published by: The Departments of Economics and
of Applied Economics,
Royal University of Malta.*

MALTA UNIVERSITY PRESS

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EDITORIAL

With this issue *Economic and Social Studies* enters into its third year. It includes some papers relating to Malta followed by other of a more general nature.

There are two contributors dealing with sociological articles concerned with Malta-oriented economic matters. We have also included in this number a discussion on marketing in a developing economy and observations on the Mediterranean policy of the E.E.C.

It is hoped that this 'melange' finds a sympathetic readership. In the coming issues, this Journal hopes to accentuate its Mediterranean flavour while considering contributions from further afield.

SALVINO BUSUTTIL
Professor of Economics

August 1974

PROPORTIONAL REPRESENTATION AND DEVELOPMENT: SOME CRITICAL THOUGHTS¹

by JEREMY BOISSEVAIN

THE issue of a majority electoral system versus proportional representation has been debated for years.² It rears its head after every British election, and it is increasingly discussed in Malta. But the effects of electoral systems on local government have all but been ignored, as have the respective merits of the systems in underdeveloped areas.

The partisans of proportional representation (P.R.) maintain that it is more democratic because it allows all significant segments of public opinion to be represented in proportion to the popular vote they receive. They hold that this results in a continuum of opinion in parliament, and that therefore the divisions in the society will be less pronounced and bitter. This results in a greater degree of co-operation, an important factor if no single party is in a commanding position. Finally, because the system provides for a large choice of candidates who advocate diverse points of view, there is less need to form new parties in order to promote particu-

¹ Earlier drafts of this paper were read to a seminar at the University of Sussex, and discussed at the Mediterranean Social Sciences Research Council conference on local and regional factors influencing national development, held in Malta, December 13-16, 1965 and subsequently published in the *Journal of Development Studies* (Boissevain 1971). The Sicilian field work in 1962/63 upon which much of argument is based was greatly assisted by the generosity of the Centro Regionale per lo Sviluppo di Comunità through the good offices of Rev. S. Duynstee, the Penrose fund of the American Philosophical Society and the Co-operative for American Relief to Everywhere (C.A.R.E., Inc.). A return trip to Sicily during the summer of 1965 was made possible by a Faculty Research grant from the Social Science Research Council. Mart Bax further stimulated my thinking on the argument and suggested additional literature.

² An abundant literature exists on the subject in so far as it relates to government at the national level (Lakeman, 1955, pp. 296-8; MacKenzie, 1958, pp. 177-80).

lar views. They also indicate that the system is universally applicable; that because it is more democratic, it is better (Lakeman, 1955, pp. 198ff., 231-3).³ They do not accept the criticism of their opponents that it leads to the multiplication of factions and parties which in turn result in unstable and ineffective government. Lakeman and Lambert, for example, after examining its effects on the governments of 13 countries, conclude categorically that proportional representation does not lead to an in-ordinate multiplicity of parties or to unstable government. They claim that in no country previously free from them have these disadvantages developed through changing to a proportional system (Lakeman, 1955, p. 198).⁴

What I propose to do now is to examine the consequences that the introduction of proportional representation in 1960 have had upon local government in Sicily, which until then had been directed by town councils elected according to a majority system. Since I shall be examining the conclusions of Lakeman and Lambert, it will be useful to keep in mind the four purposes which they suggest are the *raison d'être* for the establishment of elections: '(i) A parliament reflecting the main trends of opinion within the electorate. (ii) Government according to the wishes of the majority of the electorate. (iii) The election of representatives whose personal qualities best fit them for the function of government. (iv) Strong and stable government' (Lakeman, 1955, p. 24).

MUNICIPAL GOVERNMENT

Leone, a pseudonym for the Sicilian town in which I carried out

³ The position of those who advocate proportional representation has been forcefully expressed by Professor J.F.S. Ross:

It seems probable that, if they once really grasped the nature of the issue, most democratically minded people would become convinced upholders of the representative principle and would, moreover, be unable to see in it anything incompatible with good and efficient government (Ross, 1955, p. 10).

⁴ Cf. Duverger (1963, pp. 245-55), however, who points out that P.R. favours multi-partism and particularly the emergence of small parties. Moreover, 'in the few local elections in which proportional representation has from time to time been tried it shattered the two-party system' (Duverger, 1963, pp. 218-70).

field work in 1962/63, is an agro-town of 20,000. Civil authority is exercised by the mayor, the magistrate and the *carabinieri*. The mayor is one of the 32 councillors who make up the Leone town council, which is elected every five years (before 1964 it was every four years) by universal adult suffrage. They in turn choose from among themselves the mayor and the five *assessori* who assist him and with him form the executive *giunta*. The junta makes all decisions regarding local affairs. The full town council meets only a few times a year, to discuss matters of major policy.

All employees of the Town Hall are appointed by the junta with the approval of the provincial authorities. The only exception is the municipal secretary, an outside administrative officer posted to the town by the National Ministry of the Interior. But the assistant-secretary, a Leonese, has in fact been the acting secretary for years, since the municipality has not found a qualified person willing to serve there, as the town has a reputation of being a trying place in which to work. All the other men who work in the Town Hall are Leonesi.

The post-war political history of Leone may be divided in two: the period of Socialist control which lasted until 1958, and the unstable administration following that. From the end of the war until 1958 Leone was governed by a 'red' junta composed of the Socialists (P.S.I.) supported by the Communists (P.C.I.). It was opposed by a bloc formed of the Christian Democrats (D.C.) and the minor parties such as the Fascists (M.S.I.). Until 1960 each bloc contested the elections with a unified list of candidates. In spite of its very slender electoral majority the Socialist-Communist bloc maintained a clear majority in the town council, where it held 24 out of the 32 seats. The results of the post-war elections for the town council are given below in Tables I and II⁵

⁵ Further details about Leone and the National and regional elections in town may be found in Boissevain (1966b).

Table I
LEONE TOWN COUNCIL ELECTION RESULTS
(PERCENT OF VALID VOTES)

	DC-	PCI-	DC	PCI	PSI	MSI	PSDI	USCS	PRI	PSIUP	MISC.	TOTAL
	MSI	PSI										
1946	42	58										100
1953	46	54										100
1956	49.7	50.3										100
1960			31	30	20	8	1	9	-	-	1	100
1964			31	25	21	8	7	-	3	3	2	100

Table II
LEONE MUNICIPAL COUNCILLORS

	DC-	PCI-	DC	PCI	PSI	MSI	PSDI	USCS	PRI	PSIUP	MISC.	TOTAL	%
	MSI	PSI											
1946	8	24											32
1953	8	24											32
1956	8	24											32
1960			10	10	7	2	-	3	-	-	-		32
1964			11	9	7	2	2	-	1	-	-		32

The P.S.I. - P.C.I. bloc held its stable majority in the town council thanks to the electoral system then in effect. This was a majority list system with provision for cross-voting for which the whole town formed a single constituency. To ensure that the winning list had a strong working majority in the town council its strength was multiplied: the majority list regardless of the size of its winning margin automatically received three-quarters of the seats on the council (24 out of 32). The remainder were given to the candidates with the most preferential votes on the rival (or next most successful) list.

In short, this simple majority system which multiplied the strength of the majority list (50.1 per cent of the votes would win

75 per cent of the seats) insured administrative stability (in theory and usually in practice) until the next election, for to bring the junta down required at least 9 councillors to pass to the opposition, an unlikely occurrence. The constant pressure by the opposition to get councillors to defect, and so to bring down the junta, a manoeuvre which became common following 1960, was minimized by the assured large majority of the coalition forming the administration.

The Socialist control over the junta ended in 1958 following a long and better law suit which arose out of the 1956 municipal elections. This election was extremely close. The difference between the two coalitions was a matter of only 53 votes (4,587 to 4,534). Trouble arose when one of the supervising officials 'forgot' to countersign the returns from one of the town's voting districts. The Socialists and Communists claim that this was done by design. The Christian Democrats maintain it was by oversight, and promptly filed suit to have the votes declared invalid. This would have given the majority in the town to the list presented by the D.C. and its allies. The case was finally tried in 1958. The court awarded costs against the Socialists, but declared the entire election void. The provincial Prefect ordered the Socialist junta to resign, and appointed a commissioner to take over the town's administration.

ELECTORAL REFORM

Just before the 1960 municipal elections the Regional Government, under pressure from most of the parties to limit the power of the Christian Democrats in municipal politics, replaced the majority system described above with a form of proportional representation (the Hondt method) in all towns with populations exceeding 5,000. This, of course, affected Leone, although, in contrast to most Sicilian towns, it had been run by a red coalition. Henceforth the number of councillors elected from each party was to be in proportion to the total popular votes each party received. It thus became possible for even the small parties to be represented on the council.

The immediate result of the new law was to divide the two opposing blocs into their constituent parties, splitting the Communists from the Socialists, and freeing the Fascists and other small

parties from their dependence on the Christian Democrats. Henceforth each could gain a place on the council without having to go into coalition to fight the election. But because the alignment of parties on the Left was evenly matched by the conservative parties, the small parties and factions began to play a role out of proportion of their numerical strength. In this respect the administrative junta began to reflect the situation prevailing at the regional and national level where proportional representation had been in use since the war. It now became possible for the small parties, factions of the larger ones and even individual councillors to play the Left off against the Right, and so to enter the municipal junta. *Thus the proportional system of voting introduced an element of instability into the local scene which, in contrast to the unstable national and regional situation, had hitherto been characterized by its stability.* The administrative junta became a fragile coalition which depended upon the support of the minor parties and, at times, upon the whims of a single councillor. As a result, there was great instability: from November 1960 to May 1963 five different coalitions ran the affairs of the town.

POLITICAL MUSICAL CHAIRS

As the 1960 election was the first time the votes of the Communist surpassed the Socialists, the first coalition was formed by the ten Communist councillors with the reluctant support of the seven Socialists. The Socialists leaders, who were far better educated than their Communist rivals, refused to participate in the junta as they considered the Communists incapable of running the town's administration. The Communists thus formed the junta by themselves, and the town's professional class politicians sat back to watch the 'peasants' make a mess of the administration. Various *mafiosi* also began to try and force the Communist mayor to resign. As the Communist Party was the only political party in Sicily which consistently and openly attacked the *mafia* and whose leaders by and large rejected its support, the new Communist administration was a threat to the personal interests of the local *mafiosi* as well as to those whom they normally protected.

The Communists proved to be fairly efficient. In spite of their inexperience they worked hard and were honest. The Communist

junta did not destroy itself by its administrative incapacity. In spite of vicious anonymous letters threatening his life, the mayor remained in office. The junta's downfall came from quite a different direction.

The coalition had a majority of only one. To bring it down and form a new junta, its enemies needed to find two councillors willing to cross the floor. Within three months they had located several weak members of the governing coalition. Two cousins, both members of the middle class, one of whom was a member of the junta, left the Communist Party and joined the Christian Democrats. According to town gossip, one changed because he was given a white-collar job in the provincial capital through the intervention of a D.C. Deputy. The other is alleged to have received sizeable scholarships for his sons from an exclusive church-run college. When asked about this sudden change, one replied that it was his duty to think of the well-being and advancement of his family. (Their behaviour, if true, may be contrasted with the sacrifice of the peasant *assessore* of public works. Although he received no remuneration from the municipality (only the mayor receives a stipend) he none the less left his steady employment as a labourer in a stone quarry in order to carry out his new administrative assignment. He was personally quiet relieved when the junta fell so that he could go back to work to support his family and pay off the debts he had accumulated).

At about the same time two other members of the Communist junta, including the Party's only professional-class member, passed to the Saragat Socialists (P.S.D.I.). At the vote on the annual budget, three Socialists also voted against the junta. According to town gossip, once again, this was in response to *mafia* pressure. Thus defeated 22 to 10, the Communist junta resigned.⁶

The second junta was elected by the 12 D.C. councillors with the support of the three U.S.C.S. councillors and the two Fascists. Again there was a majority of only one. The junta itself was composed of three Christian Democrats, a Fascist and a member of

⁶The balloting for the election of a mayor is secret. This and subsequent reports on the actual voting are therefore based upon the opinions of a wide cross-section of informants who believed the voting had gone this way.

the U.S.C.S. (a regional party which split from the D.C. but has since disappeared). The mayor was Christian Democrat as was the vice-mayor, who was one of the two ex-Communists who had crossed over to the D.C. This appointment is alleged to have been part of the bargain he made when he left the Communists and joined the Christian Democrats. This combination lasted eight months. It was destroyed through the manoeuvring of the young secretary of the Christian Democrat Party in Leone. He wished to form a new junta in combination with the Socialists, with himself as mayor. This was ostensibly in accordance with his party's directives to create local alliances with the Socialists in imitation of the new formed Centro-Sinistro (Centre-Left) alliance between the two at the national level. The members of the faction headed by the D.C. secretary voted against their colleague on the budget, and brought the second junta crashing down.

The third junta was not led by the D.C. secretary, much to his disgust, but by the leader of the U.S.C.S., a respected lawyer and a former secretary of the D.C. He was elected by the three votes of his own party, the two Fascists and the seven members of the conservative faction in the D.C. headed by the outgoing mayor, as well as by five Socialists councillors who opposed the idea of a local Centro-Sinistra in general, and the mayorship of the ambitious D.C. party secretary in particular. These provided the necessary 17 votes. Again there was a majority of only one. This unlikely combination lasted only a few months before it fell apart over the vote on its budget.

The fourth junta was formed by the seven Socialists and three U.S.C.S. with the external support of the six Communists. This provided a total of 16 votes. The crucial 17th vote was furnished by the vice-mayor of the previous junta, a prominent member of the D.C., who in return for betraying his party was made vice-mayor in the new administration. Thus the Socialists resumed the administration of the town after an interval of four years.

Meanwhile the secretary of the D.C., with the help of the party's provincial secretary, who threatened members of the anti-Centro-Sinistra faction of the party with expulsion, succeeded in whipping the party back in line. That is, all save the vice-mayor, who was thrown out of the party for his treason, becoming an 'independ-

dent' councillor. The astute D.C. secretary had also managed to secure the support of three Socialists, including the local Socialist secretary, to whom he offered the post of vice-mayor. He also lined up the co-operation of two ex-Communists councillors who had become Saragat Socialists, as well as the two Fascists. Moreover, two of the three U.S.C.S. councillors rejoined the D.C., from which they had broken several years before. The third became an 'independent'. The U.S.C.S. thus ceased to exist as a local party. Three months after Socialist junta took office, the D.C. secretary, with 20 votes committed to him, was strong enough to defeat the Socialist mayor over his budget.

The fifth junta, headed by the D.C. secretary and formed of representatives of all the local parties save the Communists, got off to a difficult start. The Provincial Federation of the Socialist party became so enraged with its Leone secretary for entering as vice-mayor in a junta with a Fascist, that it ordered him to withdraw under pain of expulsion from the party. But, I was given to understand, it relented somewhat when it learned that certain *mafiosi* had threatened to make life for the new vice-mayor very disagreeable (if not also short) if he did resign. I left the town at this point in its political history.

The inherent instability of the municipal junta which followed the introduction of the new 'democratic' electoral law, has had important repercussions on the internal politics of Leone, as well as on the quality of its local administration. Instead of having a stable working majority, the life of each junta often depends upon a single vote. This has given increased power to individual councillors: each councillor supporting the junta has the power to destroy it. His vote thus becomes a weapon with which he can threaten the junta. Councillors have exercised this power to the detriment of the town.

MALADMINISTRATION

The constantly changing responsibility for the town's affairs weakened administrative control in Leone, and made planning impossible. Because members of the junta know they will not be in power long, they usually, work to draw the maximum advantage out of their positions for themselves, their families, their protectors and their clients. They have little to fear from public opinion by

acting in this way: the public assumes that they are doing just this. Discovery of some questionable affair merely confirms the belief already held. The result has been an escalating maladministration.

The case of the family tax provides a good example of how receptiveness to a constant series of pressures affects municipal affairs. Each family is supposed to pay a small annual tax based on its income.⁷ In 1958 under the stable Socialist administration, the town collected approximately 10,000,000 lire annually. Since then no junta has had the strength to enforce this law, or to exercise a tight control over municipal business. The result has been that a constant stream of relatives, friends and friends-of-friends, working through town concillors and municipal employees, have succeeded in amending the tax assessment records to the point where in 1963 only about 3,000,000 lira were being actually collected each year. This in spite of the great increase in the income levels and standard of living during the same period.

The lack of control over the town's government and the increased vulnerability of the junta has brought about a progressive wastage of the town's already limited resources. The total debt of the town, which stood at 30,000,000 lira in 1958, had risen to a staggering 310,000,000 lira by 1963. Moreover, it was increasing by some 77,600,000 lira annually. The town had all but exhausted its credit sources; the chronic deadlock over its budget further limited its credit with the regional government. One of the results of this depressing financial situation is that municipal employees are paid only two or three times a year, and then only after prolonged and often bitter strikes. These paralyse local affairs for as long as three months at a time.

Even when they are not on strike, the municipal police have ceased to enforce local ordinances effectively. All a person has to do to have a traffic or building code violation suppressed is to go and see his protector on the town council. He, in turn, sees the member concerned of the junta. If the latter does not quash the charges, the protector threatens to withdraw his support of the junta and so to destroy it. Faced with this alternative, the assesseur tears up the charge.

⁷This is collected for the municipality by an agency to which the municipal taxes determined by the Town Hall have been farmed.

'It's got to the point where the police don't even bother to issue the summons any more,' an informant exclaimed. '*Porca miseria!*' These rotten politicians are ruining the town with their dirty games and personal ambitions. What we need is a strong hand to clean them up'. He then sighed wistfully for Mussolini.

We thus have the paradox of the more democratic 1960 electoral law making it easier for self-seeking politicians to manipulate the system for their own benefit, thus bringing greater administrative chaos to the affairs of the town. Moreover, the members of the junta have been too preoccupied with their own political survival to be able to apply pressure on patrons in Palermo to obtain the development funds to which the town is entitled. They see little point in trying to do this as in all likelihood they would no longer be in office when the funds were released, a fact which their friends in Palermo also recognize. The administrative instability has thus even stifled party initiative motivated by self interest. As long as this situation prevails, Leone is patently incapable of solving its many development problems by working through its elected leaders. Though in 1963 the mass of the people had a better income and a higher standard of living than ever before — thanks to increased government social benefits and the added income from emigrant labour — the municipality was poorer and its affairs more thoroughly disorganised than before 1958, when people were living in appalling misery. A paradox which just confirms the popular belief that all government is corrupt.

But it must not be thought that this administrative instability and maladministration are limited to West Sicilian municipalities which have a system of proportional representation. Here I have argued that P.R. favours instability and maladministration more than a majority system does. It is not the only cause of these problems. They are ills which affect municipal administration throughout the South of Italy.⁸

⁸Cf. C.C.E. (1965. Ch.9), I.S.P.E.S. (1964) and reports on municipal *crisi* appearing in regional newspapers. N.T. Colclough, in a fascinating recent study (1969), shows that even in a small farming village using a majority system, the local administration is far from rose-coloured. Although the successive municipal administrations stay in power longer than in Leone, they too are characterized by malgovernment, and internal factionalism makes long-term administrative planning all but impossible (Colclough, 1969, p. 202).

DISCUSSION

At this point we may ask how many of Lakeman and Lambert's electoral objectives the introduction of proportional representation has attained in Sicily. I suggest only one, and that with reservations. To begin with, it does not furnish 'government according to the wishes of the people'. Nor does it provide for the election of 'representatives whose personal qualities best fit them for the function of government'. Finally, it most certainly does not ensure a 'strong and stable government'. Though municipal councils do 'reflect the main trends of opinion within the electorate', the minor parties exercise power out of all proportion to their electoral strength. *The result is thus not proportional, but disproportional representation.*

Why does proportional representation not appear to work in Sicily? Professor Mackenzie has suggested that among the minimum conditions necessary to introduce free elections is

A general acceptance throughout the political community of certain rather vague rules of the game, which limit the struggle for power because of some unspoken sentiment that if the rules are not observed more or less faithfully, the game itself will disappear amid the wreckage of the whole system (Mackenzie, 1958, p. 24).

In Sicily, quite simply, people don't play the game according to the rules suggested by the scholarly advocates of proportional representation. These, for the most part, are academics in the older nation-states of North West Europe. Moreover, there is little fear at the moment that because they do use the same rules, the 'game itself will disappear amid the wreckage of the system'. The game as well as the system are propped up by the Italian constitution, the Ministry of the Interior and the sacred but unanalysed notion that what is more democratic is better. Since they assume the system cannot collapse, they play the game according to the rule which is traditional to Sicilian society: namely, that a man's first and ultimate responsibility is to provide for and safe-guard his own interests and those of his family. The North European notion that a person owes something to the political community, and thus should use a different set of rules is foreign. It conflicts di-

rectly with his responsibility to his family and with the belief that all others are looking out for their own interests first.

CONCLUSION

The object of this paper is to urge law makers in developing countries to consider the harmful effects that proportional representation may have in the field of development. Some of the problems to which I have pointed are inherent in all democratic systems. None the less, a majority system can ensure somewhat more stability, thus allowing for greater administrative continuity than proportional representation. Moreover, a system which ensures the winner of a sizeable majority reduces the power of politicians to manipulate the system to their own advantage, for individual defections cannot as easily endanger the viability of the government. Under such circumstances, politicians have less leverage with which to force concessions. *An electoral system which provides for some measure of administrative continuity and limits the power of politicians to corrupt civil servants and to loot are important considerations for countries concerned with implementing development policies and with safeguarding their scarce resources.*

Poorer countries should thus consider carefully the impact of electoral systems on their development potential. What is more democratic is not necessarily better for the development of the country. This seems to be amply borne out by the large number of military dictatorships and one-party political systems which in so many newly independent countries have eliminated democratic electoral systems patterned too closely on those of the West, largely because they led to administrative chaos and political looting. Thus a surfeit of democracy — and some systems of proportional representation surely provide extreme forms — often contains the seed of its own destruction.

It may be argued that there are other forms of Proportional Representation than the pure party list system employed in Italian national and local elections. The P.R. system used in Malta is often mentioned as an ideal form. This is Proportional Representation with the single transferable vote. Besides in Malta, it is also used in national elections in the Republic of Ireland and Tasmania. Enid Lakeman has argued that this system of P.R. tends to pro-

duce only a few parties each of which contains a range of public opinion (1970). Because a voter in this P.R. system, in contrast to a party list system, can vote for individual candidates within the same and other parties, he can influence the composition of government in a way that is impossible in most electoral systems.

I agree with her that this form of P.R., as compared to the party list system, does produce relatively few parties, and thus relatively stable government. Maltese and Irish political history bear this out, especially when compared to the rapid succession of multi-party governing coalitions that have characterized post-war governments in Italy, and for example, the Netherlands. (No less than 20 political parties competed in the 1973 Dutch elections, and the governing coalition, formed only after three months of political horse-trading, consisted of five parties whose colours varied widely). But as a result of the deals made between the candidates themselves for their 'second preference votes', the choice a person has in theory to vote for a variety of individual candidates is often manipulated away (Bax Chapter 6; Boissevain 1965: 131).

Furthermore, although Miss Lakeman enumerates the virtues of the single transferable vote form of P.R., she nowhere indicates that it strongly fosters patronage, subversion of civil servants, internal rivalry and factionalism within the parties. It does this by pitting candidates from the same party against each other in multi-member constituencies. There a candidate or a sitting member of parliament *vies with other candidates from his own party in the same constituency* for the allegiance of the same voters. Rival candidates from the same party are usually his worst enemies. As John Whyte noted in discussing the problems of a Dail Deputy, he cannot outbid them by offering a more attractive policy, because they are all bound by the same party programme. The only way he can outdistance them is by building up a greater reputation as a worker for his constituents (1966:19).

Pressure on him to perform services for both voters and for civil servants, who must provide the prizes his electors seek, is intense. The immense pressure on civil servants to provide the contracts, jobs, transfers, licences, scholarships, and so on that competing politicians from the governing party require to satisfy their constituents must not be underestimated. This corrupting influence

is inherent in the Maltese and Irish form of P.R.

Duverger wrote many years ago that 'it is curious to note that the only countries in which the Fascist tendency has succeeded in finding corporate expression in parties represented in parliament are countries with proportional representation.' (Duverger, 1963, p. 255). This I suggest is not only because P.R. makes it possible for such parties to gain representation, as Duverger argues, but also because P.R. through favouring multi-partism and government by coalitions favours the very conditions (weak leadership, government instability, party factionalism, corruption, looting and maladministration) which totalitarian parties promise to cure through the application of a 'strong hand'.

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THE 'ECONOMIC' ORIENTATIONS OF MALTESE MIGRANTS IN LONDON WORK, MONEY AND SOCIAL STATUS

by EDWARD L. ZAMMIT

Migration and the pursuit of 'economic' advantages are generally considered to be closely related. The migrant aspires to a wider range of opportunities available with regard to his work and financial benefits. In Malta, this relationship has been traditionally emphasized by the proponents of emigration as a remedy to the Island's chronic problem of overpopulation and scarce 'economic' resources. In his study of Maltese migration during the nineteenth century, C.A. Price contends that the principal factors affecting the scale of migration at that time were 'economic'. Successive periods of poverty at home sometimes drove the Maltese overseas while at other times they were attracted by boom conditions abroad.¹ Such an attitude towards migration has persisted throughout the present century and has received a new emphasis from both the proponents and the opponents of migration since World War II.

'Economic' motives are considered to be the 'natural' and obvious reasons for migration. Such reasons are internalized by individuals in Malta because they are deep-rooted and widely circulated throughout Maltese society. Such reasons are presented as the acceptable ones for estranging oneself respectfully from the established local networks of social relations, in particular from one's nuclear family.

Therefore, it is to be expected that migrants tend to give mainly 'economic' reasons to enquirers and perhaps even to themselves as an explanation or justification of their own motives for migrating. Indeed, there may be no reason for doubting the sincerity of such statements — although these do not exclude the possibility of other underlying motives. Nevertheless, the importance of the 'economic'

¹Price C.A.: *Malta and the Maltese: A Study of Nineteenth Century Migration* (1954) *passim* & p 114.

factor alone necessitates an investigation on its own merits.² An assessment of the extent of 'economic' motivations on the part of the migrants necessitates an empirical exploration of the presumed relationships between patterns of 'economic' behaviour of the migrants in their original background and in their new situation.

The migrants' former occupational distribution in Malta and their present one in Britain bear striking similarities. As seen in Table 1 (below) the largest proportion of workers in Malta have remained in their respective work category in Britain.³

Table 1
MIGRANTS' OCCUPATION IN MALTA AND BRITAIN

OCCUPATION IN BRITAIN	OCCUPATION IN MALTA (%)		
	NON MANUAL	SKILLED	UNSKILLED
NON MANUAL	60.8	3.8	7.6
SKILLED	30.4	65.4	39.0
UNSKILLED	8.8	30.8	53.4
	(23)	(52)	(105)

A minor trend towards better paid or more specialized occupations is also noticeable. However, before proceeding along this line of argument, one must probe further into the migrants' occupational background in terms of their age on leaving home and their various locations within Malta. This helps one to visualize certain essential characteristics possessed by them before their departure from Malta.

²The present report is drawn from an empirical investigation — based on a structured questionnaire — which was administered on a random sample of 180 Maltese migrants residing in Inner London. The complete study which was concluded in 1970 dealt with the links between the migrants' original social background and their present patterns of behaviour.

³For the purpose of analysis the migrants' occupations have been classified as follows: 'Non-Manual' including professional, managerial, and clerical grades; 'Skilled' including technicians and self-employed tradesmen; and 'Unskilled' including semi-skilled and unskilled employees, farmers and persons who were not engaged in any conventional job.

As seen in Table 2 (below) a larger proportion of 'young' migrants (under 24 years of age) than of 'adult' migrants (over 24 years old) worked in unskilled occupations. On the other hand, relatively fewer 'young' migrants worked in non Manual and Skilled occupations than the older ones did.

Table 2
MIGRANTS' FORMER OCCUPATION BY AGE (%)

OCCUPATION	AGE	
	YOUTHS (15-24)	ADULTS (25+)
Non Manual	9.6	17.2
Skilled	25.4	36.2
Unskilled	64.0	46.6
	(122)	(58)

With reference to the specific types of occupations, 'older' migrants were found predominantly engaged in professional, skilled and small business occupations. The 'young' migrants were predominantly out of work, employed as unskilled labourers in small firms or worked on family farms.

The hypothesis that the heterogeneity of the London Maltese immigrants is correlated with their diverse geographical distribution in their original country, merits investigation. Migrants from urban origins (73.9% of the sample) in some respects contrast with migrants from rural origins although they basically share similar characteristics. Provided that such a hypothesis can be established, attention should be devoted to the articulation of social institutions in the contrasting areas of the migrants' background with a view to a better understanding of their repercussions on the migrants' later behaviour.

It can be deduced from Table 3 (below) that there is a considerable degree of similarity between the occupational distributions of 'urban' and 'sub-urban' migrants. In contrast, the distribution for 'rural' migrants manifests a relatively different tendency. The latter tend to have larger proportions of migrants in non-manual and skilled occupations.

Table 3

MIGRANTS' FORMER OCCUPATION BY PLACE OF ORIGIN (%)

OCCUPATION	PLACE OF ORIGIN		
	URBAN	SUB-URBAN	RURAL
Non Manual	12.0	12.0	14.9
Skilled	27.9	26.7	36.2
Unskilled	62.1	61.3	48.9
	(58)	(75)	(47)

It can be safely argued that on the basis of the existing occupational stratification in these Maltese localities the opposite tendency should have been expected.⁴ Rural migrants, therefore, do not directly reflect their original backgrounds. They tend to be representative rather of occupational minorities in their areas.

The same argument, however, is not applicable to migrants from urban and sub-urban origins. Within such areas there is a higher degree of stratificational complexity which tends to obscure minor trends. Particular localities within these areas often accommodate large proportions of certain employment categories to the relative exclusion of others. For this reason the general trends presented in Table 3 (above) may depict an over-simplified picture. 'Urban' and 'sub-urban' migrants are largely representative of their particular localities. A comparison of the migrants from Cottonera – the centre of industrial activity in urban Malta – and Sliema – the modern suburb, whose population is mainly composed of non-manual and a hard core of highly skilled workers – provides an illustration of this point.

	<u>COTTONERA (%)</u>	<u>SLIEMA (%)</u>
Non Manual:	3.8	20.1
Skilled:	30.7	43.3
Unskilled:	65.5	36.6
	(26)	(30)

⁴cf Malta Censuses 1957, 1966.

Unlike those for rural migrants, the above distributions approximate the general occupational structure of the two localities concerned.

Malta's urban area provided a vital link in the establishment of migration to Britain – particularly through activities around the Grand Harbour. Traditionally, the 'normal' pattern of movement was from rural to urban and sub-urban Malta and eventually to Britain. This pattern was followed by people from all walks of life. However, those who migrated abroad directly from the villages were, in a sense, pioneers. They managed to establish their own route to the outside world – aided by their own contacts with urban and endowed with their specialized education, occupational skills or simply an enterprising personality. The implications contained in these observations regarding the migrants' subsequent patterns of behaviour – particularly with respect to their aspirations for upward social mobility are numerous.

The migrants' present occupations in Britain largely follow the general pattern established in Malta. Most 'young' migrants work in unskilled occupations and as they grow older they succeed in acquiring better ones. This is shown in Table 4 (below).

Table 4
MIGRANTS' PRESENT OCCUPATION BY AGE (%)

	YOUNG (15-24)	ADULT (25+)
Non manual	3.8	14.9
Skilled	19.3	50.0
Unskilled	76.9 (26)	35.1 (154)

The migrants' emergence into adulthood is normally accompanied by their marriage. Most respondents (74.4%) are now married. The added responsibilities characteristic to married life offer them a further incentive towards a successful career. This incentive seems to be particularly effective among manual workers. There is a higher proportion of married migrants who are skilled (53.7%) than unskilled (35.6%). Conversely, single migrants tend to occupy unskil-

led (64.1%) rather than skilled jobs (20.5%). Marriage and age introduce a certain stability in the migrants' lives which enables them to proceed in their career.

However, there is no significant difference in proportions between the non manual married and single respondents. Each approximates the proportion of non manual workers in the total sample (13.4%). This phenomenon underlines the fact that the transition from manual to non manual occupations (and vice versa) is only accessible to a minority among the migrants. Such a transition is dependent on variables other than marriage or age with their accompanying incentives and stability.

The migrants' length of residence in Britain is another useful dimension along which to visualize their work performance. As shown in Table 5 (below) there is a visible tendency for the migrants to improve their type of job as they settle down in Britain.

Table 5
MIGRANTS' PRESENT OCCUPATION BY YEARS OF
RESIDENCE IN BRITAIN (%)

	0 - 9	10 - 19	20+
Non manual	10.4	13.4	22.2
Skilled	39.5	53.7	44.4
Unskilled	50.1 (86)	32.9 (67)	33.4 (27)

However, among migrants who have been in Britain longest there is a marked decrease in the proportion of skilled occupations. A further analysis reveals that this trend is concentrated on those migrants whose settlement dates back to twenty-five years and over. In fact, among these latter there are the highest proportions of Non manual (27.3%) and Unskilled (54.6%) and the lowest proportion of skilled occupations. The early post World War II waves of Maltese migrants consisted almost exclusively of unskilled merchant seamen. Meanwhile, the older tradition of Maltese 'intellectuals' settling in Britain was resumed through the re-establishment of shipping links after the termination of war hostilities. Therefore the old migrants are less evenly stratified than the more recent ones.

They are sharply divided into the two extremes of the occupational scale.

Having explored to an extent the migrants' work situation in Malta and Britain respectively, further attention must be devoted to their occupational mobility trends with reference to migration. Although, as seen in Table 1 (above), only a minority among the migrants now occupy completely different categories of work to those they occupied in Malta, most migrants (65.6%) did in fact change within these broad categories. When analysed in detail these moves indicate a significant trend towards higher occupations.⁵ In fact, among the higher occupations at present there are larger proportions of new recruits. The following are the migrants in each of the four higher occupations at present who had previously occupied inferior jobs when in Malta:

Professional/Managerial:	58.3%
Clerical:	50.0%
Skilled:	48.5%
Small business:	31.3%

These upward moves in employment affect 27.7% (50) in the total sample. If one also includes other moves towards more specialized or lucrative occupations (e.g. clerical to skilled or small business) then approximately 33.3% (60) migrants in the sample are affected.

Naturally, many migrants found the transition from one occupational structure to the other predictably difficult. When the migrants first went to Britain they often had to accept occupations which were considered inferior in status to those they had left in Malta. The following list represents those migrants whose first occupation in Britain was inferior to their last one in Malta (taking each of the four higher occupations in Malta as the basis):

Professional/Managerial:	40.0%
Clerical:	50.0%
Skilled:	59.7%
Small Business:	74.5%

⁵The following occupational hierarchy is operationally proposed – in descending order: professional or managerial, clerical, skilled, small business, semi-skilled or unskilled and unemployed.

It is evident from the above data that migrants with higher occupations in Malta have a better opportunity of finding equivalent occupations soon after their arrival into Britain. In other words, the better equipped migrants with professional training and specialized skills, have least difficulties in finding their place in the new occupational structure.

Since most migrants did not possess the above qualifications it might appear that the majority were disappointed at the outset. However, the nature of their reactions depended more on their job aspirations than on the actual job. In fact, most migrants had realistic job expectations when they went to Britain. Almost half of those interviewed (47.2%) claim they were prepared to undertake 'any job' whatsoever and had no particular type of employment in mind when they migrated. These came predominantly from unskilled and small business occupations (68.3%). Migrants with higher occupations who had definite job expectations often preferred similar occupations to the ones they had in Malta. This finding corroborates the fact that these migrants did actually find better opportunities of equivalent employment in Britain.

Therefore those migrants with definite expectations (52.8%) soon managed to find the job they expected in Britain. Only 22.2% (40) of the sample found first jobs which they did not anticipate, two-thirds of which (24) were occupations inferior to the migrants' expectations.⁶ Moreover, the migrants' present occupational stratification definitely reflects a situation superior to what they had in mind before migrating. Eventually many other migrants participated in the trend for upward movement so that at present only 10.0% (18) in the sample still occupy jobs inferior to their original expectations. On the other hand, 20.0% (36) now occupy jobs beyond their original expectations.

These job expectations — whether fulfilled or not — must have influenced the migrants' initial reactions and hence also their subsequent behaviour. Undoubtedly the migrants attached great importance to work among their major considerations in the migration

⁶The highest rate of unfulfilled expectations were among those who aspired to skilled occupations (22) of whom 50.0% found unskilled ones. This is partly due to more advanced technological standards required in Britain.

process. Yet most migrants had realistic expectations regarding the type of work available to them in Britain. Few expected to ameliorate their work situation radically as a direct result of migration. In order to clarify this paradox it is necessary to determine the specific aspirations motivating the migrants in their work performance. This exercise helps to uncover the areas of possible dissatisfaction in their original work situation and to explain their subsequent intentions. For this purpose those interviewed were requested to specify (a) their present attitudes towards work by ranking their guidelines in work selection; (b) the actual factors which determined their job mobility; and finally (c) to evaluate along a scale their relative present and past degree of 'contentedness' in terms of four selected items.

Income, the extrinsic compensation for work, figures prominently among the various factors which make one job preferable to another one. This opinion is shared by 62.8% (113) of the sample. In order to be acceptable to another 20.0% (36) of sample a job must pertain to a 'particular trade or skill' in which the migrants feel competent or inclined to engage themselves. Finally, the general 'working conditions' – including working hours, duty, danger or other hardships involved – have a major influence on the choice of 8.9% (16) informants. The general pattern (income – trade – conditions) is consistently upheld by migrants from all walks of life. The emphasis on income in their job assessment is placed particularly by those migrants who have achieved a relative stability in Britain and have assumed the added responsibilities of marriage and adulthood.

Each informant was then presented with a card on which were listed a number of factors pertinent to job selection. The migrants were requested to point out their preference.⁷ Clearly the attitudes thus exhibited are less representative because they lack a degree of spontaneity by leading respondents along definite mental categories. However, it is argued that elements which may have been overlooked were thus brought to the migrants' attention.

Once again 'income' was accorded priority above all items. However, 'social' values received considerable prominence partly at

⁷ The following items were listed: income, working conditions, pleasant company, chance of advancement, particular trade and proximity to home.

the expense of the former. Thus 43.9% (79) of the sample recognized 'income' as their main preoccupation. Meanwhile, 19.4% (35) and 15.0% (27) selected 'pleasant company' and 'proximity to home' respectively. A further 8.9% (16) of the sample preferred a job which promises a 'chance of advancement'. Fewer respondents, on the other hand, gave prominence to jobs being in a 'particular trade' (5.0% - 9) and with satisfactory 'working conditions' (5.6% - 10). A breakdown of the 'prompted' and the 'spontaneous' sets of figures reveals that migrants at present in 'skilled' and 'non manual' occupations tended to mention 'particular skill' when asked spontaneously and to select 'chance of advancement' or 'pleasant working company' when presented with the list of prompted answers. Moreover, young, single migrants who spontaneously referred to 'working conditions' later pointed to 'proximity to home' as factors which determined their occupational preference. The two sets of figures, therefore, are interpreted as being complementary to each other. These variations are mainly attributable to the differing techniques used. More significantly, the emphasis on income as a determinant of job assessment was sustained throughout at a consistently high level.

The Maltese migrants maintain a high rate of job mobility. Only 12.2% (22) respondents still work at their first job in Britain. On the other hand, 56.6% (102) of those interviewed have been engaged no longer than five years at their present jobs (Modal Length: $3\frac{1}{2}$ years). Therefore the process of selecting a new job is significant because of its frequency. The motives behind the migrants' early movements in Britain from one job to another are particularly meaningful because they illustrate the factors which actually guided the migrants' work selection. At that time they were keen on putting into practice their work aspirations as a mark of success of their venture in a new country.

As mentioned above, a number of migrants did not change their first job (12.2%). These are mainly engaged in self-employed business enterprises. Another 12.2% of those interviewed were compelled to leave their first job in Britain. Sometimes this happened because their firms reduced the size of their labour force or because they were inefficient.⁸ More often the migrants were dismissed be-

⁸ 31.8% of the 'skilled' workers were dismissed from their first jobs in UK.

cause of some misconduct on their part — usually fighting. Among the remainder of the sample (75.6%) the majority left their first jobs because they were offered better wages in different ones (51.4%). Thus in their actual choice of occupation the migrants are aided by the above preferences.⁹

Few migrants have left their first job because they preferred work in a different trade (6.3%). Non manual and skilled workers in particular regard this as one of their conditions *before* engaging in any occupation. Some migrants left their first job in Britain because they were dissatisfied with existing conditions at work (16.7%). Clerical workers and young migrants generally found their first jobs in Britain more demanding and impersonal than they had anticipated. Other migrants (13.4%) — particularly those employed with the Services and the Merchant Navy — chose new jobs which were closer to home.

The migrants who changed their first jobs in pursuit of higher wages represent a cross section of the whole sample. However, this tendency is most pronounced among those migrants who felt that their previous work in Malta did not provide them with adequate financial incentives. Typical among these latter were migrants who intended to set up small business enterprises in Britain. They often had to accept other, less lucrative jobs initially until they had consolidated their position in the new country. They could later embark on projects which would enable them to realize their aspirations.

It is clear, therefore, from the above data that whatever motivations the migrants had in the sphere of work were mainly inspired by financial incentives. This explains why few migrants initially aimed at improving their occupational status in Britain. The migrants' eventual advancement at their work indicates that as they settled in Britain and acquired the necessary skills, more openings became available to them. They increasingly participated in the local occupational structure and this, in turn, facilitated the realization of their deep rooted financial aspirations.

⁹This figure (51.4%) closely approximates the average between the 'spontaneous' (62.8%) and the 'prompted' (43.9%) response specifying 'income' as a first preference.

'Economic' considerations played a leading role in the migration process. Many respondents have attributed their departure from Malta to what they regarded as an income below an acceptable level. In some cases the migrants were out of work and therefore were deprived of any reliable income. In other cases they were dissatisfied with the jobs which were available in Malta. In each case the migrants believed that better 'economic' opportunities would be within reach in the new country.

More respondents have subjectively related their decision to migrate to the 'economic' than to any other relevant factor. A total of 76.1% (137) of those interviewed are reported to have been variously influenced by 'economic' considerations in their deliberations. The majority (99/55% in the sample) stated that these had a determining influence on them - outweighing any other consideration. Thus when this factor was related to the other relevant factors and measured accordingly it again emerged as the dominant one. It has received 26.4% (608) of the total (weighted) scores (2261) relating the various factors in the migration process.¹⁰

The importance of 'economic' considerations extends throughout the whole sample and penetrates every migrant category. Only minor variations were discovered when the (weighted) mean scores were analysed in terms of respondents' age and marital status at the time of migration. Adult and married migrants tended to allot more importance to this factor than the rest of the sample. This is shown in the following table:

Table 6
MEAN SCORES FOR 'ECONOMIC' CONSIDERATIONS
ACCORDING TO AGE AND MARITAL STATE

YOUNG (15 - 24 YEARS)	ADULT (25+)	SINGLE	MARRIED
3.2	3.6	3.3	3.6

¹⁰In addition, there were 28 (15.5%) migrants who worked in the British Merchant Navy or who were transferred to Britain in connection with their work in the Service Establishments. Eventually they settled in Britain. Therefore in these cases as well 'work' was the predominant factor conducive to migration.

The migrants were asked to specify the particular characteristics of their jobs situation which they subjectively considered as powerful determinants of migration. Only 23.9% (43) migrants were immune to such pressures. Among the remainder approximately one in every four respondents (20.6% of the complete sample) were in financial difficulties due to unemployment. Some of these explained their plight by quoting the Maltese proverb '*Għal kull għadma hemm mitt kelb*' – meaning literally: 'There are a hundred dogs for every bone'. Among them, however, some refused jobs which they considered below their 'standards of living'. In order to preserve a certain level of existence which they considered vital, they chose to work abroad by resorting to migration. Reference was often made to the patronage system prevailing in Malta on account of which they failed to obtain a satisfactory job.

55.5% (100) of those interviewed had been dissatisfied with their jobs in Malta because these did not provide them with the opportunities for 'advancement' which they had envisaged. Many complained of working with small concerns ('*mal-partikular*') where they had to work hard without enjoying the benefits of employees in large Government or Service establishments. Whatever prospects the migrants had nourished of a higher eventual standard of living – accompanied by a relative general upward social trend – had become dampened by the insecurity prevailing in those Maltese occupations.

In a similar plight were the 23 informants included in the above figure (12.8 in the complete sample) who had specialized jobs with the Services and were threatened with redundancy or who suffered similar setbacks in their trade or professions. These felt that even if they did succeed in finding alternative employment in Malta, this would entail a diminution of their present status. They preferred to migrate to Britain where a wider range of employment and general 'economic' opportunities would be available. Such persons sometimes took a cynical view of life in Malta generally which, they felt, offered little scope for their specialized skills, professions and ideas.

Nevertheless migrants with unsatisfactory occupations in Malta did not expect to improve their type of employment radically as a direct result of migration – any more than did the rest of the sam-

ple. Their attentions – like those of other migrants – were mainly focussed on the higher incomes which they looked forward to earning in Britain. This basic pre-occupation with incomes again becomes evident when the migrants' present attitudes towards job selection are specified. A minor qualification, here is necessary: Migrants who had jobs in Malta – albeit unsatisfactory ones – are relatively less pre-occupied with incomes than those who were out of work. Concurrently, while the latter also tend towards jobs with favourable 'working conditions', the former tend towards jobs requiring their specialized, 'particular skills'. This emphasis is particularly upheld by those migrants (12.8%) who had adopted a cynical attitude towards working in Malta. These trends are shown below:

Table 7

FORMER 'WORK PROBLEMS' BY PRESENT ATTITUDES
TOWARDS WORK SELECTION (%)

	UNEMPLOYED	UNSATISFACTORY	LACK OF
		JOB	SCOPE
INCOME	67.6	63.6	50.0
WORKING CONDITIONS	16.2	9.1	7.7
PARTICULAR SKILLS	8.1	19.5	34.6
	(37)	(77)	(23)

One conclusion drawn from the above data indicates that migrants with previous unsatisfactory jobs in Malta – as they became increasingly acclimatized to the British working scene – became more conscious of their 'particular skills' and selected new jobs on this basis.¹¹ These jobs, they argued, offer better prospects of advancement. In contrast, migrants coming from a back-

¹¹Migrants with former 'unsatisfactory jobs' in Malta were, in fact, as preoccupied with income as all other migrants when they changed their first job in Britain. Hence, their present attitudes towards income must have been acquired more recently.

ground of unemployment are more intent on acquiring jobs with high incomes and favourable working conditions. However, these trends do not necessarily imply a decreasing interest in incomes on the part of the former. A more likely interpretation is that as they became more involved in their new occupations they regarded eventual success in them as the means to higher incomes. It is clear that this increasing rate of participation in the institutions of the host society had far-reaching implications in the migrants' related spheres of social activity.

When the migrants' former 'work problems' are analysed in terms of their geographical background in Malta, a predictable trend emerges – consistent with the occupational distributions of migrants from these localities discussed earlier. Among urban migrants there were the largest proportions of unemployed and among rural migrants the lowest. Meanwhile, the former had the lowest proportions of migrants with 'unsatisfactory jobs' and the latter had the highest proportions in these occupations. These trends are shown below:

Table 8
FORMER 'WORK PROBLEMS' BY PLACES OF ORIGIN (%)

	URBAN	SUB-URBAN	RURAL
UNEMPLOYED	31.6	28.4	17.2
UNSATISFACTORY ¹² JOBS	68.4 (45)	71.6 (60)	82.8 (35)

Admittedly a small but significant proportion of rural migrants were engaged in farming (3.3% in the complete sample). Migration provided these with the attractive opportunity of an outlet from their laborious and thankless farm work. In Malta, farming is generally looked down upon and allotted the lowest position in the occupational structure. In contrast to the urban areas, in rural Malta there is a more restricted range of occupational choice. The relative absence of patrons in these areas makes it even more difficult

¹²Migrants who found no scope in work in Malta are included under this category.

for potential migrants to find satisfactory employment. On the other hand, among urban migrants a significant number of respondents – particularly those who possessed specialized skills or education – refused to consider jobs which they regarded as inferior to their qualifications. They readily chose migration – which was well established in their respective areas – as a solution to their unemployment problem. Meanwhile, the proportions of 'unemployed' and 'unsatisfactorily employed' sub-urban migrants approximate the average distribution for migrants with 'work problems' in the complete sample.

Having studied to some extent the specific motivations which presumably have contributed towards the migrants' work performance in terms of their own subjective assessment. The migrants were requested to specify their present degree of 'contentedness' at their present work when this is compared with their former work in Malta.¹³

For the purpose of this study only the relative direction of the degrees of 'contentedness' expressed are taken into account. This avoids giving an absolute interpretation of the values which were expressed in subjective terms.

Table 9 (below) presents the differences between the migrants' current attitudes towards their present occupations in Britain and towards their last ones in Malta. The attitudes are broken down in terms of 'wage', 'company at work', 'boss' and 'working conditions'. The scores of the migrants expressing a particular attitude with reference to their Malta jobs are deducted each time from the scores of those expressing similar attitudes about their present jobs. In other words, the migrants' present occupations are taken as the positive starting points so that when the results show a positive balance on a given attitude this reflects an equivalent increase in the migrants' subjective evaluation of their present occupations. Likewise, when the result shows a negative balance, this reflects the migrants' lower evaluation of the particular attitudes with reference to their present occupations. Since the scale

¹³ The migrants were presented with a card on which an attitude scale was set out. The word 'contented' was selected because of its similarity to its Maltese counterpart: '*kuntent*'.

includes attitudes in opposition to each other, the results are not to be taken at face values. For instance, an apparently negative balance towards the end of the scale actually refers to a higher rate of discontent in their Malta jobs than at their present ones. Consequently, insignificant differences reflect a similarity of response to the two situations.

In order to avoid over-representation, the attitudes of migrants for whom certain items were not applicable (e.g. due to unemployment or self-employment) have been excluded from the calculations which follow:

Table 9
ATTITUDES TOWARDS PRESENT OCCUPATION WITH
REFERENCE TO LAST OCCUPATION IN MALTA

	WAGE	COMPANY	BOSS	CONDITIONS
VERY CONTENTED	63	-8	29	46
QUITE CONTENTED	12	-8	4	0
MORE OR LESS "	-3	10	-1	-4
NOT SO "	-32	3	-10	-15
NOT AT ALL "	-40	3	-14	-27
NOT APPLICABLE	(25)	(39)	(57)	(26)

A system of relative weighting need hardly be applied to the above figures in order to visualize trends. A clear, positive balance is visible in preference of the migrants' present jobs in terms of their wages, bosses and working conditions. Significantly, the former working companions in Malta are preferred to their present ones in Britain. However, this is a relatively minor setback in view of the more wholehearted support for present occupations with a view to the other three items.¹⁴

The most contrasting attitudes towards former and present jobs pertain to the 'wage' element. This is predictable considering the

¹⁴ A negative correlation exists between 'contentedness' with present and former jobs with reference to these three items. Migrants contented with present occupations tend to be discontented with their former ones.

migrants' preoccupation with incomes. In fact, the intensity of favourable attitudes expressed towards present incomes forcefully underlines the deep significance which money occupies in their lives. The migrants' original aspirations towards work in Britain were largely confined to their eventual incomes. These have influenced their early movements between jobs soon after their arrival in this country. The migrants themselves have acknowledged this major preoccupation in their job assessment.

The highest degrees of 'contentedness' with present incomes were expressed by adult migrants (over 24 years of age) – in skilled and non manual occupations – with an experience of at least five years in Britain. These same migrants have earlier been described as more concerned with incomes than the others. Moreover, married rather than single migrants tend to be proportionately more 'contented' with their present incomes. To these latter ones, in particular, it must be the source of considerable satisfaction that their financial aspirations have been fulfilled – in view of the heavier demands made on them. As it was earlier suggested, such demands provide the migrants with stronger incentives towards the realization of their ambitions.

At this point it is relevant to probe into the significance which income has in the migrants' lives. Thrift has long been regarded as one of the marks of a 'sensible person' ('*bil-għaqal*') in Malta. It is likely that Maltese people have developed a habit of saving on account of the successive periods of unemployment and famine which have characterized Malta's economy throughout history. This idea is deeply embedded in the minds of the migrants interviewed – 91.6% (165) of whom gave an affirmative answer when asked whether they share the opinion that everyone should save part of his regular income – even though one may have to do without certain commodities like a washing machine or a television set. Only a minority among these [(23.9%) in complete sample] qualified their answers by allowing themselves basic necessities such as food – a qualification which was probably taken for granted by everyone including those who gave an unqualified reply. The migrants were then asked why they consider long-term saving important.

In the opinion of 58.4% (105) of the sample saving is so necessary that it merits no rational justification. In their view: 'If a

person can, he ought to save. It's commonsense.' They contrast their attitude with that of the average Englishman's for whom 'tomorrow never comes!' On further probing, however, some migrants were able to speak their minds more specifically on this matter. They insisted that saving is more important for them in their migrant situation. Money gives them 'security' in case of an emergency like sickness or unemployment — when the income from Social Security may not be sufficient. It is significant that while these are the traditional motivations towards saving among the Maltese, they acquire an added emphasis among migrants. As one of them remarked: 'Anything can happen away from Malta. You're totally on your own away from your relatives and friends. You have to rely entirely upon your own resources.' Another migrant expressed his emotional as well as his physical 'insecurity' in Britain by the words: 'One needs money in England. It's a cold climate.'¹⁵

Meanwhile other migrants (33.2%) are of the opinion that saving enables them to attain a higher social position. Financial possessions endow them with personal independence from cumbersome family and friendship ties — as a bare minimum. With the improvement of their standard of living visualized through certain status symbols the migrants hope eventually to dispel any feeling of superiority which they believe some British still nourish towards them. Ultimately, many migrants look forward to eventually retiring in Malta where they could live comfortably on a clearly higher social level than the one they left behind — thus reaping the fruits of migration. As one migrant put it: 'That's why we're here, otherwise we might as well have remained in Malta'.

The few migrants who are against saving (8.4%) do not believe that this is necessary in a country with adequate social assistance in case of sickness or unemployment. At any rate, they justify their position by stating that it is impossible for them to save on account of the high cost of living, taxes and often their self-confessed addiction to betting. These migrants, however, represent

¹⁵ As far back as the nineteenth century Maltese migrants preferred places near to Malta to enable easy access to home in case of an illness. In particular, America and Australia were avoided because they were regarded as the permanent sources of strange and deadly diseases. (Price, op. cit., P XII).

negligible minorities scattered throughout the sample and following no regular pattern.

The general pattern of the majority who consider saving as a necessity is found in all walks of life and penetrates every significant migrant category. Nevertheless, slightly higher proportions uphold traditionally 'conservative' Maltese values — of saving for a general sense of security — among those migrants who were earlier described as the more preoccupied with incomes. These tend to be married adults with some years' experience of settlement in Britain — often working in non manual and skilled occupations. On the other hand, young single migrants who have recently arrived in Britain — often working in unskilled occupations — tend proportionately to save money as the means of attaining a higher social status.

The above evidence suggests that a generational division characterizes the migrants' attitudes towards work and money. The 'adult' generation are proportionately more inclined towards 'conservative' values traditionally held in Malta. They have to maintain themselves and their dependants according to certain 'respectable' standards. On account of their heavier financial commitments and the accompanying incentives — they are constantly engaged in providing the necessities required by their particular state in life. 'Security' acquires for them an imminent significance since it is related to the maintenance of their standard of living. Meanwhile, the possibilities of further upward social mobility on their part become increasingly restricted with the passage of time. Thus it is somewhat ironic that as these migrants participate more closely in the British occupational structure, they simultaneously develop and confirm themselves in 'conservative' Maltese attitudes towards money.

In contrast, the 'younger' generation of migrants nourish optimistic hopes of fulfilling the financial goals in pursuit of which they have migrated. They have recently settled in a new land where, they believe, exist abundant possibilities of the realization of these ambitious. Presumably, as they grow older, experience has a stabilizing effect on them.

It must be emphasized, however, that 'security' bears intrinsically a subjective significance. It is not necessarily related to the

provision of the basic necessities of survival. Particularly in the case of financial savings there are no objective criteria specifying any limits which suffice in order to induce 'security'. This depends on the subjective values and ambitions of individuals. Conversely, a person may never feel completely 'secure' in society regardless of where he ranks along the social scale — particularly if he regards money among the main criteria of status assessment. Further financial acquisitions may be regarded by him as the means of 'securing' a constant improvement of his social position. In such a situation, therefore, the two motives behind saving as described above ultimately converge in the migrants' lives.

In order to acquire a complete estimate of the migrants' own assessment of their financial development, they were asked whether they regard themselves as financially better off now in Britain or formerly in Malta. They were to take into consideration both the higher cost of living as well as the higher wages obtaining in Britain. The migrants' replies were:

Better off in Britain:	70.0% (126)
Worse off in Britain:	16.7% (30)
Generally the same:	11.1% (20)
Undecided:	2.2% (4)

The above distribution clearly shows that the migrants' satisfaction with present incomes — by comparison to their former ones — is not limited to wages as such but extends to their whole standard of living at present. The majority view themselves as financially better off in Britain. Prominent among the benefits of financial prosperity they regard a general sense of 'security' and the move to a higher social standing. The migrants' subjective assessment of their social status is based mainly on financial criteria. It is also defined by them in terms of ideas and values borrowed from Malta and transferred to their present situation. This fact emerged when the migrants were asked to locate themselves according to a classification of the local British social strata which was proposed to them. It became clear that most migrants initially found difficulty in doing this on the grounds that they found no status awareness in Britain. In their view, everyone leads the same kind of life in that country and social strata only exist in Malta.

They are, therefore, insensitive to the existence of social strata in Britain in which they participate mainly as outsiders. Consequently, they based their decisions on Maltese criteria and accordingly the results – measured by local objective standards – lean heavily towards the upper end of the scale. On account of their superior present incomes and occupations, from which these are derived, the migrants are convinced that they have made significant progress along the social scale. Table 10 (below) shows a definite upward trend between the former migrants' social status in Malta and their present status in Britain.¹⁶

Table 10

MIGRANTS' SOCIAL STATUS: SELF-ASSESSMENT IN MALTA AND BRITAIN

	UPPER-MIDDLE	MIDDLE-MIDDLE	LOWER-MIDDLE
UPPER-MIDDLE	36.2	14.8	19.5
MIDDLE-MIDDLE	43.1	42.0	12.1
LOWER-MIDDLE	20.7	43.2	68.4
	(58)	(81)	(41)

The Upper-Middle status is occupied by a large proportion of migrants who have progressed from inferior positions (63.8%). On the other hand, the Lower-Middle status is occupied by a smaller proportion of migrants who have regressed from the relatively superior positions (31.6%). Meanwhile, the Middle-Middle status category is composed mainly of migrants who previously occupied a lower or the same position. However, if the migrants were to be assessed according to objective criteria which are currently acceptable in Britain, few of them would be placed above the lower social positions. These criteria would include educational and cultural characteristics as well as the complete range of occupational ca-

¹⁶ A card was proposed to the migrants listing the following classification: Upper, Upper-Middle, Middle-Middle, Lower-Middle and Lower. For the purposes of analysis, however, the Upper and the Lower ends of the scale were subscribed to the Upper-Middle and the Lower-Middle classes respectively. There were only 6.1% (11) migrants at each end of the scale.

reers contributing towards styles of life which are generally beyond the migrants' reach. Their own evaluations are indicative of progress within their particular social frameworks which incorporate values originating from Malta. The migrants keep in touch with developments at home both through direct contacts and also through their links with other Maltese migrants in Britain.

The majority of the migrants in the sample (70.0%) find themselves in a better financial situation than they were in Malta. This has been made possible mainly by corresponding improvements in their occupational position. In the migrants' view, this progress has also been accompanied by an advancement of their social status.

WELFARE PROGRAMME REFORM AND INCOME SUPPLEMENTS

by E.P. DELIA

INTRODUCTION

The economic objectives that demand the consideration of State Authorities in any country, irrespective of the socio-political framework within which they are to be attained, could be reduced to two basic, generally conflicting, goals: Productivity and Distribution. These policy goals aim to determine and guide to achieve the scale upon which goods and services are to be produced and how the continually formed aggregate output is to be shared.

The distribution of the national product was regarded by David Ricardo¹ as the key to the comprehension of the entire economic mechanism. Ricardo hoped that insight could be gained into the working of economic forces and their interrelationships by understanding the laws of distribution. Although progress on the theoretical level has been relatively slow in fulfilling Ricardo's object of search, yet on the practical level public policies must proceed as if the effect of different influences were precisely known. Policy making and decision on such matters are not an easy task; for the distribution of the national output can be affected according to different criteria.

If *productivity* were chosen as the criterion for distribution, all members of the community would be limited to the income commensurate with their productive contribution to the total product; that is, remuneration of each factor is made according to the value of its marginal product.

However, a fair distribution would imply the principle of *need*. Yet distribution according to need alone would be inequitable because it would ignore the different individual contributions in productivity. Consequently, a reasonable combination of *both* criteria is necessary. Functional distribution, based on productivity,

¹ Ricardo D. 'Works' ed. P. Scraffa (Cambridge University Press, 1951), Vol. 8, pp. 238-9.

must be transformed into personal income distribution reflecting need.

The redistribution of national income is effected mainly through the tax-subsidy process of the State's budget. In achieving the desired pattern of income dispersion the State creates the real confrontation between the fundamental policy goals of production and distribution. In a relatively developed industrial community, the forces directed towards production succeed if the different productivities of individuals are reflected in corresponding remuneration differentials. Assuming that innate talents are randomly dispersed but that some individuals for various reasons, not least the social structure, are in a more favourable position than others for performing highly remunerative activities, it follows that inequality of distribution of income – and the concomitant distribution of wealth – would result.

Yet, within a social system there are forces which are intent upon income equalisation; although these are prepared to accept the fact that distribution measures aiming at more equal distribution do affect the efficiency of production in more than one way. The net outcome is expected to depend upon the relative strength of those factors operating through the tax schedules and social welfare programmes that tend to reduce a person's incentive to produce, and of those elements within the same tax-benefits mechanism that are inclined to increase the level of personal activity and output per unit of man-hour through improving the individual and social well-being, thereby raising willingness to produce as well as the aspirations for a better life.

This underlying issue points at the necessity to evaluate a public scheme within a general framework and to account for both the short and the long run. It provides the background for this paper's discussion of the necessity to reconsider the basic approach to public welfare programmes in Malta. For, at times, the general impression could be formed that thinking over the structure and implementation of the public budget is compartmentalised, with plans to stimulate or accelerate production rates and the level of employment developed independently of welfare programmes.

This paper sets down the key attitudes towards social welfare as reflected in the 1971 electoral programmes of the two major political parties in Malta. It defines what the proper aims of public

assistance should be and, through a brief analysis of two welfare schemes, it suggests that there exist inherent forces leading to the incompatibility of a scheme's objectives arising, in part, from the failure to give due account to the cost side while proposing the set-up of new or modified assistance plans. Finally, it puts forward an idea that could be studied about the approach in State assistance; it points out that schemes based upon 'universalist' principles could lead to the failure of attaining otherwise feasible objectives if a more selective aid programme were to be followed.

In the absence of intensive research on various social problems and upon the best means of financing different solutions, schemes are bound to be formulated, at best, upon approximations of the real situation; and, at worse, upon outright hunches that would bear no relation to the true state of affairs. However, in both cases the important determining factor in carrying out a social welfare scheme remains the availability of public funds. Often, the money set aside for specific schemes tend to be residual in nature; the attitude being that aid would be increased if, and only if, funds could be found after the payment of unavoidable commitments in administration and development projects.

SOCIAL WELFARE PROGRAMMES IN POLITICAL PARTIES' PROGRAMMES

The 1971 election manifestoes of the two major political parties in Malta outline their policy principles.² Both parties are intent to extend the 'Welfare State'³ through a more diversified assistance network, in cash or kind, to households and individuals. Income redistribution is thereby acknowledged to represent a fundamental factor for social stability and economic progress. One party bases its programmed work and social activity upon the belief, among others, that it is 'the obligation of a developed community not to tolerate avoidable hardships that could arise for the people be-

² The Electoral Programme of the Malta Labour Party (henceforth EPMLP): 'Malta Maltija fil-Paci u l-Progress'.

The Electoral Programme of the Nationalist Party (henceforth EPNP): 'Frott tal-Hidma — Nimxu 'l Quddiem'.

³ The term 'Welfare State' eludes exact definition. However, it is taken here to refer to the creation of a society in which every citizen is provided by the State with services that ensure economic security for himself and his family.

cause of the excessive inequality between the rich and the poor',⁴ The other party recognises as its greatest achievement '... the progress towards a uni-class society: middle income group'.⁵

To translate such ideals and aspirations into every-day life, the two parties proposed to further the provision of public housing construction, to introduce family allowances, to legislate a national minimum wage and to set up a national health insurance.⁶ It ought to be presumed that such measures are directed to assist those who are in need: the sick, the aged, the low-income groups, categories of workers liable to be 'exploited' and the children of parents who fail, or are unable, to insure their households against disease and unemployment. Moreover, such assistance would be forthcoming from the community because it is recognised that particular households or individuals are unable to improve their social conditions on their own without the aid, in cash or in kind, from the State.

Cost estimations are nowhere given. It is therefore pertinent to point out that the limit to public expenditure is ultimately set not by policy but by revenue, not by politicians but by taxpayers. It seems that cost awareness is not effective with the result that the financial estimates of a scheme tend to be reduced to secondary importance. Thus, whereas both parties are prepared to restructure the contributory national insurance scheme to introduce relevant relationship between premiums and benefits — a step which inevitably had to be taken, — family allowances seem destined, if and when introduced, to be applicable 'universally', that is, paid to all households irrespective of the recipient's income. Similarly health insurance premiums are foreseen to be made compulsory for all households, the lesson from the inadequate funds in the National Insurance scheme appears, so far, to have gone unheeded.

Implied within such social welfare plans is the idea that somehow people are expected to act collectively as taxpayers, yet as beneficiaries of State services citizens are supposed to regard themselves as individuals. Such an illusion, if it exists, cannot last long, not in a relatively closely-knit community like the Mal-

⁴ EPMLP p. 15, n. 3.

⁵ EPNP par. 23.

⁶ Vid. EPMLP p. 11 f, g, h, i.
EPNP par. 16, 18.

tese where development programmes setting out to restructure the sectoral pattern of production could dictate the absolute level of wages and salaries that would establish beyond the reach of the greater majority the 'ideal' standard of living. Besides, it is through the claiming by the State of what presumably must be a relatively sizeable portion of an average weekly wage in indirect taxation and national insurance contributions that the social welfare programme can be run.⁷

The optimal way of implementing a general welfare programme is to assist those in need and to let those who can help themselves. The lower the number of people assisted, given funds available, the higher would be the benefits for every household; similarly, the more widespread are public benefits, the more costly would a scheme turn out to be once the 'quality' of a public service is determined. Any welfare scheme, existing or about to be introduced, need to be considered within the framework of the general demand for relatively limited public funds. The isolation of a scheme for assessing its respective feasibility in terms of social costs and benefits could render it fairly attractive, only to lead to financial supporting problems once in operation and incorporated in the general economic set-up. It would be very difficult for any Public Administration to discontinue public programmes once the State, for any reason, commits itself to provide a service.

POVERTY: DEFINITION, MEASUREMENT, AND ALLEVIATION

That assistance should go to the 'needy' is a fairly simple statement to make. But to define who the 'needy' are is a complex issue; for the term 'need' or 'poverty' is not easily defineable for policy purposes.

If 'poverty' is defined as inadequate income *relatively* to higher incomes, it turns out to be ineradicable: it would merely signify

⁷ An estimate of the incidence of indirect taxes on families in various income strata could only be made after the data on household budgetary survey carried out by the Government in 1971-1972 is published. However, it could be assumed that since indirect tax revenue amounts to about 60% of Public funds raised locally, and since indirect taxes are *a priori* labelled regressive, then it follows that the contribution by households in the lower and lower-middle income groups appear to be contributing to a substantial share of government expenditure. It is difficult, however, to specify the range of this contribution.

that the distribution of talents and capabilities, innate or acquired, is not distributed equally among all individuals – as noted already, this results in an unequal earning potential.⁸ If 'poverty' is translated to mean *absolute* inadequacy of the material conditions judged desirable and acceptable by a community – subject, therefore, to an upward transformation reflecting economic growth and the expected concomitant improvements in tastes and social conditions – it *can* be abolished by the redistribution of income.

A similar dichotomy is followed in the statistical valuation of the 'poverty limit' computed with the objective of distinguishing the poor from the non-poor. The estimate could be set in both absolute (fixed) and relative terms.

Policy makers in Malta have failed to declare the 'official' absolute poverty standard,⁹ defined as the command over goods and services for consumption per period of time. The result of this omission could be illustrated by an example from the Non-contributory Old Age Pension Scheme (OAPS). Three different annual levels of income could be considered as absolute poverty lines. Data for 1973 would suggest the following levels for a single person:

- (i) £M65.63 – the limit to personal income which disqualifies an individual from having his finances supplemented under the OAPS. Since no financial assistance is envisaged for a person whose income exceeds the above level, one must assume that the amount is sufficient to subsist.
- (ii) £M164.58 – the amount guaranteed under the OAPS when the recipient's own income is zero; this amounts to

⁸ Research on income distribution in the United States of America has led to the formulation of a hypothesis that the equal opportunity for education and training – recommendable on ethical grounds – could possibly lead to unwarranted results: instead of being egalitarian, spreading opportunities for education, combined with an increase in the general level of training, will increase the dispersion of earnings.

See: Reder M: 'A Partial Survey of the Theory of Income Distribution' (in Soltow L. ed. 'Six Papers on the Size Distribution of Wealth and Income' – National Bureau of Economic Research, 1969).

⁹ See Rote A.W. 'State Provisions for old age in Malta' (in 'Economic and Social Studies' Vol. I, 1971 – R.U.M.).

about two and a half times the sum indicated in (i) above.

(iii) £M198.08 – the annual funds guaranteed to a person whose income does not exceed £M31.50 per annum.

Under the National Assistance Act, the 1973 level of income per year (i.e. own income plus assistance) envisaged for a single person household amounted to £M165, corresponding, therefore to (ii) above.

The relative standard of poverty is defined as the level of income less than one half the median family income.¹⁰ Unlike the absolute standard, the relative standard also provides a measure of the degree of inequality existing in the lower half of the income distribution. For whereas a fixed standard is independent of the shape of the income distribution, the location of the relative poverty line is determined by the shape of the lower half of the distribution.

Using data collected by the Department of Economics, Royal University of Malta, in 1971 for other purposes than estimating income distribution, the relative poverty line for that year is estimated to have been £M252.40c (i.e. half the median income £504.80c). The absolute poverty standard for the same period for a couple could be either £M65.63 or £M227.54,8 or £M258.94,8 under the OAPS when both husband and wife are entitled to assistance; or £M183.90 for a two-person household under the Social Assistance Programme.

A tentative classification of the category and amount of families whose incomes fell below the relative standard of poverty is supplied in Table 1.

The classification below should, of course, be considered solely as a first approximation to the magnitude of the problem; about 12 per cent of the households would be classified as 'poor' by this definition. Provided that the statistical data at hand represent the real situation, Table 1 would indicate:

(i) the degree of positive skewness in the distribution pattern of income in Malta;

¹⁰With positively skewed distribution, the mean value is disproportionately influenced by the very few high incomes at the upper end of the distribution; therefore it is not as suitable a measure of the centre of the distribution as is the median.

Table 1

AMOUNT AND CATEGORY OF FAMILIES WHOSE INCOME
FALLS BELOW THE RELATIVE POVERTY LINE
IN MALTA - 1971

Note: (a) Department of Social Services

(b) Department of Labour. Data is for December 1971.

- (ii) the social pressures that are bound to be both psychologically and financially demanding upon those families striving to keep up even with the minimum standard of decency in this time and community;
- (iii) the other matters that become entangled in the poverty issue e.g. the urgency to prolong rent control legislation;
- (iv) the increasing burden upon public finances as overall social conditions – housing, education, recreation facilities, personal consumption demand – keep on rising unchecked. As always, demand for public facilities is bound to exceed supply unless prices are adjusted to regulate it.

It becomes important, therefore, to establish the official poverty limit or range. Whichever statistical approach is accepted, continuous research in household budgetary compositions and households' attitudes towards welfare programmes-cum-tax or opportunity cost payment need to be undertaken.

Households could fall within the 'poverty range' of the income distribution spectrum either because their income per period of time or averaged over several successive time periods, is inadequate; or because they misspend it. For example, people might not spend enough on housing, education, medical care or insurance for

the maintenance of income in sickness, unemployment or old age. In particular, myopic and irresponsible behaviour of the parents would be witnessed on their dependent children. Or, even though certain households want to allocate realistic proportions of their family budgets they could not afford to provide for the basic services at the current market prices.

Welfare programmes should, therefore, distinguish between a 'static' view of poverty and a 'dynamic' view. A short-run programme can be based on a static view: see who constitute the 'poor' now and try to help them. So, if non-contributory old age pensioners are in great need, following, say, rapid increases in prices of those commodities consumed mainly by such group, they would be given preferential treatment.

A long-run programme must proceed from a dynamic objective; it must consider how people become poor and how they might escape poverty. It would become essential to provide work for all those who want it; and to ensure that the financial remuneration would be enough to enable a man to live decently and in moderation (admittedly difficult to define). At the same time a system would be introduced whereby income supplement programmes would not interfere with the work incentives.¹¹

Long-run programming would integrate various activities of the Public sector: National economic planning; the provision of training and retraining opportunities to facilitate labour mobility as economic conditions would demand from time to time; assessment of welfare programmes following the evaluation of income withdrawals in taxation – both that raised on income and on consumption – and the supplement in cash or kind that accrues to beneficiaries from public welfare schemes. Aid should be distributed to specific categories of households whenever administration of schemes permits it.

In addition, decision would have to be reached on the form aid should assume: a subsidy to supply, or a subsidy to demand, or a

¹¹Viewed within this framework, the setting up of the Pioneer Labour Corps in 1973 could prove a temporary solution provided it succeeds in giving Public Planners time sufficient to guide the economy through achieving long-term oriented industrial – service set up, and provided it prepares the workers psychologically to work in a different structured economy geared to production and sales.

a combination of both. To evaluate the benefit accruing from subsidising supply of commodities, one needs to possess fairly accurate information about the consumption patterns of households in different income strata; once consumption patterns are known the value of 'disguised transfer payments' in the form of supply subsidies could be discovered. Only then could a decision be judiciously reached; it would be learnt whether the people who need most State assistance are actually getting it in a higher proportion than those who, because of a better financial position, are considered less eligible for Government's help. Results from such studies could be socially embarrassing.

Demand subsidies are explicit; assistance is provided following means-testing and beneficiaries could be more easily identified. Such aid could take the form of direct cash payments or vouchers (coupons) to be exchanged for specified purposes. The main advantage of demand subsidies is that, given appropriate consideration to work incentive, it would lead to a lower burden on State expenditure for assistance purposes if work-creating programmes achieve their targets. As the conditions of a household (in terms of income, size or prolonged illness) change, allowances would change as well. The unidentifiable supply subsidies do not permit this degree of adjustment in State welfare programmes.

By way of illustration, consider the provision of public housing and its allocation. The costs for construction and related amenities are determined by market prices; imputed rent on capital outlay could be estimated accordingly. The Housing Department normally rents public apartments at a subsidized price to those households that qualify for them. Once the rent is determined, it would not be altered. This procedure is tantamount to a permanent transfer payment equivalent to the difference between the economic and the actual rent. It should not follow, however, that because a family was in need in a given year, it would still require assistance in the future. Through the combined provision of public housing supply and a demand subsidy, Public Authorities would not only ensure low-cost quality housing but, in principle at least, still retain the possibility of making the family bear a larger share in the financial burden for rental once its commitments become less.

In order to appreciate fully the importance of the relationship of Public provision, economic pricing, and demand subsidy, the role

of prices in a market system need understanding. Pricing would not conflict with public schemes currently operating in Malta nor with some of those that are planned to be some day introduced. A comment on the role of prices in an economy seems therefore appropriate.

PRICES: A RATIONING DEVICE

Prices are one of the means of rationing a limited quantity of a good or a service; they ought to reflect costs, in terms of real resources, search-effort and time, for both suppliers and potential consumers. A price enables an individual to decide whether he wants to participate in a transaction or not: income, tastes, urgency (i.e. the intensity of need to purchase or to sell) would condition the willingness of a seller or a buyer to realise an exchange of goods.

Market transactions are said to function through the 'exclusion principle': a consumer must pay for the acquisition of commodities he desires; failure to pay excludes the consumer from obtaining a good. However certain commodities do not fall under this 'principle of exclusion'; they are said to provide the *economic* rationale for state provisions (as distinct from the more fundamental *political* argument for State intervention in the ownership and provision of goods).

As a rule, public provision should be restricted to those goods and services that are in joint supply – where consumption by one citizen does not reduce the amount available for the rest of the community – and commodities that produce 'externalities' – so that social costs and benefits diverge from private costs and benefits. Pricing would not be relevant for the distribution of such goods and services; hence the argument for 'free' state provision through general taxation.

However State intervention may also be undertaken to satisfy those social wants that are considered 'meritorious' of State subsidisation. Such wants, while subject to pricing and satisfied in part by the private sector, are provided for through the public budget, over and above what is provided through the market and paid for by private buyers.

If price fails or is ruled out as a distributive device, other means would have to be introduced. Rationing of supplies could be effected according to age, sex, social group, or status, to limit the

list. It should be understood that public production and/or public provision need not imply 'free' distribution. Although public education is 'free' for those who want it, housing and pasteurised milk are not. This distinction should not be allowed to confuse the issues.

A 'zero pricing' policy is usually supported on the grounds of externalities or fairly inelastic demand schedules for goods provided through the State's budget. Critics of such procedure argue that zero pricing tends to distort the pattern of demand for a good or service and could give rise to over-supply: with zero price the amount demanded is expected to exceed any other amount subjected to a price greater than zero.

It is also argued that schemes relying on zero pricing, fully backed from general taxation or public loans, tend to undergo a deterioration in the quality of a service as financial costs rise over time. The undesired results are said to be reflected in the time lost in waiting with long lists of patients for hospital treatment; obsolete public buildings; overcrowded classes in schools; and heavy annual subsidies to meet shortages in funds for social security payments. The universal introduction of a public service, with zero or subsidized price, appears to lead to such situations.¹²

This paper argues that wherever possible the pricing mechanism as a rationing device should be implemented. It is also agreed that the level and pattern of a household's consumption cannot be separated from its income and maintenance burden. The dual purpose of giving meaning to price and effecting an income distribution that would enable families to attain the socially desirable living standards could be met by extending demand subsidies. The problems and side-effects of implementing such policies are now analysed. This is done through the assessment of Public Housing Policies and the National Insurance Scheme as administered in Malta over the past years.

PUBLIC HOUSING PROGRAMMES

A simple hypothetical example could best illustrate the situation. Assume throughout that it costs £M2300 to construct an apartment;

¹² For illustration of such a thesis see the works on Social Services published by the Institute of Economic Affairs in Britain and Friedman M: 'Capitalism and Freedom' (University of Chicago Press, 1962).

rent is estimated at 6 per cent per annum i.e. rental amount to £M138; the apartment is leased at £M70 per annum — i.e. at an annual subsidy of £M68; omit the maintenance liabilities that fall on the State as owner.

The allocation of public housing apartments operates through a 'points system'. The weight a household's application is given depends upon the household's age structure — the size and composition of a family — its economic means and, if any, the structural and sanitary condition of its present residence. Family size and age are positively related to points allocation; financial means are negatively related; while a present small apartment in bad conditions would raise a household in the priority list. Such a system, equitable in principle, would determine that at a given time a family could claim priority to public housing and would be preferred to another household in 'better' conditions.

Certain points arise. First, the procedure leads to the formulation of a decision and stops. It does not follow up the effects of that decision for the system does not permit changes in rent demanded (£M70) from a household when conditions change, for example, children start working or the parents win a large sum of money. The subsidy going to this family (£M68 on our assumptions) will be permanent and tax free. A particular household is helped because at a given date it required assistance; the State intervenes and provides it with aid in the form of subsidised housing service. By the same reasoning, if conditions change for the better, the community, through the Public Authorities, ought to make the household help itself and pay a greater contribution for its housing i.e. the annual subsidy will be reduced from its original £M68. In this manner, the burden on public funds would be to the same extent lowered and the funds channelled for other purposes, including the assistance to those families, that would require help at that future date.

Moreover, although *prima facie* the system favours the large family with low income and living in inadequate housing, it could occur that such a family, precisely because of these same conditions that place it high in the priority list, would not afford to pay even the subsidized price. This means that if such a family is to be housed in the new building its income would have to be supplemented either directly or indirectly through a further reduction

in annual rent. If the additional subsidies are not forthcoming, another household that falls lower in the priority list would be given the new apartment. The result observed in the preceding paragraph would follow: perennial subsidy to the tenant. The family that ought to have been assisted in the first place would be relatively placed lower in the social scale with little hope of improving its housing problem; because it is poor and possessing no collateral, and a scheme of public insurance of funds borrowed for housing construction to meet cases of default is not available, such a family could not hope of raising a loan from a housing finance company.

In addition, so long as public housing rentals are not kept in line with the imputed rents on capital outlays, home ownership schemes in public housing apartments could not achieve their objectives. It is evident, of course, that there would always be people who prefer to own their home. But if market interest rates do not fall below the 'rental rate', and knowing that households' income will increase over time while rents contracted either remain static or are adjusted only after a long lag (revised every 50 years, for example) it does not appear economically worthwhile to purchase a State-owned apartment. The tenant secures subsidised housing service and retains his capital in any other form but not own housing and thus gains the freedom of choice in consumption. It is agreed that the value of real estate tend to be flexible upwards over time; but it is also true that a £M70 rental, twenty years forward from a given date would represent a lower burden upon a tenant. In order for public home-ownership schemes to materialise on the extent envisaged, thus creating a revolving fund for future projects, the rent charged should approximate the economic rent level,¹³ thus rendering it worthwhile for a tenant to own the apartment. Pricing, reflecting cost, would recondition current demand for housing service and other goods and modify future plans for the same commodities.

An anomaly thus prevails: Public Authorities have repeatedly attempted to encourage tenants in Public housing estate to become owners but, unwittingly, have withdrawn the major incentive that

¹³ By 'economic rent' is meant the total rent that buildings should theoretically receive to cover such elements as maintenance and operating costs, debt service costs and return on investment.

could contribute towards achieving this objective. At the same time, those households that ought to have benefited in the first place have not done so; the advantages from public schemes accruing to those households considered 'less' deserving.

A remedy to this situation could be found by the introduction of full economic rent pricing in public housing estates and a housing allowance to fill the 'rent gap' i.e. the difference between the economic and the actual rent. In this way, through overall economic planning aiming and achieving increases in real household income, the rent subsidy element could be adjusted to a family's conditions; there would arise an incentive for home-ownership, at least for terraced housing estates built by the State, and those families that need assistance would get it.

The solution is not without hazards; legal, ethical as well as financial problems demand careful study. Such a solution could be introduced at once in the renting of new apartments. But, to be equitable, it would have to be extended economy-wide; it should regulate both the public housing apartments already rented and those privately owned. It would be required to draw up plans of how to implement the policy without interfering with legally binding contracts and avoiding unnecessary litigations and potential social unrest. The existing housing legislation, amended over the years to meet specific objectives deemed recommendable at the time, has created different species of tenure and thus rendered a simple solution impossible so long as individual freedom is to be respected.

In addition, the injected freedom in the housing market¹⁴ would produce changes in the distribution of income and wealth as a result of higher rents and a more diversified home-ownership. The tax-subsidy mechanism could be used to finance and rechannel funds from one sector to another; for example, part of the rent increase could be directly clawed back to provide the base for housing allowances. In so far as subsidies are related to household's income the increase in rent, if necessary, would be either fully borne by the tenant — at one extreme — or fully paid by the Government — at the other end, with the private landlord, where

¹⁴ In reality different markets for living apartments could be distinguished by locality and size. The term here is used to cover the various markets.

relevant, contributing a set share equal to the clawed-back housing rate. If such tax 'earmarking' prove to be too complex to administer, and to fall back upon the concept of income as distinct from income-sources as the base for assessment, the income tax-subsidy structure could be so devised as to render the required funds for overall government expenditure, while providing an instrument for checking on private consumption.

The distribution of the housing 'burden' among tenants, land-owners and the State would reflect the socio-political conditions of the time. But the approach described would introduce cost-awareness; it would make explicit the direction of the flow of real resources; it would unfreeze the housing market and add a further degree of freedom to public policy procedures.

THE NATIONAL INSURANCE SCHEME¹⁵

The social insurance scheme implemented in Malta turns itself into a mechanism for income redistribution between different groups in so far as the value of annuities to which persons become entitled when they enter the scheme is not closely related to the weekly instalments paid. Two major kinds of redistribution could be identified: (i) From some retirement pension beneficiaries to others;

(ii) From the general tax-payer to the Scheme beneficiaries.

(i) Since its inception in 1956, the scheme's main objective has been to secure citizens of a reasonable income when they attain the 'legal' age of retiring from work; also it aimed to compensate for the then practically non-existing sickness benefit schemes in the private sector. Some entered the system relatively young; others entered it at an advanced age. This means that a person who contracted-in at a young age would pay more than the one who entered the system late in life and, in theory, could barely satisfy the minimum requirements for entitlement to benefits.

The income subsidy is not intended to help solely those in need, but is paid to beneficiaries independent of their poverty or wealth. Consequently, there does not appear to be any justification for this redistributive element.

¹⁵ See Rote A.W. op. cit. pp. 15 et seq.

(ii) The system is not self-financing.¹⁶ This deficiency appears wherever such schemes are introduced. Once the fund has gone bankrupt, the weekly contributions would have to be raised and the annual funds required to keep the system in operation would normally have to be provided from Government's current tax revenue. The system appears to be self-financing during the period when instalments are being paid and few quality for the benefits. But this appearance is misleading for it neglects the obligations being accumulated with respect to the persons paying the tax. The fund becomes overburdened with claims for benefits to meet conditions of unemployment, sickness or retirement from work.

Once again there appears to be no proper justification for helping a man just because he is 61, especially when the tax-payer is called in to provide the annual deficit in the fund.

¹⁶ Vid. The Budget Speech for fiscal year 1972-73. The Minister of Finance states:

'A commitment which we have to a large extent already provided for and which we feel it is imperative that the country should provide for is the need of building up again the National Insurance Fund to an acceptable level so that it can again become a sure means of safeguarding the worker's interest. Indeed ... we have already provided a subvention for £M1.2 million in 1971-1972. We again feel that the public purse should make a significant contribution also in 1972-73 and to this end provision has been taken for a subvention of £M600000 ...'.

At the presentation of the Government Budget for 1973-74, the same Minister once again takes up the subject and comments: 'My Government is not prepared to pass on to future generations of insured persons the burden resulting from inadequate contributions. In the circumstances, taking into account the advice of the Actuaries, my Government had decided to raise the contribution rate payable by each party in respect of adult employed person (employer and employed person) from 27c5 to 45c per week and to raise all other contribution rates proportionately.

These higher National Insurance payment will in effect mean an appreciable increase in the Government's support to the scheme. In fact the State contribution will go up by £M713,000 per annum while the Government's contribution as employer will increase by £M202,000 per annum, making a total of £M915,000'.

In the Budget for fiscal year 1974-75, the contribution rates were raised once more: for employers and employees the rate increased from 45 cents to 60 cents weekly; for the self-employed the rate became £M1.08,5 instead of 82 cents per week.

It is evident that the premiums paid are not sufficient to cover the present value of the annuity especially when it is definite that cost-of-living allowances to compensate for the rise in prices of consumer goods would be introduced at a flat rate in the future. This signifies that irrespective of the sum they have been nominally insured for, beneficiaries would certainly recoup on retirement higher returns than the amounts hoped for, apart from the benefits accruing during their working life.

The benefits from the scheme, then, are independent of income; distribution is equal for all insured. 'Contracting-in', however, is not optional; as a result the uniform contribution turns out to be a regressive tax: the lower one's income, the higher the percentage taken away by the State in social security contributions. Other results that ensue from the running of this scheme include:

- the reduction in the number of claimants for the Old Age Pension; to the extent that the scheme succeeded in making people think about the need to insure themselves against loss of income, it produced an educational means for responsible citizenship!
- The scheme could be regarded as a partial refunding of income taxation by providing a subsidized form of insurance. The annual household's savings, post-tax, are to this extent higher than they would otherwise be if the equivalent future annual income had to be secured through saving with a private insurance company.
- Government's commitments to honour claims for a scheme that is not self-financing – when it could be made so – reduces funds that could either be used for general public programmes or for selective assistance to those in 'need'.

The experience obtained from the running of the national insurance scheme should serve as a guide when deciding about the necessity and the structure of the proposed National Health Scheme. The projections of costs as much as benefits; and the identification of potential bearers of costs and potential beneficiaries must be determined. The *effective* beneficiaries and bearers of costs may turn out to be different from the *nominal*.

SUBSIDIZE DEMAND OR SUPPLY?

The two public schemes discussed suffice to emphasize the necessity to reconsider the general approach to Social Welfare Prog-

rammes. Public funds are relatively restricted; if assistance is to include quality in addition to quantity, the universalist 'free provision for all' principle would have to be narrowed to only few services. Whenever schemes are planned, the primary approach should be based on a pricing criterion.

Debate has been going for some time among economists about the validity of the proposal to meet inefficiencies that follow from 'unregulated' household income distribution by introducing a Reversal Income Tax (RIT) – a scheme based upon the principles and procedures of an income tax system but extending them downwards below the tax-free level to provide an increasing annual grant for the poor households.¹⁷

The idea is simple and surely equitable in principle; however the introduction on an economy-wide scale of such an integrated tax-subsidy scheme not only involves difficulties in administration but also could be financially heavy. The scheme would turn the household, as distinct from the individual, as the unit of assessment for both tax liability and benefit assistance: tax or assistance are determined by whether a household's income exceed or fall below stipulated levels.

A RIT can take several forms; but whatever its structure it must meet certain basic considerations, including, the provision of fully adequate help to the poorest, the operation of maximum selectivity in concentrating help on the poor, the preservation of the incentives to produce and the keeping of cost to a minimum in tax levied. Any scheme introduced would probably fail to meet all of these aspects; it will surely represent a compromise and the choice must rely upon the relative weights given to these considerations, which may be conflicting or complementary.

Of special importance is the incentive aspect.¹⁸ A transfer pay-

¹⁷ Vid. Muscovitch E. 'Income Supplements – How high Should they be?' Anderson P.S. 'Pros, Cons and Some Alternatives'

(both papers in 'New England Economic Review' – Federal Reserve Bank of Boston – January/February 1971).

Christopher A. et al 'Policy for Poverty' (Institute of Economic Affairs – 1971).

Atkinson A.B. 'Policies for Poverty' (Lloyds Bank Review Number 100 – April 1971).

¹⁸ Vid. Musgrave R.A. 'The Theory of Public Finance' (Mc Graw Hill 1959) pp. 251-254.

is likely to render people better off than they would otherwise have been. So on the assumption that the effect of the additional income is a stronger demand for leisure, people will work less hard. Besides, if the scheme is such that benefits diminish as income rises the substitution effect will also be adverse to work incentive. The restrictive element on incentive would presumably be stronger as the loss in benefits corresponding to income increase is relatively large i.e. as the implicit marginal tax rate (IMTR) rises,¹⁹ the disincentive on additional effort increases.

This set-back could be remedied by introducing a scheme wherein a reduction in social benefits is less than proportional to increases in own income – set the IMTR to less than – 100 per cent. Such results could be achieved by classifying assistance to meet different degrees of 'welfare': a minimum income guarantee related to a 'poverty level' and additional allowances to meet specific purposes, for example, housing, education or social insurance.

The minimum income guarantee would be determined after assessing family needs by size. Assistance would automatically be given to those households whose income per period, or averaged over several periods, is less than the established level. Such a scheme would incorporate the notion of children's allowances since the minimum income level would be related to different family sizes. Moreover it would render the need to declare a national minimum wage unnecessary; trade unions and wages councils would be in a more suitable position to assess the absolute levels of wages in different industries.

The minimum income guarantee plan concerns itself with the basic welfare requirement of a family. Added to it would be specific allowances to meet certain goods and services that satisfy 'merit wants'.

Table 2 presents a hypothetical example of a 'multiple scheme' that attempts to meet the criticisms raised against the schemes now in use. It sets a minimum income level; frees the market for particular services; enables the Public Authorities to reduce subsidy as income and/or family size change; introduce consciousness in costs, thus tending to restrict citizens from insisting for

¹⁹ The implicit marginal tax rate (IMTR) is defined as the reduction in social compensation following marginal increments in own income.

more 'free' benefits from the State; and makes easier the task of tracing income redistribution.

Table 2
A HYPOTHETICAL GENERAL WELFARE SCHEME

CATE GORY	MIG £M	HOUSING ALLOWANCE	EDUCATION ALLOWANCE	TOTAL INCOME	EDUCATION PRICE	NATIONAL INSURANCE	NET INCOME
OAP-Single	180	20	—	200	—	—	200
OAP-Couple	280	20	—	300	—	—	300
Married Couple							
+1 ch.	400	50	40	490	30	23.40	437.60
MC + 2 ch.	450	50	80	580	60	23.40	497.60
MC + 3 ch.	480	70	120	670	90	23.40	559.60
MC + 4 ch.	510	70	160	740	120	23.40	596.60

(Note: Basic Assumptions: Education Allowances: = £M40 per child attending (Secondary Education)
 school
 Education Fees = £M30 per annum
 National Insurance = 45c weekly (i.e. assuming contributor is an employee, at 1973 rates).

The above scheme, subdivided between a MIG and two types of service allowances omits income tax considerations for the levels

set in the table renders them irrelevant. It is intended to illustrate how welfare programmes could incorporate the incentive to work element and pricing in public provided services. The MIG, considered on its own, implies a marginal tax rate of 100% — for each additional £M1 in own income, there would be a £M1 reduction in public assistance. However changes in Net Income could still be advantageous to the household if the aggregate allowances are not correspondingly reduced in a 1:1 ratio. Reduction could be introduced proportionwise but less than one.

Suppose that allowances are reduced in a 1:0.5 ratio — for each increase in own income above £M510 of £M1 (to take MC + 4 children case as an illustration) credits would be reduced by 50c. In this way, the household would still be receiving benefits until own income reaches £M970. The gradual decline in assistance as own income rises is shown in Table 3.

Table 3

WELFARE PLAN WITH AN IMTR OF 50% — MC + 4 CHILDREN

OWN INCOME	CHANGE IN OWN INCOME	ALLOWANCES (HOUSING + EDUCATION)	CHANGE IN ALLOWANCES	TOTAL INCOME
510		230		710
600	+90	185	-45	785
700	+190	135	-95	835
900	+390	35	-195	935
970	+460	—	-230	970

Note: Personal Income Tax is not relevant for a household under above income and size conditions.

A weekly wage of £M10 would satisfy the basic requirement of the scheme — own income would be £M520 per annum. The Public Exchequer would be assisting a family to meet the other 'socially desirable' needs while ensuring selectivity of assistance. Resistance on the part of those household units which would be required to contribute towards public services could be reduced once

it is understood that the quality of the services could be raised; that there would be freedom of choice in 'consumption'; that other goods and services would be produced through the State expenditure once a proportion of costs for specific services would be covered; and that tax rates could remain unaltered even though public expenditure increases.

Such a scheme would not prove frictionless to introduce. Administrative problems could be expected to centre on two main items:

- (i) the form assistance would take: cash or vouchers.
- (ii) the introduction of economy-wide means testing and what should be included as the basis for assessing 'income' (i.e. the flow of resources per period).

The system, as dichotomised above, could adopt both approaches: use cash to build up the gap between household's own income and the minimum income level; introduce vouchers to meet the cost of services included in the scheme. Through this procedure, both the objectives of the individual and the Government would be met: a household is guaranteed a minimum amount of resources to be disposed of as desired; it would also be guaranteed financial assistance to be spent on specified goods if it qualifies for it.

The application of regular general means-tests for all households could be both expensive and irritating for the household. The use of the income tax return could, however, facilitate work by providing a classification of those types of households that are expected to fall within the assistance category. In a small community like Malta assessment should not prove an insurmountable obstacle. Data is already available, in part at least. What would be essential is the integration of information about each household that is probably available in dispersed form in different Government Departments.

The main emphasis would be on the basic level of income and how to enable households have control over an annual income flow through opportunities for work. The basic distribution of income derived from ownership of resources is in part the outcome of long-term economic planning; enterprises that would guarantee remuneration adequate to meet with minimal discomfort a moderate way of life would be encouraged.

CONCLUSION

Finding solutions for welfare problems is time-consuming. But the first indication that an awareness of the difficulties exists is the continual assessment of the schemes introduced in the past. The modifications that would be considered essential would reflect the planning horizon of Public Administrators and the extension of consciousness within a community of the fact that resources need to be created before they can be distributed.

The objective of this paper is to highlight the important aspects of income distribution plans. It does not attempt to measure potential impacts on aggregate activity of different distribution policies. It suggests that even at this stage when public officials are pre-occupied with development, certain steps could be taken that will enable future administrations to regulate more efficiently the then relevant economic and social situations.

The main idea put forward is that whenever possible public assistance should subsidise demand; if public provision is considered optimal, then demand subsidy would complement public supply and thus 'free' the market. Demand subsidization assumes the establishment of different minimum income levels reflecting the desired value of goods and services that households, of different sizes, require in a modern community.

Data about the ranges on income and the consumption patterns could only be obtained after intensive research. Whatever income levels are suggested in the examples above should be considered as purely illustrative. The principle must be accepted first; the details will be completed after.

SOME OBSERVATIONS ON THE EMPLOYMENT OPPORTUNITIES CREATED BY THE EXPORT ORIENTATED INDUSTRIES IN MALTA

by JOSEPH V. MUSCAT

HIGHER TECHNICAL EDUCATION, PLANS AND PERFORMANCE

The Malta College of Arts, Science and Technology was set up way back in 1962 as part of a programme of expanding Technical Education, in anticipation of the demand for large numbers of technologists expected to be created by the projected industrialisation of our Island. It now comprises five major departments. Since the training of engineers and technicians is one of the pillars upon which the industrialisation of any country rests, it would be instructive to examine the extent to which the progress at this College is related to what is happening in the industrial field. In this respect, the Department of Mechanical Engineering is perhaps by far the more important, hence in this paper I am going to confine my observations to it.

At this stage it would be useful to contrast the progress achieved in the establishment of this Department, against that of the other departments, using the number of qualified students absorbed by the economy as the criterion by which each department's contribution to the Island's prosperity is measured. The bulk of the students leaving the Catering Department have been readily absorbed by the booming tourist industry. Those from the Business Studies Department found employment in banking, insurance, accountancy, Government service etc. Many Civil Engineering students had to go abroad to find suitable jobs and those from the Electrical Engineering Department were wanted by the rapidly expanding servicing industries, such as in the power station. A small number found employment in manufacturing. That leaves the students from the Mechanical Engineering Department.

According to the original estimates, the combined Engineering Departments were meant to provide every year some 30 graduates at Degree and Diploma level, 60 students at the Higher Technician

Diploma level, and a further 100 Technicians. First of all, it must be stated that the actual student numbers do not in any way approach the original estimates, though it must be granted that the latter were probably meant to be a maximum to be reached after a specific number of years, by which time the industrialisation programme would have created a peak demand for technologists. At present, the total student population in the Mechanical Engineering Department alone stands at around 18 full time (Degree/Diploma three year course), 56 sandwich (Higher Technician Diploma, four year course) and 97 day release students Technician grade. The average number of students completing their respective courses each year, over the last few years, has been around 5 for the Degree/Diploma course, 7 for the Higher Technician and 24 for the Technician courses. Other specialist courses involve even less students per class.

Judged on the basis of an increasing student intake and the output of qualified people, it can be argued that the Department is now established as an essential element in the rapidly changing economy of our Island. There has been a gradual build-up in the variety of the courses being offered, and the number of students applying to join them. The examination success rate has been most encouraging for all the courses and to all concerned, so one has to look outside the College for the reason for this failure to expand sufficiently the student population of this Department. It is reasonable to expect that the engineering graduates and technicians be readily absorbed by the manufacturing industries as these are the very people most suited for production work in all its aspects.

The obvious reason for the small number of students per class is the fact that industry is not providing employment for all of them. While the need for such courses is not disputed, the rate of qualified student output in relation to the national effort devoted towards it, becomes a cause for concern. The Island's capital and manpower resources are thus not being used efficiently. Once enough sufficiently attractive employment opportunities are created by industry, there should be no shortage of qualified students to fill the courses which are already running. We have the human resources to expand Higher Technical Education to the scale originally envisaged. There is a very large pool of qualified secon-

rary school leavers, most of them seeking to join courses such as teacher training and those leading to University Degrees etc. It is logical to assume that with the proper inducements, a fair portion of these school leavers, over 4000 per year, could be orientated towards the more productive fields of the economy. In the process they would relieve the Island of the burden of having to provide for the surplus in the traditional white collar jobs, particularly in Government service. This point is of crucial importance in following up the main observations outlined in this paper.

In analysing the causes for the very slow increase in the student population of the Department, one is bound to question whether we are offering the right courses at the different levels. Our Degree/Diploma course in Mechanical Engineering is run on the same lines as any which one would find in most Colleges of Technology and Universities in the U.K. It is of the same duration and covers approximately the same range of subjects. Its academic standard is equivalent to, or even higher than, that of courses leading to the examinations of the Council of Engineering Institutions.

The other two major courses lead to the internationally recognised examinations of the 'City and Guilds of London Institutes'. We run a four year Higher Technician Diploma Course in Mechanical Engineering in which the main subjects are Applied Mechanics, Plant Maintenance and Workshop Technology. It aims particularly at meeting more directly the needs of small manufacturing industries. The emphasis is on a fairly broad span of Applied Technology. We also run Mechanical Engineering and Shipbuilding Technician courses together with other courses on 'Heating and Ventilation' and 'Refrigeration'.

We are following precisely the pattern of courses offered in British Colleges of Technology. It would be fair to say that these courses have evolved through decades of experience in an industrialised country, and are serving their economy well. To copy them is for us the most sensible course of action in the circumstances. There cannot be much wrong with the quality, standard or choice of the courses themselves. This is confirmed by the fact that students from all the courses mentioned have found suitable well paid employment, soon after leaving the College. In support of this one can quote cases where Degree/Diploma students, after two years in industry earn a salary higher than that of the more

qualified and experienced lecturers who instructed them. The courses and qualifications have been generally acceptable to the employers. The problem arises solely from the pitifully small number actually wanted by industry and hence the extremely serious implication that the College's contribution to this sector of the economy is correspondingly very small.

The following example is a fair guide to the employment pattern for a single year. Of an average yearly output of five students from the Degree/Diploma course, one goes into teaching, one to the Drydocks and another to the Electricity Board. This is logical because these students were already in employment with these bodies before undertaking the course, and their services are required in these very same places of employment. One finds work with a firm of engineering contractors and only one out of the five on an average goes to an export orientated manufacturing firm. Up to now all the students who have completed the Degree course have found employment of one kind or another but one can be absolutely certain that as matters stand, had there been a higher output of this class of student, suitable employment would have been very hard to come by for all of them. Many students had to take up work which is not quite in line with what they were trained for. In many cases, students seeking employment, faced an extremely difficult task persuading their prospective employers that an engineering graduate could be of service to their firm. Training schemes are practically unheard of except at the Malta Drydocks. Although all the students have found employment, the numbers involved are far too small for this fact to offer any comfort. The number of students employed by industry is up to now so insignificant, that it cannot help us to assess the full potential contribution, which the provision of this type of higher technical education is making towards industrialisation.

The prospects open to the holders of the Higher Technician Diploma and the Technicians' Certificate are on the whole very poor indeed. There have been a few cases where students have found employment suited to their grade, and it is through cases like these that we know the potential of these students as a group. This implies that industry is not offering jobs with a salary and working conditions better than what these people enjoy in their present grade as fitters etc.

The absence of job opportunities means that to some extent the national effort devoted to providing a higher technical education to these students has been wasted. As I see it, worse than that, it implies that the factories which indeed require the services of these technicians are remaining without them, and in consequence, in the long run the economy of these Islands stands to suffer. One must not forget the demoralising effect which this situation has on students intending to take Engineering as a career. Many sandwich type course students did not even find employment of a category higher than that of apprentice to keep them occupied for the six months of the year when they are not at the College. The student numbers involved in these courses are appreciable, hence the scale of the problem. Only a minute fraction of the total who complete the course go into the really productive exporting industries. This is indeed odd as these courses have been organised specifically to provide the technologists to service them; the very names of these courses are an indication of the intended occupation, 'Plant Engineering', 'Production Engineering', 'Jig and Tool Design' etc.

In summary it may be said that the scale of job opportunities offered by industry is most disappointing, otherwise once the student finds the right job, the salary is realistic, the prospects are good and in return the student's work output satisfies the employer. This does not mean that there are no other problems facing the student just leaving College. Certainly there are, but these are not different from those which one would encounter to varying extents in all industrialised countries. I am referring in particular to the initial lack of suitable industrial experience and background. This is no way the fault of the College, the student or the system, though something can certainly be done to integrate academic training with a planned programme of industrial experience. This is not practicable in the absence of cooperation from industry. Given a fair chance, our students generally acquire the necessary experience, as they gradually take on more responsibilities while in employment.

In the last three years there has been a significant slow down in the rate of industrial expansion. In consequence the number of new jobs created during the same period is correspondingly small, and hence the openings for technologists and technicians are re-

duced. While this factor is recognised as having a bearing on what has been said already, for reasons which I am going to explain, I want it to be regarded as outside the scope of this paper. Government aided industries have created a total of around 10,000 new jobs, the bulk being engaged in production solely for export. The number of qualified engineering students within this figure from the Polytechnic is perhaps not much greater than 10 to 20 at the most. Therefore leaving aside the issue of the total number of new jobs, the ratio of new jobs created to the intake of qualified students by industry, becomes a very significant figure. This, in my opinion, is at the root of all our economic problems as it is a symptom of the inherent weakness of some parts of the industrial sector. It is appropriate to mention at this point, that as many as 46% of the industrial enterprises which have been subsidised by the Government in one way or another, are now facing difficulties. This is indeed a serious blow to the programme of industrialisation. The issue being considered here is a fundamental one, and as such it is not appreciably affected by the temporary fluctuations in the rate of industrial development, in the Government aided stage. The total number of new jobs created per year by industrialisation depends to a large extent on local political decisions and on the economic situation governing the rest of the world. The ratio of the number of technologists to the total labour force depends entirely on the nature of the industrial undertaking and the way it is run.

UNSATISFACTORY BALANCE IN THE NEW JOBS CREATED: CAUSE FOR GRAVE CONCERN

The industrialisation of this country, up to now, has created an unsatisfactory employment structure in that there is a relatively large number of low paid manual workers and there is only a sprinkling of well paid technologists and managers, with few opportunities for the intermediate technician grades. This is certainly not in line with a young nation's dream of creating prosperity through an integrated programme of industrialisation and higher technical education. In the industrial sector, we are creating a society where the very large majority is earning wages at the bottom end of the scale, while thousands of graduates and secondary school leavers have the openings which befit their intelligence

denied to them. This imbalance in the employment structure is indeed very sad as it does not correspond with that existing in the industrialised countries of Western Europe, which we want to imitate. At very great cost to the Island's economy, we have created vast secondary schools and invested heavily in creating adequate opportunities for higher education as befits a prosperous developing country. Our children are willing and able and therefore have the right to expect from society the kind of employment which corresponds to the extent of their labour and intelligence. Yet in spite of Government's intentions in this respect, the increased opportunities in education are, to a large extent, merely reinforcing the numbers in courses leading to the more traditional occupations for which the supply by far exceeds the demand. Regrettably this creates rather than solves, problems for our economy in that it produces qualified people for whom not enough jobs are available, and worse than that, it creates a real shortage or under-employment in those sectors upon which the future prosperity of our Island depends. From what I know this kind of problem is not confined only to Malta. It is common to most newly developing countries.

The lure of the white collar jobs is too great to be put aside by the students and their parents who guide them and who rightly look at the status, salary and prospects of employment which in theory should follow upon the completion of their studies. While personal background, national tradition, the seeking of job security and the reluctance to embark on something new account for preference in the choice of career and hence the course of studies, there is no solid reason to suppose that students who for example take an arts subject could not take up an engineering subject with equal prospects of success in their studies.

The expansion of higher technical education is complementary to a programme of industrialisation. The technologists are the skeleton around which a factory is created and grows and in time prospers. These key personnel should in turn create employment opportunities for thousands of others who are not themselves technologists. In industrially advanced countries, the ratio of technicians to operatives is around one to ten. Admittedly this is only a rough estimate and it varies from one industry to another. We want to raise the standard of living of the population as a whole by

having a greater proportion of the working force contribute towards greater productivity by their intellectual ability rather than through manual labour. One need not overemphasise the point that on a personal as well as a national level, more wealth is created by the exploitation of one's intelligence, than is created by manual effort. In short we want to increase the number of professionally trained employees, and reduce the number of 'machine operators'.

If the present situation demands that we go through a major industrial and economic revolution, it seems that Higher Technical Education is playing only a minor role in this development. This is certainly not what the planners had in mind when the Malta College of Arts, Science and Technology was set up 12 years ago. Since only people who are trained and qualified can, through their intellectual contribution, lead to success a programme of industrialisation, the failings pointed out earlier on are indeed a matter of very grave concern for the future. We are now realising that while this type of education is certainly very useful to the Island, the extent of its use is being determined by the industries themselves and not by the Government's efforts in this respect. To build up a nation of manual workers on minimum wages, to raise the family income, to entice agricultural workers into industry, to be at the mercy of the whims of foreign investors and external market and political situations, amounts to merely replacing one form of dependence by another. In analysing the detailed answers to the questions raised by this problem, one can appreciate the underlying factors which account for the present situation, and assess the likely consequences on the future. Once aware of the inherent weakness of the present industrial set-up, the agency responsible for the guidance of industrial development, can take appropriate measures to rectify this lack of balance in the numbers of job opportunities created for technologists and operatives.

If the College itself is not supplying the technologists on any significant scale, then one is bound to ask the question as to how the manufacturing industries have been meeting their demands for them in the various grades. Before the Polytechnic was set up, the number of people having any qualifications in engineering, was very small indeed. Such people gained their knowledge through employment with the armed services. So it is reasonable to conclude that there did not exist in the Island a pool of trained and

qualified engineers and technicians, which industry could draw upon. There were hundreds of highly skilled craftsmen, who were indeed very competent at doing specific jobs. These people filled the vacancies created by industry, and I have no doubt that many of them worked very efficiently under the guidance of expatriate technologists, and industry was satisfied. Therefore, the very sad fact emerges that the needs of local industry as it is constituted at present are indeed very limited. Industry's intake of technologists is low because the system as a whole is inherently weak, and not because there is no real need for them in significant numbers. I regard the difficulties which industry is facing in Malta, to be in part a direct consequence of its failure to utilise to the full the output from higher technical education.

The failure of the export orientated industries to create employment opportunities on a sufficiently large scale to absorb all the engineering students from the Polytechnic, should not be used as an excuse for drastic measures, such as reduction in the number of courses now running. The fault lies at somebody else's door. Besides ex-students from this College are giving very useful service in other sectors of the economy, sectors which themselves service and support the industrialisation programme, and which I have not touched upon in this paper. It should be remembered that the object of higher technical education is the creation of a large pool of qualified manpower for industry to draw upon, when it needs it and in the quantity it needs it. While it is true that many students who have completed their course, have not as yet found suitable employment, this should be taken as a warning signal and not a major cause for alarm. It is the scale of the problem which makes this warning signal a cause for concern, and a stimulus to take remedial action.

It is totally unrealistic to expect that the timing of the needs of industry should always coincide with the period when students complete their courses. One must allow for a period of anything between five and ten years during which one year's output is gradually absorbed by industry and used effectively. This has in fact already been happening, and I have no doubt that this process would continue. It is the scale of this process which has so far been so disappointing. It takes from one to two years to set up a factory, but it takes between five and ten years to produce a tech-

nologist - with useful experience.

TYPICAL INDUSTRIAL ESTATE FACTORY: INGREDIENTS OF PROFITABILITY

Having established that Malta is capable of providing the right kind of technologists to service industry, and having found that the failings are outside our control, it is appropriate to have a closer look at the industries which failed to create the employment opportunities which were expected of them. We begin by asking a very fundamental question as to why foreign industrialists set-up shop in Malta to manufacture for export. The brief answer is, the profit motive, profit on a scale which is not attainable by investing the same capital in their own countries. The next question to ask is then: 'What are the main ingredients of a profitable industrial undertaking?' Very briefly I would say the right combination of men, machines and managerial skills. Let us now examine these points in some detail, to see the manner in which each contributes to the overall profitability of a firm, naturally treating the matter purely on principle and excluding all the other factors which do not have a bearing on the technical aspect of this paper.

Managerial skills under local conditions usually embrace a variety of functions performed by one or a very small group of men, more likely than not, expatriates. Most export orientated manufacturing concerns are small, or at least they start with a very small number of employees. So the owner or his representative in Malta reserves solely for himself the functions of general, production, personnel, technical and sales manager; that is he does an all round managerial job. He himself is usually a highly skilled technologist, a specialist in fact, who is very competent in the field covered by his enterprise, and it would be fair to add, that it is not likely to find anybody on the Island who can do his job with the same degree of overall efficiency, because none has the relevant experience in that highly specialised line of product. It must be realised that because of the small size of the firm, to have this type of management is perfectly normal, especially in the initial period of the firm's existence. The industrialist who sets up shop in Malta in fact relies on making economies of this type to make legitimate fat profit, by drastically cutting down on the overhead expenses, on a scale as big as he can get away with.

He brings with him the kind of skill which he rightfully turns to

his advantage, skills which we ourselves do not as yet have, and which technical education alone cannot provide. He is an exploiter in the very legitimate sense of the word, in that for example he is exploiting his intimate knowledge of market conditions for a particular product, together usually with widespread contacts which would serve his purposes by ensuring sales in the quantity and at the price which would guarantee him a profit. He may be exploiting a new manufacturing process, or a new product, probably one of his own design. As the originator, he has faith in its sale potentialities and is thus just creating a new market for himself out of his own ideas.

He probably comes from employment through which he built up vast experience of a process; which he thinks he can use to his own advantage. All this is perfectly acceptable practice. This kind of thing is going on all over the world. The emphasis is on profit arising from the use of specialist knowledge, personal initiative and/or original ideas, which the local people seem to lack. This kind of knowledge is never taught in Colleges and it takes a 'people' generations before they become bold enough to establish industries based on the exploitation of their own original ideas.

We reach the sad conclusion that the management of such industries regards itself as self contained, and it does not need technologists and technicians to assist him in his task. He would require them only if the firm prospers and expands to the extent that he himself would not be able to exercise control of the various functions alone. Even in that event, it is more likely that he would promote somebody from within the firm, rather than employ an inexperienced outsider. He would employ a number of people other than machine operators, but these trained by him and working under his instructions or general direction, need not have the broad based general technical education which the College provides. Nor are the services of such people genuinely required, or so the manager thinks. The manager believes that he knows everything and directs everything from matters relating to production planning to details about a minor maintenance job. There is no room for making use of the employee's intelligence and initiative, for making use of College acquired knowledge, for testing new ideas and so on.

There is room for process controllers or machine operators by

the scope; for a small number of supervisors, clerical staff perhaps, and a small number of maintenance fitters, but there is no room for the technologist and technician. The product line and the process are fixed and operation proceeds as dictated by the management. All that is wanted is machine operation as fast and with as great an economy as possible.

By machines I mean to include all the material requirements for production. The Government provides the factory building at a low rent, together with financial incentives in the form of grants, loans, subsidies and tax exemption. Local banks provide up to one third of the working capital, hence it is fair to say that the industrialist himself provides approximately one third of the total investment in the form of machines, plant items and workshop tooling. It is therefore appropriate to concentrate one's attention on the machines themselves. In many industries, the product and its manufacturing process are such that no major items of very expensive plant are required, and workshop facilities are on a very small scale.

The industrialist who *invests* his money in Malta envisages the maximum return on his capital through the exploitation of the abundance of the relatively cheap labour and not on the exploitation of the massive productivity of very expensive plant and machinery as is usually the case in the technologically advanced countries. With this order of priorities in mind, he invests the absolute minimum on capital outlay consistent with the needs for maximum economic productivity of the labour force which he employs. Consequently we see the growth of these industries where the average investment on machinery per employee is very low indeed, compared with that of the more advanced countries. One can see examples of this in factories making electronic equipment, rubber seals, leather goods, plastic components and clothing. There are expensive machines in these places, but the general case is that each machine feeds on work to an appreciable number of production line employees, themselves equipped with the very simplest of tools and additional machinery. An injection moulding machine can be taken as a good example of this. These major items of basic plant, production machinery and supporting machine tools are generally standard equipment and as such are relatively inexpensive though they may appear to be very impressive to the non-

technical visitor to the firm. The operation of this class of machinery relies on the use of labour which has to be trained to acquire the specialised skill in performing the job, and it is practically independent of College education. The machines, processes and products are so specialised that key personnel have to be sent to factories abroad to gain the necessary knowledge, training and experience. This practice is supplemented by the services of expatriate technical staff engaged in management, supervision, and training the local employees to take over from them. All this is technical training and experience outside the scope of Government sponsored technical education. It is perfectly normal practice anywhere in the world, for a manufacturing firm to train its employees in performing the specialist tasks assigned to them. Even in advanced countries, the technologists themselves have to be trained by and gain experience with the firm which employs them. Colleges do not train machine operators. These are skills acquired in a matter of weeks if not days or even hours.

The emphasis here is on the exploitation of abundant, cheap, disciplined, easily trained labour to operate the machines, labour which probably costs less than one third of the corresponding grade found in the rest of Western Europe. The fraction is perhaps even less when overall labour costs are considered. While this category of labour may be available in the quantities required in the industrialised countries, the minimum wages which it demands are determined by the general level of prosperity of the rest of the community. In other words, the standard of living of the country and not the qualifications or the productivity determine the employee's renumeration. The industrialist who sets up shop in Malta wants to exploit precisely this point, as the local wage levels which he pays are determined by the general level of prosperity of the underdeveloped country and not by productivity levels. As he concentrates on labour intensive processes, his total savings are substantial, and contribute towards a big profit in the shortest possible time, without risking huge capital investments.

It can therefore be appreciated why the technologist has no place in this scheme of fast profit making. This is certainly not a healthy pattern of jobs distribution, and while it makes for big profits within a few years, it is only sound if treated as a matter of short term policy. Because of their small size, these factories

usually consist of just one department, the production department. In an industry devoted to the manufacture of just one product, working conditions for the major part of the labour force approximate the worst of the 'factory system', the men just become a part of the production line. Naturally, the bulk of the profits evaporate out of the country.

This is indeed a retrograde step for our economy in that instead of raising our standard of living through following in the steps of the more industrialised countries, we are unwittingly absorbing the problems which these very same countries are so eager to shed themselves. In fact they are passing on solely the undesirable part of their technology, that is the part which relies on cheap labour. These countries are investing in their higher education even more heavily than we are doing. Their declared aim is to create a society where every citizen has the means and the opportunity to make the maximum contribution to his own prosperity and to that of his fellow human beings. The resulting structure of society is such that the number of qualified and trained people per 1000 of the population is rising rapidly, while that of people with the barest minimum of education, that is the kind which supply the factories with the 'machine operator', is rapidly decreasing. It is precisely because of the shortage of this type of manpower that industrialists from Western Europe set up factories in underdeveloped countries.

It would be most appropriate to point out that when we speak of the 'industrialisation of our Island', we are in fact referring primarily to the setting up of light industries. Whereas the latter constitutes one aspect of the 'industrialisation process' of a country, it falls by far short from making that country industrialised, in the sense that we apply the term to most of the countries of Western Europe. A country becomes industrialised when it sets up a complex vast network of inter-related and interdependent productive and servicing units which make it economically self-supporting. The average capital investment per head of population is usually very high; productivity and wages follow suit. The industry supporting services alone such as rail transport, power supplies, university based research etc., constitute major enterprises on their own right, and the individual industries themselves, cover more than mere production lines. The setting up of light industries im-

plies the direct route to the 'production line' without the expense and benefits of supporting technology and services.

Enough has been said about the employment structure to leave very little to add about the 'men' who contribute to the profitability of a firm. Since the work is usually of a repetitive nature the cheapest grade of labour for the specific job is employed. The bulk of the working force is made up of unskilled labour, with a high proportion of young females. The need for craft skill in manufacture is eliminated through the use of production machinery and the sub-division of the manufacturing process. Jobs such as those involving maintenance and toolroom work, require the employment of skilled and semi-skilled people, usually working under the direction of the manager and his expatriate assistants. As an example, the scale on which the maintenance work for a small firm is carried out, is too small to justify the employment of a technician to take charge of it. The same can be said for other activities, normally requiring the service of technologists. There is not enough specialist work to keep such people occupied on a full-time basis, and hence such duties are performed by the manager himself or his subordinates, some of whom are totally unqualified for such tasks. Usually the employment opportunities improve as the firm expands and consolidates its market at the same time usually becoming aware of its deficiencies. A number of Government aided firms have in fact already reached this stage, others have failed to expand, and some are in grave financial difficulties.

A VERY IMPORTANT OBSERVATION: CAPACITY FOR FLEXIBILITY

We have seen how the above employment structure has, through the incentive of big profits for the investors, created employment for thousands. The industrialist's profit has been allowed to leave the Island untaxed in the belief that the employment thus created constituted an end in itself, from which our population stands to benefit. We now realise that things are not in fact working this way at all, in that we see the security of continued employment created by a large section of the export orientated industries threatened by the fact that many of them are running into difficulties. One cannot blame the industrialists for not employing the technologists and technicians whose services they thought that they could do without. But one must certainly blame them for creating an employment structure which completely disregards one of

the most basic principles of good factory organisation. I am referring to the in-built capacity to cope with variations in market demands insofar as they affect the product itself, its quality and the manufacturing costs. These are matters which only the technologist and the technician can deal with adequately. This is why I am maintaining all along that the employment structure as originally constituted was inherently weak.

It is generally recognised the world over, that many manufacturing enterprises of the 'industrial estate' type, are extremely vulnerable to fluctuating market conditions. These risks owe their origins to events thousands of miles away, and the investor and the host government have no control over them whatever. While Government assistance is essential in the initial stages of setting up a factory, it is reasonable to expect that after a few years such industries should be able to stand on their feet and be capable of facing competition in world markets. Let us have a brief look at examples of factors which determine market conditions to appreciate the difficulties which such firms have to face.

Many engage in the production of consumer goods for which there is already a surplus of productive capacity in the rest of the world. Under these conditions a firm can hope to remain in business if at least its manufacturing costs are highly competitive. Here it is useful to point out that the technology of low cost quantity production is not synonymous with the skill of machine operation, or craftsmanship. The two are worlds apart. This calls for specialist knowledge and ingenuity in the application of production techniques which only the intelligent trained man can provide. If the production process does not keep abreast of the developments taking place in competing countries, there is a danger that such a firm's product would be squeezed out of the market, as competitors exploit to the full the benefits of their technical innovations. Production techniques and machinery are being improved all the time, the extent of this process usually being determined by the size of the market for the product, the capital available for investment in research and development, and the unpredictable genius of man himself. The majority of these improvements, while usually never very spectacular and never understood or appreciated by the general public, do have a significant influence on the production costs.

Another hazard which such industries have to face, is the setting up shop by competitors in employment starved communities in other under-developed countries. There is enough capital in the world to enable many countries to do just this. The main point here is that the industrialist shifts his sphere of operations to exploit the cheaper labour available in these countries. As has already been explained, there is as much suitable labour in these backward countries as there is in Malta. These are the type of industries which rely for making a profit on the balance of substantial overhead expenses, and on the exploitation of cheap labour.

Some industries, because of the very nature of the manufacturing process, operate on an extremely small margin of profit. Not so much because the process itself is unprofitable, but because of fluctuations in the scale of the demand for the product. That is, the overall profit is extremely sensitive to market conditions. The profit may be very large once the factory is in full production, but once the output rate falls, overheads of one kind and another swallow up the profit accumulated during periods of peak production. This fact emerges from an analysis of the unit-cost build-up of the finished product in the form that it reaches the world markets. The benefit of industrialisation can only be transmitted to the economy through the country's own contribution towards the manufacturing process.

To start with let us consider those elements of the selling price from which we do not stand to gain at all. Most of the profit itself goes abroad to the investor, untaxed and unchecked. The raw materials themselves are imported. These, together with the finished products are transported in foreign owned facilities. The electric power consumed is generated at an uneconomic rate. The factory buildings are built by the government and let at a heavily subsidised rate. Fees for manufacturing licences go abroad, together with most of the earnings of the industrialists in their capacity as managers, directors, technical experts, etc. A great deal of money leaves the firm to pay for advertising, market research, sales organisations and other specialist services performed abroad. The production plant and machinery, which is probably the biggest item in the unit cost build up, is all imported. From this it can be seen that the employees' contribution to the overall sales value of a product can, on average, be very small indeed, but this depends on the product.

That brings us to that extremely important consideration in all manufacturing activity, the production process layout. Some products are converted from material in the form in which it is supplied into the finished product, in just one or two machine operations. As an example of this one can take the extrusion of plastic piping. The 'value added' in this type of process, expressed as a fraction of the total manufacturing cost, is so small that one must wonder whether it is at all worth while investing in this type of industry, unless appreciable sales in the home market are guaranteed. Again considering the implications of the unit-cost build-up, it must be appreciated that the real money making, wealth creating elements of the manufacturing process are retained in the hands of the foreign investor, safe within the borders of the country of origin of the capital. This type of investment has invisible strings attached to it. The money making elements of manufacture, that is, those operations performed through the service of highly paid technologists and managers, are never transferred to Malta, and consequently a kind of permanent dependence is established through the provision of expert services, the sale of spare parts, retention of the sales organisation, and most important of all, control of the selling price, in the form of overheads.

Let me give an example of this. A British firm arrives at the conclusion that it is no longer economic to produce rubber seals in its own country, and sets up a subsidiary factory in Malta. In seal manufacture, the ratio of technologists to machine operators is of the order of about 1 to 500. The parent firm retains for itself, the marketing, research and development, together with the manufacture of the very expensive machinery which is used in seal manufacture. These activities require a ratio of technologists or equivalent grades, to operator grade labour, of about 1 to 10. It can therefore, be appreciated that the contribution of manual labour in increasing a nation's wealth is pitifully small indeed. Human labour is inherently relatively cheap and unproductive in an age when machines are taking over from man most of the monotonous repetitive tasks in manufacture. In very sharp contrast, the application of the human intellect to productivity is most rewarding to the man himself and to humanity as a whole. No machine can ever replace this function of man, but man himself must be trained and given maximum opportunity to make the best use of his intellectual powers.

Returning to the implications of the process layout. Some finished products consist of an assembly of parts, each part requiring a number of operations, such that the total value added within the factory becomes substantial. This type of manufacture, quite apart from its benefits of a high proportion of labour content, gives much greater scope to the local technologist and technician to make his contribution towards the economics and flexibility of production, particularly in the fields of production management with all that this implies. This in itself is a vast subject which we need not go into. This is the field where our students should fit in, in much greater numbers than at present. The valuable work of those ex-students employed with the export orientated industries, is indeed a great encouragement to us and acts as a pointer to the potential contribution which the College can make to the industrialisation of this country.

This consideration of the process layout leads to the most important observation of this study, mainly the flexibility of the product and its manufacturing process. In the preparation of this paper I attempted to obtain statistical data to support my observations by concrete facts. The published statistics did not give the information in a form which could be useful for my purpose. I intended to draw up a list of export orientated manufacturing firms, and for each determine

(1) the number of employees which can be classified as technologists and technicians engaged in maintenance, production, drawing office, toolroom or similar factory servicing facilities.

(2) the number of shop floor unskilled or semi-skilled employees mainly in the category of machine operators, that is the bulk of the labour force.

(3) from these two figures derive the ratio of operatives to technologists, the ratio being considered as highly significant, because it is regarded as an index of the flexibility of the firm.

(4) to obtain details about the progress and prosperity of each firm, and stating this in the form; firm shut down; facing financial difficulties; managing, but with difficulty; limited but satisfactory and normal progress; very successful. Any other form of information relating to the financial standing of the firm would not be feasible to obtain.

(5) to examine whether facts as recorded in the last point are

related to the above mentioned ratio, in support of the idea, that 'the greater the number of technologists to operatives, the better are the prospects of a firm, in achieving the aims for which it was set up in the first place: profit, continued employment and expansion.

With these ideas in mind, it would be useful to have another look at the inherent flexibility of the firms and their products. One cannot generalise all that easily when dealing with such a large number of enterprises, but it would suit our purpose to group the firms as follows.

In the first group I would place all those factories in which the plant, the process and the product are fixed practically for the entire lifetime of the factory. One can take firms engaged in the manufacture of synthetic fibres, animal feeding stuffs, soap powders, edible oil etc., as good examples of this group. Because of the very heavy investment in plant, such firms usually rely on a steady domestic and export market. The main openings for technologists and engineers are in plant maintenance. For actual process control, skill and training acquired within the firm are usually regarded as more important than academic qualifications. In this type of industry, key jobs go to people with the best knowledge of the process, which usually implies a system of internal promotions to those with the greatest experience. Many factories of this type which run into difficulties, do so either because of fluctuations in market demand for their highly specialised product, or because they have ignored the need to set up proper maintenance facilities. Some of these firms, themselves subsidiaries of old established firms in Europe, took great care of the maintenance aspect, and installed their own foreign technicians. These are gradually being replaced by local personnel, though for such posts experience is regarded as being of greater value than academic training alone, hence up to now openings for our technicians in this field have been very few indeed.

In the second group I would place all the 'machine' based industries, that is those where the product is completed through the operation of a number of machines in series. I have in mind those industries where the number of machines is relatively high in relation to the total number of employees, machines which do not cost less than anything between £M500 and £M1000 each at least. Although a great deal of minor machinery is used in most factories,

most of it cannot be regarded as the basis of machine operation. This type of machinery usually has provision for some measure of flexibility in the product, either through the specific setting of the machine or the use of templates or dies to suit the product design. This introduces another element in the make up of the labour force. In addition to the maintenance services, the firm must provide facilities for the design and production of the tooling (e.g. moulds), assuming that these are made in Malta. Fresh openings are created for technicians in the design and the highly skilled work of manufacturing the moulds. Unlike the first type which cannot alter its product to suit demand, this type of firm does not suffer from this inherent weakness. Through this ability, the firm is in a better position to work on a batch basis, and hence cater for a greater variety of products, still within a specific range, which is usually very wide. This product flexibility is therefore justifiably related to a lower ratio of technologists to operatives. I know that some moulds are obtained from abroad, but there is no reason why they cannot be made locally.

In the third group I would place those industries which contain a combination of some fixed plant, some machines, and a great deal of minor special tooling. The greater part of the last named equipment is usually made within the factory itself to suit specific manufacturing techniques peculiar to the product. This, in my opinion, introduces the third and most important field, in what may be regarded as the supporting services of a factory. This is the element which enables the firm to expand in such a manner as to extend the range of its products and to cut down in its production costs. This is the type of firm with the greatest prospects. Success is dependent on the employment of technologists and technicians, through whose efforts the firm's products remain flexible and competitive. The higher proportion of technologists to operatives, makes up the services which support the production side of the factory, if they are not actually engaged in it.

CONCLUSIONS AND PROPOSALS

Having reached the conclusion that one of the root causes for our failures in industrialisation is the low ratio of technologists to operatives, one can propose measures to put this matter right. As can be seen from the analysis of the export orientated industries,

some of the problems arise from the very nature of the industrialisation process itself. The investor sets up shop in Malta to make a big profit within the shortest possible time and in the process he creates employment for thousands of people. Matters outside this mutually acceptable arrangement are no concern of his. By the time that the long term unpleasant consequences of this policy become apparent, his original investment would have depreciated to the point, of not being economically useful any longer. He would have already made enough profit to enable him to pack up and leave. Whether we like it or not, there is very little that the Government can enforce on the industrialist, to avoid the inherent weakness of such a process, without scaring him and other prospective investors away. But a great deal can perhaps be done to consolidate the programme of Higher Technical Education and ensure that the foundations are laid for a sound industrial economy for the future. The potential gain from the proposed measures is a form of long term investment.

Returning to some very basic concepts about the long term aims of industrialisation. In an effort to create the maximum number of jobs in the shortest possible time, the Government offers incentives without considering the immediate resulting employment structure of such a process. Priority is given to getting industry rooted in Malta, in the hope that given time, the problems mentioned would be solved without Government intervention. One accepts this normal process, provided that the pace of industrialisation, shows satisfactory progress. It is assumed that as firms expand, as they pay greater attention to their production efficiency, as satellite industries emerge, as expatriates are replaced by locally trained people, as more factories are established in Malta, as the manufacturing processes involved become more sophisticated, employment opportunities would be created for as many technologists as the College can provide, and this in turn would increase the number of students seeking places in the courses which are already running. We can already see examples of this very welcome development. Now we must ensure that the scale of this process is maintained at such a level which corresponds with the scale of the investment in Higher Technical Education, and the extent to which we want to see our country industrialised. The following proposals should therefore be regarded by the Government as part of its du-

ties towards its own citizens, and not as an imposition on the industries themselves.

(1) Government must encourage Higher Technical Education, by providing subsidised employment in the manufacturing industries to all the students who join engineering courses at the Malta College of Arts, Science and Technology. Assuming that all the students involved in this scheme are following sandwich type courses, it implies that for that part of the year when the students are not at the College, they are in employment in industry. This is done for the specific purpose of giving all the students the opportunity to gain industrial experience. This scheme would ensure that by the time the student has completed a five year course for example, he would have enough practical knowledge of the workings of industry, to supplement his academic qualifications.

The Government should not impose upon the individual firm, the status which the student would enjoy in his employment; whether he is classified as unskilled labour, apprentice, trainee etc. is in itself irrelevant, as this depends on a number of factors, such as the age and ability of the student, the stage reached in his studies, his aptitude towards the particular work, and so on. Let the industrialist exploit this type of employee to his best advantage, and in time, without compulsion, he would come to appreciate the extent of the student's contribution to the firm. The scheme creates the opportunity for employer and prospective employee, to test each other, without engaging on permanent commitments.

There is hardly any implication of any additional financial burden to the Government as this is precisely what it is already doing though in a slightly different context. I am referring to the fact that it is already subsidising the wages of apprentices and other employees in the same category. Because most students are young and inexperienced, these wages cannot be very high, so the overall cost to the Government of such a scheme cannot be very great. The scale of the subsidy to the wages which the employer pays the student, would take into consideration the actual contribution of the student to the firm. The Government subsidy would be terminated on completion of the course. Whether the student then remains with the firm or not, is up to him and his employer to decide.

(2) Complementary to the above, the Government must insist that the aided industries employ not less than a specified ratio of Gov-

overnment nominated students in relation to the other grades of labour at any one time. This should not prove to be difficult, provided that the Government does not insist on the position which such students hold within the firm. One can gain useful experience from all types of manufacturing activity. Naturally such students would be expected to be employed on productive work, and not allowed to idle away their time. It is to be assumed that in all cases involving the placement of students or technicians in industry, the individuals themselves are acceptable to the management of the factory.

(3) A Government organised and supervised industrial training scheme should be set up, such that all students would have gone through a balanced programme of training in industry, through the type of employment mentioned above, by the time each would have completed his course at the College. Preference should naturally be given where practicable, to the type of employment most in line with the studies of the student. Through the opportunities thus created, the student may already have had experience of a number of firms by the time he has completed his course.

(4) The implementation of such a scheme requires that all the engineering courses should run on a sandwich basis, without implying at all that there is any change in the academic content. I would suggest extending this system even to the degree course. This at present takes up five years starting from 'O' levels. I would suggest making this a six year course, which includes the two years up to 'A' levels on a sandwich basis, so that training in industry could begin from the time that the student decides to take up engineering as a career. It is absolutely vital that engineering students should have acquired enough industrial experience by the time that they complete the course. There are other advantages of this scheme which I need not go into.

All these measures aim at increasing the output of effectively qualified people per year without adding to the number of courses and classes which are already running. By increasing the number of students per class, we would be using more efficiently the existing facilities for Higher Technical Education. It would be useful if records are kept for each engineering student, showing the nature of the employment taken up on the completion of the course.

(5) In handling out subsidies to industry, the Government must

insist on the employment by the firms which receive such aid, of a fair proportion of technologists and technicians, at least in a trainee capacity, to ensure that there is a satisfactory employment structure within the firm itself, consistent with its own needs for efficiency. This is primarily intended to ensure that the firm is run on a sound technical basis. The numbers to be thus employed would be determined by the nature of the technical services required and not by the ratios referred to earlier.

(6) Similarly, the Government must insist on the employment of technologists and technicians who have already completed their studies, very specifically for the purpose of gaining industrial experience. Ratios for technologists to operatives should be established for each factory, but it may not be practicable to insist that these people be necessarily employed as technicians as they may not as yet have the experience required for the job. Another reason may be that if these are appointed as technicians, it would mean the redundancy of more experienced but less qualified members of the existing staff. It would be logical to assume, that in general, management would make the maximum use of these people, according to circumstances. But these people should not feel disappointed, if for a time they may be compelled to do work, which they regard as being below their status.

Apart from giving these people the opportunity to gain industrial experience, these qualified people would be available to run the factory in the event of management deciding to close it. Government should encourage this process, by allowing the transfer of technicians from the Drydocks who are at present working as fitters and have no immediate prospects of promotion. As an inducement it should make up for the difference in earnings between their present wages and those obtainable through the new employment. In all these cases, once the employee is accepted by the management as a technician proper, all subsidy should cease.

(7) The Malta Development Corporation must encourage the setting up of industries which employ a fair proportion of technologists to operatives. It should also encourage the building up of a qualified technical staff, in the existing industries.

(8) The same body must assist in the emergence of satellite firms, which engage on specialist work, as a service to the other industries. As an example, one can consider a medium-sized fac-

tory specialising in the design and manufacture of moulds for the plastics industry. Such firms usually employ a fairly high proportion of technologists.

(9) It would be useful to compile statistical information, from which the ratio of technologists to operatives can be established for all the firms at any time.

(10) The government should take steps to set up a technical and managerial consultancy service, such that all the firms can have access to the best expertise available in the Island. Small firms which may not themselves be able to afford the full time services of technologists, would particularly benefit from such a scheme.

MARKETING CONCERNS OF A DEVELOPING ECONOMY*

by JOHN C. NARVER

It is a pleasure to speak to you tonight on some 'Marketing Concerns of a Developing Economy'. Before beginning, I wish to thank the Malta Chamber of Commerce, the Economic Society of Malta, and the Royal University of Malta for inviting me, and the United States Information Service for facilitating my visit.

I accepted the invitation to speak on marketing and economic development with some hesitation, for I feared being cast an 'instant expert' with respect to Maltese economic prospects and planning. Let me dispel any illusions that I stand before you prepared to indicate specifically the role of the various sectors of the economy or the precise manner in which marketing can best serve the interest of the total Maltese Society. The issues are far too complex and my contact with Malta far too limited to enable me to make any comments of a specific policy nature. Rather I intend my comments to provide a useful framework for considering economic development and the role of marketing — and thereby hopefully provide implications for Maltese economic planning. I invite your questions, for of necessity I am leaving much unsaid.

To begin, let us establish some perspective for viewing economic development and marketing. The major *economic* goals of any contemporary economy — developing or developed — would appear to include the following five:

1. Efficiency in the use of the society's scarce resources;
2. Adequate amount and rate of technological change;
3. Full employment;
4. Price stability;
5. An equitable income distribution.

*Public Lecture organised under the auspices of the United States Information Service, The Department of Economics of the Royal University of Malta, The Economic Society and the Malta Chamber of Commerce. Delivered on 5th February, 1974 at the Royal University of Malta.

Reasonable men may disagree strongly as to how best to attain these goals. Some may argue for a more competitive system complete with reduction of legal or other barriers to entry into the country's markets. Others may hold that a more centrally planned if not controlled economy is the more efficient and effective approach to their achievement. And of course coupled with either position are the questions of the role of fiscal and monetary policies, the appropriate valuation of the country's currency, the usefulness of establishing long-term trading relationships or joining economic blocs, the role of multinational enterprises as sources of efficiency and technical change, and so on and so forth.

My comments abstract from either the 'competitive' or 'centralized' arguments and essentially complement the various policy questions I have just raised. My major thrust is *how best to think about marketing for economic development* – within either a competitive or centralized framework. Let us define Marketing:

Marketing is the procedures by which the appropriate goods and services are selected for, and sold in, industrial or consumer markets.

It is essential to note that Marketing as we have defined it, includes both the *choice* of the goods and services to be sold, and the policies in fact to *sell* such goods and services. The definition explicitly combines the strategic decisions of what and to whom to direct one's attention and the tactical decisions of how to sell the goods and services. The combining of the strategic or long-run with the tactical or short-run is a major point in my talk today. Marketing in a developed economy and even more so in a developing economy must be conceived of as an integrated set of activities linking potential markets with the country's resources and capabilities. Whereas, to limit marketing to merely the selling of given goods and services is to confuse selling with marketing and to invite gross inefficiency and ineffectiveness in utilizing a country's resources. The selection of goods and services most appropriate for selected markets must be included in 'marketing'.

Indeed and most emphatically, for a developing country the problem of deciding what goods and services to offer for sale is in many senses the more critical marketing problem than the decision of what price and promotional appeals to employ with respect to

the goods and services. An old axiom in marketing is that a product carefully selected vis-a-vis given market is half-sold already. If anything this axiom – extremely relevant to any economy – is too conservative. Three-quarters sold is more like it.

A developing economy typically has a limited domestic market and must rely substantially on exporting and importing for economic growth. Because growth depends on sales in export markets, there are special problems in conducting marketing research, namely the costliness as well as cultural complexities in analysing foreign demand, plus some inevitably greater time-lag between demand analysis and appropriate adjustment of one's mix of products and promotional appeals. These and other complexities need not detract from our focus of establishing a framework for thinking about marketing.

A developing economy, particularly a small developing economy, may be likened to a single business organisation. Analogous to a business organisation:

- (1) there is in a developing economy considerable agreement on the identification and ranking of economic goals;
- (2) there is a recognition of the need to develop markets, in particular, new product or geographic markets; and
- (3) there is general agreement on the major resource strengths and capabilities the country possesses.

In short, there is sufficient cohesiveness regarding goals and basic resources that the analogy to a single business organisation is not inappropriate. Accordingly, a developing economy is essentially a large single business organisation with the potential for diversified activities seeking to link its resources with markets in a manner which best attains the stated goals. To do this, the developing economy must adopt a marketing perspective. What is a marketing perspective?

As leading marketing practitioners and scholars will attest, successful marketing involves a set of steps, each one of which is a necessary but not sufficient condition for success. In many articles and discussions this total set is called, appropriately enough, 'The Marketing Concept'. Of what does this marketing perspective or marketing concept consist? It consists of four parts:

1. SELECTION OF TARGET MARKETS

The country must identify which sets of customer-types, i.e., markets, it is interested in pursuing. The term 'target markets' is apt, for unless a country (or firm) selects particular homogeneous subgroups of customers as targets it cannot hope to be efficient and effective in utilizing its resources. Without the selection of target markets the country or firm ends up being all or some things to all or some people. A hopeless plight. We all know what has happened, and to those that remain still happening, to the 'general store'. If resources were unlimited, which alas they are not, the selection of target markets would be unnecessary. Similarly, selection of target markets would be unnecessary if all customers were identical in tastes, wants, and purchasing power. However, in a scarce resource and heterogeneous world — the real world — it is only by selecting target markets and responding appropriately to them that the scarce resources can be allocated efficiently and competitive effectiveness attained.

What are the criteria for selecting target markets? I would suggest at least three major criteria. The first criterion is the country's *resource strengths* and *capabilities*. Thus, for example, if by reason of location, climate, or points of interest, there is a strong potential for tourism, then this capability is a factor in the choice process. Similarly if a country has mineral wealth of such and so variety then this also is a factor in selecting target markets. Or if the country has a substantial pool of skilled or unskilled labor, this is a factor to be considered. And so on. Finally, one develops a list of the resource strengths and capabilities which the country wishes to capitalize upon.

The second criterion is the current and especially expected future *growth* of the various groups of demanders for the resources singled out. Other things equal, rapidly growing markets are preferable to slow growing or static markets. This is especially so if the country cannot enjoy comparative advantage, i.e., lower costs of production, or differentiation, and hence a superior product. Thus, if the country has no production or quality advantage, it has no monopoly power in the long run — and thus it should place considerable emphasis on the expected growth rates of the candidate markets.

The third criterion is related to the second. It is the *opportunity*

for creating comparative advantage or differentiation. The issue is the degree to which a country can establish a production or quality advantage. Obviously not all candidate markets suggest an equal opportunity in these regards. A country with a short period of warm temperature enjoys no comparative advantage in regard to tourists desiring vacations in warm climates. However, it may perceive subgroups of tourists for which it could nevertheless offer a superior quality of vacation experience. Thus for this hypothetical country, its advantage if any, must come in the quality of the product rather than the cost of production. Of course other assumptions regarding desalination techniques, the advent of solar radiation, the economic as well as environmental effects such as water-temperature effects of nuclear power plants, and so on, could alter the ranking of markets being considered as targets. The point is simply that the *opportunity* for creating comparative advantage or differentiation must be carefully considered in the selection of target markets. Additional criteria will not be mentioned, though many countries will wish also to rank target markets in terms of their environmental effects, their political implications and other factors unique to the particular country.

Having mentioned the three major criteria, let me stress that the selection of target markets must be seen as a narrowing down to specific subgroups of customers — for in a world with diverse levels of affluence, customs, tastes, ideologies, and so on, there are numerous customer subcategories with quite different economic behaviour among them. The self-defeating result of blurring these important differences, at the limit ignoring these distinctions entirely, should be obvious to all. Let us illustrate briefly by considering Malta and tourism. Certainly one of Malta's major resource and capability potentials lies in the area of tourism — a point widely recognized by all Maltese. The growth potential and to a lesser degree the opportunity for differentiation are also recognized. 'Tourism' of course is not a sufficiently defined target market. Within tourism, one can for example, easily perceive important subcategories such as 'vacation tourists' and 'convention visitors'. Among vacation tourists, one might classify into subgroups such as tourists interested in scenery, or in more serious archaeological pursuits, or in relaxing in the sun. In addition, there are the socio-economic dimensions — from those desiring

luxury accommodations on the one hand to economy-class on the other. (The latter as a mass market may well offer greater expected profitability than the smaller but higher-markup luxury group). Consider in addition the various affinity-group or independent groups in terms of tours and block bookings. Consider as well the hemispheric differences in terms of vacation times. And to these dimensions the subcategories comprised by ethnic and religious differences, and one easily sees that the tourism market is indeed a complex collection of submarkets. If the subcategories mentioned plus other relevant ones not mentioned were systematically listed, the many combinations (many of which imply vastly different behavior) indicate the requirement for careful selection of target markets. And, obviously, products and merchandising strategies must be tailored to the particular target market.

2. ANALYSIS OF TARGET MARKETS

The analysis of the candidate markets in the selection stage is conducted at a level sufficiently precise to enable use of the selection criteria. Once the target markets are selected, they are analysed further to attain a more complete understanding of the determinants of behavior of the demanders comprising each target market. The target markets are also analysed in terms of the competitors' behavior, the extent to which competitors match customers' desires, and the nature and probability of potential competition. (Once again, these aspects would be covered to a degree in the target-market-selection phase, but in this second phase, the analysis is in more detail).

In this second analysis of the selected target markets, the information obtained regarding the determinants of demander behavior and the nature of the competitive situation including the strengths and weaknesses of the primary competitors are inputs in the selection of the specific 'products', prices, promotion appeals, and distribution patterns. The other basic input for the selection of these elements is the information the country already has regarding its opportunities for comparative advantage and differentiation. Thus, the analysis of the target markets provides information on customers and competition which in conjunction with the information developed in the selection stage, permits a rational selection of the 'merchandising mix'.

3. SELECTION OF THE MERCHANDISING OR MARKETING MIX

It is only upon the completion of phase one, the selection of target markets, and phase two, analysis of these target markets, that the country (firm) is in a position rationally to select its merchandising or what's generally called its 'marketing mix'. Probably few in this audience would disagree with the point being made that it is simply logical first to select one's target markets, analyse those markets carefully from demander and competitive standpoints, and then, but only then, select the particular product (good or service), and the price, promotion and distribution which will maximise long-run gains. However impeccable this logic, it is honored more in the breach than adherence. The logic represents a market-oriented sequence — the market is selected and analysed, from which inferences are drawn for the product, price, promotion and distribution *mix* that will best attain the desired goals. Common practice on the other hand apparently is represented by the 'logic' of a product-oriented approach, in which one starts not with a market selection and analysis but with a product in hand. He then attempts to 'sell' this product which involves finding (hopefully) a market and pushing hard in terms of price and promotion. Square pegs enter round holes only with difficulty. A product-oriented rather than market-oriented approach no doubt is a major reason for the astoundingly high 70% mortality rate of new products in the United States. It is possible that many of these same marketers (countries or firms) adopt a market orientation at the outset of their marketing, but slide into a sacred-cow, product-oriented mentality thereafter. My product right or wrong!

A mental picture useful in maintaining a focus on the market rather than the product, is to think of a particular target market denoted by a symbol at the center of a circle. The circle is divided into four wedges — respectively called product, price, promotion, and distribution. These four elements comprise the merchandising or marketing mix — and importantly, the values they are assigned are strictly a function of the characteristics of the center of the pie: the target market. The proportions of the mix comprised by an emphasis on product quality or design, or price appeal, or promotion appeal, or distribution improvements are variable, depends always on what the marketer perceives to be the optimal avenue to efficiency and differentiation. Hence the determination of the mar-

ketting mix is from a market orientation.

4. CONSTANT REAPPRAISAL OF TARGET MARKETS AND MARKETING MIXES

Unfortunately the world refuses to be other than an extremely uncertain place. However, carefully one selects his target markets or marketing mixes with respect to them, one may miscalculate. Or even with correct initial decisions, the market conditions may change rapidly. In either event, only a close monitoring of his target markets in relation to performance standards he establishes will enable him to know when and how marketing-mix adjustments are required, or whether other target markets are now more suitable than one or more in his current set of target markets. The expected growth rate of the current markets may be positive and substantial, but if other candidate target markets are as attractive in other regards as well as indicating a more rapid long-term growth rate, the country may wish to switch in part or whole to the other market. In many cases the redirecting of one's resources to another market does not require a complete retooling and construction of new plant and equipment. The extensive data on diversification in the United States for example, show that the vast majority of diversification is accomplished *within* the existing plant and equipment with only relatively minor additional investment in real capital required. This is a generalization of course, and exceptions do exist. However, the data strongly indicate that a country or firm may have ample opportunity to address other target markets, or adjust marketing mixes, within the framework of existing plant and equipment.

In short, continuous monitoring of one's performance in the target markets is required. And one continually should ask and be prepared to answer whether other marketing mixes or other target markets are called for. The marketing concept insists that any emotional attachment is proper to performance not products, and hence it insists upon a sensitivity to market signals not personal preferences.

Let us now turn from the four component stages of the marketing concept to a brief consideration of three additional points in the relation of marketing to economic development. First, as noted, technological progress in the form of improved production processes and products is an economic goal of most countries, developing or developed. A developing economy has little technological depth,

and thus, completely internal development of technological change is slow and costly. How can it inject additional amounts of technological change? One approach – and note I speak only from an economic not a political or social perspective – is the multinational firm. A recent study in the United Kingdom examining the economic effects of multinational firms on the U.K. economy found, perhaps to the investigators' surprise, that multinational firms earned good (or at least non-negative) marks in regard to efficiency impacts, technological change, balance of payments, and employment effects. Obviously, the U.K. is not generally considered a 'developing' economy. Thus the economic impacts of the multinational firms noted there do not necessarily apply to developing economies. My point is simply that developing countries in terms of possible economic advantages ought not to dismiss multinational firms out of hand. (The potential political and social effects of multinational firms are well known and moreover beyond the scope of my talk tonight).

Second, though the basic thrust of my comments has been on the marketing concept and that the logic of that concept is independent of the particular arrangement of economic activity, two implications of competition deserve comment. The numerous studies on the relationship between the strength of rivalry in a market and efficiency and technological change show conclusively the following: Efficiency defined as the development of improved processes and products, is *positively* related to the strength of competition in a market. Atomistic or purely competitive markets aside, in markets where competition is among the relatively few, the greater is the pressure from current competitors or potential competitors threatening to enter, the greater is the efficiency and rate of technological change. The benevolent monopolist is largely a myth both as to improved efficiency and improved products. Moreover, firms are consumer oriented primarily to the extent competition forces them to focus continuously on the market – and they are the more efficient in that the more consumer or market oriented, the closer they follow the marketing concept.

Third, what is the socially optimal combination of goods in a market? Or what is the socially right price (a timely topic indeed)? From strictly an efficiency perspective (that is, equity considerations aside), the socially optimal combination of goods or socially

right price is that which obtains in a competitive market. By competitive market, I mean precisely a market with sufficient pressure from other competitors or potential on current suppliers to force them to a consumer orientation. If forced, and forced continuously through these market pressures, they will necessarily identify consumer desires, adjust their marketing mixes accordingly; the result of which is socially optimal combinations of goods and socially right prices. The moral to this last tale is the maintenance of open, vigorously competitive markets. Then, but only then, does the market define for us what is socially optimal from an efficiency standpoint.

By way of brief summary, the marketing concept involves first the selecting of target markets, next the careful analysis of those markets, and then, and only then the selection of goods and services as well as price, promotion, and distribution policies. The market selection and analysis must come before not after the selection of products. Moreover, one must remain flexible as to what shall be his target markets as well as the marketing mixes he uses in each target market. The marketing concept is applicable to both developed and developing economies. Indeed, it is essential for the more complete attainment of certain economic goals held by virtually all economies. It applies both to attracting industry to the country and linking the country's resources to markets. Insisting as it does on a market rather than a product orientation, the marketing concept is no guarantee to success, but if one is a betting man the odds are far better with it than without it. And what's more, the probability of successful adjustment and adaptation to changes in market conditions is far higher. In an uncertain world, that is saying quite a bit!

THE MEDITERRANEAN POLICY OF THE EUROPEAN COMMUNITY

by GIAN PAOLO PAPA*

I. INTRODUCTION

Opposed by the United States, who fear an extension of European preferential zones, misunderstood by the new member states of the Community, for whom the Mediterranean, as a region, is a flight of the imagination, criticized by the Community farmers, who fear competition from similar products, the Mediterranean Policy of the Europe of the Nine is experiencing a slow and difficult development.

These reactions to the trans-Mediterranean links that have been created in the last ten years between a Europe that is proceeding towards its objective of integration and this explosive 'melange' of tensions and poverty that characterize the shores of the Mediterranean are not unfounded. The agreements signed between the European Community and this region, which is essential for its security, have caused the traditional majority enjoyed by the United States in GATT to transfer to the EEC which is supported by Mediterranean countries interested either in the eventual adhesion to the EEC or in the creation of a free trade area with Europe. Furthermore, a co-operation free from the old imperialistic/colonial implications could easily spread, through the Arab states on the shores of the Mediterranean, to those of the Arab peninsula supplying oil. This could mean a dialogue between the energy thirsty Europe and the states that possess the precious oil, with an obvious danger for the large oil multinational corporations that have traditionally acted as the intermediaries for the product. Moreover, a

* The opinions expressed in the article belong to the author and consequently do not bind anyone except him.

The original version of this article, in French, was published in the European Year book 1973.

Translated by John C. Grech - Translator appologises for any inaccuracies or limitation on the author's style of writing caused by translation.

long term agreement at reasonable prices between the Arab States and the Community could imply that the U.S.A. would be deprived of part of its energy needs, with the coming of the 1980's.

The British hesitation to join in a concerted action in the Mediterranean, on the other hand, finds its origin more in the traditional intellectual failure to consider the Mediterranean as a region, than in political choice. In the British tradition financial and economic co-operation has proved to be an option of a global nature (a policy oriented towards the developing countries as a whole) or dictated by specific operations connected with strategic exigencies (Cyprus, Malta, Gibraltar). To follow a regional approach in the Mediterranean for the new member States seems to imply a set-up which lacks an accepted foundation. This attitude is all the more understandable since the Mediterranean, the region from where our civilization sprung and which has been a centre for cultural and economic cultivation, seems to have disappeared as an entity for two thousand years. The international organizations (U.N.O., OECD, GATT, UNCTAD) have divided it between Europe, Asia and Africa like all the national ministers and the geographical publications.

The objections raised by the peasants of the Mediterranean regions of the Community against the concessions given (and to be given) to competing products of the region in the context of preferential agreements is also understandable. Coming from poor regions relative to the opulent industrialized parts of Europe, the peasants ask why, being the least secure, it should be them that pay the burden of a European policy aimed at favouring their Mediterranean neighbours. The reactions became all the stronger as the Common Agricultural Policy has opened the Common Market to the large wheat and sugar producers of the northern regions giving them a locational advantage relative to the marginal producers. Whilst the small land holders of Calabria and Languedoc still await the hypothetical benefits from an aid policy for structural changes necessary to ensure them a more equitable income.

Nevertheless, during the last ten years, links between the Community and a number of countries comprising 170 million inhabitants and covering a surface area 14 times that of France, have been progressively forged, shrouded in the almost complete silence of the press. Eleven agreements make up the structure of

this dialogue with the Mediterranean region for which the European Community, a traditional commercial partner, offers vast development possibilities.

This polarization of Mediterranean countries towards Europe is explained by the fact that European realities are a basic factor in the growth models of the Mediterranean countries which cannot but integrate them in their development programmes. Being the only close partner enjoying a high level of income, the community constitutes for these countries, the major element determining investment decisions. It is in fact practically the only customer for agricultural products which make up the bulk of these countries' exports. It is worth noting that the amount of trade between the EEC and the Mediterranean is more or less equal to that between the EEC and the USA and three times that with Latin America. These facts only help to strengthen the argument for Europe's interest in the Mediterranean region. Moreover during the last ten years trade between the two areas has grown by a yearly average of about 10%.

In 1973, the Community had formal relations with all the Mediterranean basin countries with the exception of Albania, Libya and Syria. As for Jordan negotiations are being undertaken for the signing of an agreement. It is generally agreed, though, that these agreements make up a mosaic of limited agreements that lack homogeneity. However one must bear in mind that these agreements have been drawn with the objective of dealing with the different needs of the various Mediterranean countries themselves, within the context of the Community's discretion that for legal and political reasons is in practice limited only to trade matters. These bilateral agreements have been drawn after insistent requests by the interested countries, with the Community acting rather passively and cautiously, case by case, dealing with the most pressing problems.

Although seeming so limited, these links still have provided the necessary set-up within which a dialogue would be entered into to define the prevailing problems and freely discuss possible future solutions.

What is more significant is, that these agreements have presented a welcome opportunity to reconsider the relations between Europe and the Mediterranean and pave the way to eventual financial, industrial, technical and social co-operation.

II. NATURE OF THE PROBLEM; INTERDEPENDENCE OF SOLUTIONS:

It is, of course, true that the Mediterranean region is characterized by considerable differences in the level of economic and social development and by contrasting political regimes, not to mention the Arab-Israeli conflict. In the Mediterranean there are countries that belong to the European Community, NATO and COMECON as well as countries with neutral tendencies. Still this sea which seems so divided represents also a community of problems. Most of these problems cannot be solved except in co-operation with the two Mediterranean countries that belong to the EEC i.e. France and Italy. But these two countries, by far the most important amongst those of the Mediterranean shores, are integrated within the politico-economic structure of the European Community.

Because of this the Europe of the Nine becomes, so to speak, altogether Mediterranean with all that this implies. Thus the Mediterranean's problems become Europe's problems. The link that joins the two is not only a determinate North-South one but the interests of the two are woven together in a pattern of interdependence. This 'interdependence axis' concerns not solely strategic matters but also trade as well as migration of persons, energy supplies, financial flows and ecological problems.

(a) The necessarily agricultural calling:

The Mediterranean shores are typified by a common environment that is characterized by the similarity of climate and soil with common constraints of water shortage and erosion and limited plains of any appreciable size. These factors naturally lead to similarity in output and hence to intensive competition between the Mediterranean countries of the North and those of the South, for both of which the market that represents the essential outlet is that of the Community.

Thus the climatic conditions of this region, make about fifteen products that could be considered as typically Mediterranean (wine, olive oil, citrus, various fruits and vegetables) with production periods that are quite alike. These products barely manage to provide a living for the mass of rural population, which in the Southern Mediterranean comprises two-thirds of the total population. More-

over the population in these areas is expected to double by the end of this century. This mass of rural population, in itself, is a cause of an economic, social and political disequilibrium the actual importance of which and the difficulties it would present in trying to adjust to it in the longer run, should not be under-estimated.

The chance of finding employment for, and improving the lot of this section of the population rests at one and the same time on developments in agricultural production, on the shifting of an ever increasing proportion of this population to expanding industrial or urban areas, and on emigration; each of these solutions, though, leads to numerous other complex problems.

It should be realized, however, that any progress that can be attained by improving, in arid areas, extensive and poor agriculture using man-power is no solution. Only intensive agriculture and hence essentially, horticulture, forestry or vineyards, and the processing of their products can possibly provide the necessary employment and income to these rural masses, as long as it is impossible to provide them with sufficient employment elsewhere.

But which part of the world, except the European Community already and for a long time now the main market for these countries which provide it with 80% of its imports in these products, could ensure a significant outlet for these perishables that cannot be transported over too long a distance?

This situation would not have given rise to any difficulties, were it not for the fact that these products signify a threat to similar products coming from the less favoured regions of France and Italy. The Latin members of the Community had put as a condition for their membership the adoption of an agricultural policy which has seriously limited foreign competition. Thus the Mediterranean producers are themselves faced with an obstacle which only the European Community could remove.

The Southern Community countries should however realise that they are the principal beneficiaries from the development of trade in industrial products in the Mediterranean. They should also realise that for various products (particularly tomatoes, cucumbers and onions) the most formidable competitors lie in Northern Europe, and especially in the Netherlands, where intensive cultivation under glass houses is organised on a continental basis.

For their part the Northern countries of the Community are generally more concerned about the interests of their consumers than about an agriculture which does not really belong to them. They are mainly concerned lest they would have to support, on the financial level, the consequences of a Mediterranean Policy, which would consist of aid to Community agriculture or aid to Mediterranean countries.

(b) Industrial Development: in search of Investors and Markets

Industrial development in the Mediterranean is characterised by the existence of considerable differences which range from the more advanced industrial economies like Spain and Israel to the underdeveloped, areas of the Tunisian type. If one were to add to the former two countries, Yugoslavia, Greece and Portugal, the list of countries exporting a certain, or rather an important volume, of industrial products would be complete. For the rest, except for hydrocarbons, exports are minimal.

However industry is a sector which provides better chances of growth than in agriculture. Its progress could help these countries to diversify their economies, reduce unemployment and expand those resources which are necessary for their development. But, in spite of the natural advantages that certain Mediterranean countries have, for producing goods that require high energy and labour inputs, and for those requiring harbour facilities where costs are relatively low in this region of inlets, important difficulties still prevail. Inefficient administrative and technological framework and political instability reduce the worth of economic and climatic advantages.

Currently, in fact, save for the more industrialized countries of the region, one can claim that the more attainable economic chances for the less industrialized countries lie in those sectors for which obstacles of access to the market of the Community are known. This is the case of textile products, refined petroleum products and food products.

A further consideration, already mentioned, is the fact that the Community, because of its geographical proximity and market size constitutes the major economic factor for the region, in as much as, it strongly conditions its development. In short, if the Community

sneezes, the Mediterranean catches a cold...¹

The Mediterranean was by passed by the industrial revolution of the 19th century, based as it was on techniques for which these countries were not gifted (blast furnaces, steam powered machinery, railway). These countries have little coal, their metal deposits were known and exploited by the Romans, and were left practically without any of the classical ores. Geographical features did not help the installation of railways and navigation; the latter was practically confined to the oceans before the opening of the Suez Canal.

Conditions have now changed. Technological evolution has put an end to dependence on coal. The Mediterranean, on its Southern shores, possesses oil and natural gas resources or is the place of transit, eventually also of refining of petroleum products.

Throughout the world we witness a tendency to locate industries in harbour areas (which are plentiful in the Mediterranean). So far it has been mainly the European regions of the northwest of the Mediterranean that have, at least partially, benefitted from this process of Mediterranean 'Renaissance'. On the contrary, the countries of the South and East; although neither are entirely lacking resources, require foreign assistance in order to finance their industrialization, based on basic industries (based on natural gas, petroleum, iron and steel) or on transformation industries.

The conditions seem to be ripe for an economic evolution of the whole Mediterranean industry between its dual fronts, with a transfer of factors of production between a hyperconcentrated industrial Europe using 8 million Mediterranean migrant workers (Italians included) and the whole of the Mediterranean in search of an economic renaissance.

(c) Migrant Workers or the 10th Community Country

On the Mediterranean shores the employment problem is distressing. Subject to a demographic pressure bordering on a growth rate of 3% per annum the southern shores alone can reckon on 200 million inhabitants by the end of the century.

The cumulative effect of Mediterranean underdevelopment and

¹See the annexes concerning trade between the EEC and the Mediterranean.

the rapid economic expansion of Europe organized within the Common Market, has provoked particularly in the last ten years, one of the greatest migrations of modern times. During this period it has become ever more clear that immigration has lost its conjunctive feature to become a structural element in our present economic system. The traditional place of Italy as 'a reservoir of labour' has come to be shared by Spain, Turkey, Yugoslavia and the Maghreb.

It is true that the countries of origin benefit from the remittances of their migrant workers (a contribution that for certain Mediterranean countries could surpass the earnings from trade) and provides a certain relief on the employment market due to the reduction of unemployment. But it is also true that these regions are losing the youngest and most dynamic elements hence an aging population results with the consequent reduction of production capabilities. This massive drain on the lively forces of the population risks, in the end to accelerate, instead of undoing, the underdevelopment spiral. Moreover these immigrant workers, in most cases after having given to Europe the best years of their lives, do not succeed in integrating with a society that rejects them, and return home to constitute a heavy burden for social security and retirement funds.

Migrant workers and their families within the enlarged Community constitute, the 10th non-member 'state' of the latter, a 'state' the population of which in 1973 was about eight million inhabitants. This 'country' it goes without saying, has no domiciliary rights in the Common Market. It is a 'nation' of second class citizens forming a category of sub-proletarians often without any guarantee of employment and subject to fluctuations in economic conditions. It is a 'nation' with diminished or even inexistent rights which however constitute an ever more important part of the active population of Europe. Whole sectors of the economy are to-day dependent on immigrant labour. Sectors where the European no longer wants to be subjected to the slavery of the industrial civilization: building, production and working of metals, mechanical industry.

The Community is thus tied to and a beneficiary of, this flux of Mediterranean labour, the more so given that our demographic growth tends to stagnate. This human interdependence has developed along a 'South-North' axis in the prevailing interest of European opulence of the industrial triangle and has been integrated in the

growth formula of the Common Market as a necessary constant.

(d) From environment to Oil

The three aspects briefly analysed agriculture, industry and labour are at the same time common problems for the Mediterranean region and the Community, a fabric of interconnections, I dare say unique at world level, to which should be added that of defense and environment. The ecological interdependence in actual fact concerns all the countries on the shores of this enormous lake where life risks disappearing if the Northern countries export their polluting industries to the other side of the sea in the name of growth. An initial conclusion can thus be partially derived: if the hypothesis of a co-operation option between Europe and the Mediterranean is fully accepted, the solution to these problems cannot be found except in common.

Moreover one should not forget an important complementary element: the tourist phenomena through which the European dependence vis-a-vis the sun corresponds to the dependence of the Mediterranean countries on the revenue generated. These transfers have grown during the last ten years on the average at an annual rate greater than 15% for the whole of the 'sunny countries' and, exceeded the remittances of migrant workers, to become second in rank, after physical exports, in the total of foreign receipts of the region. To be sure, tourist activities can very easily do without intervention resulting from co-operation agreements but this would be an error of under-estimating the importance of this element not solely from the point of view of development but also as a means of bringing people together.

If we now take into consideration the energy problems solely for the countries of the Mediterranean shores, it would be inaccurate to speak of interdependence with Europe, with the only exception of Algeria and Libya. It is true however that the Mediterranean controls the access to Middle Eastern oil that comes through 'pipeline' in the eastern region or by 'tanker' through the straits of Gibraltar. And Europe depends almost entirely on external supplies, of which two thirds pass through the Mediterranean. Hence one can easily imagine the economic and strategic importance that this region represents: a serious and prolonged crisis could cause a pa-

ralysis of European industry.²

These few considerations are but a few examples, the more important, that show the returns that co-operation between Europe and the Mediterranean can offer. The Mediterranean countries have come to realise in isolation the importance which represents, for each of them, the big European partner and the problems that it poses for them. The Community, on its side, has only slowly discovered the extent of its ties. In elaborating the whole aggregate statistics, it has better evaluated the importance of its trade with a region which it has had the tendency, even in the recent past, to consider as having mainly importance from the point of view of security and of maintaining traditional relations.

III. THE CURRENT AGREEMENTS BETWEEN THE EEC AND THE COUNTRIES OF THE MEDITERRANEAN BASIN.

Mediterranean is a term which does not occur at all in the Rome Treaty, as an ordinary provision to define particular relations with the whole group of countries of this region. It is only in the declarations annexed to the Treaty that there is provision for the possible association of Tunisia, Morocco and Libya, countries that have had particular relations with European States; a relic of the colonial past of France and Italy. Algeria was not placed in an annexed protocol: at the time of the birth of the European Community it still formed part of the Metropolitan French territory ...

The Treaty instituting the EEC however provides juridical means whereby it is possible to enter into agreements. This concerns mainly article 113 concerning a Common Commercial Policy³ and article 238 that authorizes the Community to conclude association agreements.

It is on this basis that the Community has taken its first steps towards a Mediterranean Policy with all the constraints deriving from a lack of a political concept and worse still lack of common strategy, not to speak of the failure of economic organization on

²This point has been proved by the crisis brought about by the Arab oil embargo after the October war in the Middle East: Translator's note.

³Commercial relations, prior to the end of the transitory stage were based on Article 111.

European territory. In this regard, it must be recalled that the agreements with Greece and Turkey were signed respectively in 1961 and 1963 when the organization of agricultural markets had hardly been started. Consequently a number of major difficulties had to be faced, when searching for a guiding line leading to the Mediterranean countries in absence of policies as important as energy, industrial, social and regional, not to mention agricultural policy that only now comes to be drawn for processed agricultural products.

These factors have made the Community act in a pragmatic way rather than follow a specific and global policy in respect of the various countries and products. In fact this latter approach would have divided the member states and would have impeded response to the pressing initiatives of certain Mediterranean countries that justifiably believed, that they were paying for an integration in which they did not participate. Moreover in view of the antagonism between the super powers, becoming ever more acute proportionally with the degree of penetration of the Soviets in the Mediterranean, it was not at all strange that they get closer to a partner whose essential virtues were a certain lack of political activity and an economic importance that made it the biggest commercial world power. The fact that Great Britain had decided to join the Common Market has meant for the Mediterranean partners a favourable complementary forecast of a process of integration and growth that will take place at the level of the Old Continent.

In such circumstances, the Community was seen as constrained to act in order to reduce the difficulties that it had itself created for its Mediterranean partners particularly in the agricultural sector. Economic necessities were to determine the choice which, ten years later, could be considered as the first outline of a foreign policy.

These relations between the Community and the Mediterranean region have developed in three distinct phases:

- That of *initiation*, characterized by the Association Agreements with Greece and Turkey, took place between 1961 and 1963, along with the beginings of the EEC;
- that of *proliferation*, which covered the period between 1961 and 1972 characterized by the association of Tunisia, Morocco,

Malta and Cyprus; trade agreements with Spain, Israel, Lebanon, Egypt besides the non-preferential trade agreement with Yugoslavia; to these we can add the agreement negotiated with Portugal in the context of relations with the European Free Trade Association (EFTA);

— that of the *global approach*, the beginning of which came in July 1973 with the opening of negotiations with Israel, Spain, Algeria, Tunisia, and Morocco.

To facilitate reading we felt we shall not elaborate on the specific contents of each agreement even in their broad outline.⁴ On the contrary, we shall attempt to make a brief analysis of the reasons motivating the agreements and, where appropriate, of the underlying politics that probably led to certain choices. In fact one can easily agree on the economic motives already underlined, outcomes of factors or dictates of interdependence of which we have already spoken. On the contrary, if one wants to delve into the political motives, that are never defined openly by those responsible in the Mediterranean countries and in the member states of the Community, one must confine oneself to personal and hence subjective impressions. But perhaps this effort might on reflection be suggestive to those who try to understand that which could be hidden behind an image of pure technicality.

(a) Greece and Turkey, the initiation phase.

The first two agreements of the Community were those of Athens and Ankara, negotiated and signed in the early sixties, that is in an historical context of escalating cold war and soviet penetration that gave rise to serious fears on both sides of the Atlantic. On one hand, an association agreement would have 'stabilized' the economic and political structures of Greece which is a member of NATO just like the member states of the EEC. On the other, the conservative Government of Mr. Karamanlis sought a prestigious success to try and block the mounting liberal tendencies of Mr. Papandreu who was endangering his Government and over whom therefore he had to prevail. A success in the association negotiations with Europe in fact reassured the image of the conservative

⁴c.f. in annex the schematic contents of the agreements signed between the EEC and the Mediterranean countries (position: 1st. July 1973.)

Government. Lastly, the failure of the first negotiations between the EEC and Great Britain, urged France to enlargement in the South, perhaps to prove to its partners a spirit of outward lookingness where 'Hellade' replaced 'Albion'.

Similar motives could be traced at the roots of the Association Agreement signed with Turkey in 1963. In fact, the Southern flank of the NATO security network does not stop at the cradle of the first democracy, but extends further beyond the Bosphorus, into the Asian continent. On its side, Turkey, faithful to the historical choice of Ataturk, wished to consolidate its political and economic ties with a Europe that desired a balanced approach towards two countries divided by a most ancient rivalry.

Treating of two countries with a vocation of integrating with the Community, the two association agreements were signed as an initial preparation for a consequent adhesion with the EEC. This explains the outcome, particularly in the case of the Greek agreement: a formidable legal construction tailored on the Treaty of Rome, extending over a quarter of century and which describes in advance the meticulous mechanisms that ought to lead progressively to a customs union. The text is thus littered with precise timetables and detailed schedules which, even if in theory they allow for all the technical aspects, ignore the political element and could not forecast what the outcome would be in reality. The proof of this came with the coup d'état of the Greek colonels in 1967 after which this beautiful legal monument which was the Athens Agreement was frozen.

This lesson has borne its fruits. Consequently, the Community has signed association or preferential trade agreements on the basis of discreet stages, progressively determined, which are better equipped to deal with a world experiencing rapid changes.

(b) The proliferation phase: Ten agreements in four years

The Greek experience must have been kept in the minds of the negotiators who signed the agreement with *Spain* in 1970. The latter had requested an association to show its people that Europe had accepted its political system, but the result was a simple preferential agreement of limited duration. The Athens lesson had served its purpose and only the assurance of ability to decide

afresh and in function of the results of the previous stage of the agreement persuaded the more cautious of the member states to extend Community contractual relations to the Iberian peninsula.

As for *Malta* the problems were quite different, since the relevant motivations of sheer national politics, and the economic importance, were insignificant for the Community. On the side of the Maltese, the association agreement signed towards the end of 1970 was meant to consolidate the European vocation of the island and reassure the declining prestige of Mr. Borg Olivier, the conservative leader whose name will always be connected with the attainment of independence of the island. The success of the negotiations did not however hinder the electoral victory of Dom Mintoff a few months later. The six, on the other hand, sought a strategic interest in the association of this little Commonwealth country: a transfer of Malta to soviet flanks would have altered the Mediterranean equilibrium.

The case of *Cyprus*, that signed an association agreement in 1972 is not fundamentally different from the previous one. Apart strategic matters, it was important for these two countries not to keep away from a Community to which Great Britain was seeking to adhere.

The preferential trade agreement signed by the EEC and *Portugal* in 1972 could be compared, as to its political considerations, to that of Spain. However we note two details of different nature: this country is not strictly speaking Mediterranean but can be considered as belonging to this region because of similar environmental features; negotiations took place in the context of the agreements with EFTA as a consequence of Community enlargement.

Finally, to conclude with the 'European' countries, *Yugoslavia* signed a non-preferential trade agreement with the community in 1970, which was replaced in 1973 by a further agreement of a wider scope. This agreement reconciles a desire for economic 'approachment' with the need, due to the Yugoslav set-up to organize its trade relations within a non-preferential framework.

If we pass to the Southern shores of the Mediterranean, none of the agreements drawn lead, eventually, to adhesion with the Community. This is a limitation put by the Treaty of Rome which extends full participation in the Community only to European countr-

ies. The association agreements with *Tunisia* and *Morocco*, signed in 1969, are the result of commitments undertaken by the signatories of the Rome Treaty as a consequence of the existing special relations between these countries and France with whom they enjoyed a privileged treatment, particularly for their principal exports: agricultural products. Just like with the case of *Algeria* with whom no agreement has been signed by the Community so far, the interdependent relations were such that it was necessary to search for a new equilibrium with the Six. Moreover, the Maghreb countries have resented, in different periods, the precarious nature of their links with Paris. Europe could allow a redefinition of these links without directly destroying their bilateral nature. The Tunis and Rabat agreements have indirectly played an important role in the relations between the Community and Mediterranean countries: their example has probably urged other Arab States to establish contact with the EEC, the more so since the latter had signed an agreement with Israel already in 1963.

To be sure, *Israel* was the country most pressed to establish close links with the EEC in order to come out of its isolation. A request for association was submitted in 1959: a minor non-preferential trade agreement, was the outcome in 1963. This was followed by a preferential trade agreement, signed in 1970.

In answer to the Lebanese requests, but also in order to establish parallel and comparable relations with the various Middle Eastern countries, the Community in 1965 concluded, an agreement covering trade (similar to the one signed with Israel) and technical co-operation with *Lebanon*. A preferential trade agreement was signed by the latter and the EEC in 1972 concurrently with a preferential trade agreement signed with *Egypt*. Only the search of pragmatism has made it possible for the Community to allow the pursual of a boycott (by the Arabs) and the safe-guarding of non-discrimination amongst constituted bodies and nationals of the Contracting parties. This has made it possible to follow a tight timetable in negotiations between the Community and Israel on one hand and with Egypt and Lebanon on the other.

(c) Agreements viewed 'horizontally': Similarities and differences

As we have pointed out earlier on, the Community, within the li-

mitied fields of action due to institutional, political and economic reasons has in defining the first outlines of a Mediterranean policy sought to find a pragmatic set of approaches and solutions more or less homogeneous. The objectives were a contribution to peace, security, economic equilibrium and political stability of the region – ambitious objectives if one were to realize that the means were limited to the progressive establishment of custom unions and free trade areas.

These agreements though limited, do cover an important part of trade, constituting an appreciable reduction in quotas and tariffs and a first important step towards the free exchange of goods. They are based on the notion of an equilibrium in the agricultural sector, (that is the stabilization of export receipts of the Mediterranean partners on the Community market which is very sensitive to competition in this sector) and of expansion in the industrial sector where the degree of European sensitivity is much less in view of the export potential of the region.

Besides, these preferential relations are based on the principle of reciprocity in the concessions given. This is the cause of violent criticism from across the Atlantic.

At the *legal level*, only the agreements with Greece⁵ and Turkey went beyond the purely commercial context and were extended to other areas and particularly to financial aid. Because of this, in so far as they are wide agreements and fall under the jurisdiction of both the Community (tariff provisions) and the member states as such (financial provisions) they had to be submitted for ratification to the national parliaments.

They are furthermore characterized by rather wide powers of decision taking of which the institutional organs responsible for supervising the application of the agreements (Association Council and Committee) dispose; powers which are not to be found in arrangements with other countries of the region.

⁵Since the coup d'etat of 1967, the scope of the Athens Agreement is limited to the barest essentials. Hence all developments have been blocked both on financial and trade aspects.

Translator's note: after the Cyprus crisis (July 1974) and the eventual toppling of the Colonels' regime in Greece, normalization of relations with the EEC are possible.

The other agreements differ in their legal basis for political and historical reasons, but still they are pretty identical in their set-up and duration (limited duration of a first stage of about five years; basically identical framework and general and institutional provision; scope limited solely to trade matters; similar rules of origin.)

The first table of the annex gives an outline of the legal nature and the duration of the first stage of agreements between the Community and the Mediterranean. A more detailed synopsis of the contents of these agreements is given in other tables of the annex.

We ask the reader to notice the schematic presentation of agreements in what concerns expiry (the renegotiations in principle start 18 months before the existing arrangements come to an end). This treats of a temporary horizon which should signify the entry into the first phase of EEC-Mediterranean relations and the 'deepening' of these links, in order to go beyond the purely trade field to which the Community has limited itself due to a lack of legal instruments and of a political will of the member states. In fact, at a time when tariffs are becoming less and less protective and after the introduction in July 1971 of the Generalized Scheme of Preferences benefitting the developing countries one can hardly envisage how the Mediterranean approach can be simply based on tariff preferences. It is clear that not even a total liberalization of trade would suffice to resolve the grave economic development problems of the region. Time was ripe for a new phase in European - Mediterranean relations.

After a horizontal assessment of the agreements from the legal point of view, we shall try a short analysis from the commercial and tariff point of view.⁶

On this level there exist no important differences between the various agreements in so far as the amount of tariff concessions are concerned (to the sole exception already noted i.e. the case of the Athens Agreement.).

In the industrial sector, the concessions requested by the Community are purposely disproportionately in favour of the Mediterranean countries in order to account for the vulnerability of their economies and often one gets the impression that the EEC is not inte-

⁶ c.f. the annex on the contents of the agreement quoted above.

rested in the real economic significance of the counterpart to ask from its partners. On its side the Community has tended to undertake a substantial tariff reduction in respect of its imports coming from the Mediterranean, with limited exceptions for its sensible products.

In the agricultural sector, the objective was to preserve the trade flows, to respect Community interests and preference, giving specific concessions in principle based on the notion of a balance in the interests of the Mediterranean countries. The difference which one can claim in the number and kind of products being the object of the concessions given by the Community in the various agreements lies in the diverging interests of the partners defined as a function of their production and commercialization of output. It is thus due to such interests that concessions have been included in some agreements but not in others. Moreover, motivations due to divergent interests of member states, in certain cases, have resulted in disparities in the directives given by the Council of Ministers to the Commission, which plays the role of negotiator: these differences have been reflected by concessions of different content in the agreements signed.

A last word is due on the tariff content of these agreements and their conformity with *GATT provisions*, questions which are strongly debated by opponents of the Mediterranean links of the Community particularly the U.S. This dispute is based on the argument that the multiplication of preferential agreements and the growing volume of trade thus concerned brings in question the most favoured nation clause, the basic rule of international trade. The evolution thus undertaken would lead to a world division into large spheres of influence and risks harming political and economic interests of GATT Contracting Parties and most especially the less developed ones.

On top of this criticism of a more general nature, is placed a further criticism of the Mediterranean agreements for not respecting to the letter the spirit of article XXIV of GATT that provides for a derogation from the principle of the most favoured nation; the creation of customs unions or free trade areas. According to the promoters of this argument, these exceptions are not possible between countries enjoying different level of economic development and the

exceptions would not cater adequately to the development needs of these countries. Now, it is clearly seen that the Mediterranean agreements do fit in the context that conforms to Art. XXIV in so far as they envisage as the ultimate objective the creation of customs unions and free trade areas. If a plan and a precise programme to arrive there have not yet been minutely specified, this is due to the impossibility of defining here and now, in all detail, all the stages of co-operation with partners with an economic and industrial structure so different. My personal impression is that this treats of a fake problem, invoked at random for reasons which have nothing to do with international trade rules. Reciprocity might well not have been requested from less developed partners and it has not been proved that trade liberalization within a regional framework has any negative effects on international trade.

Rather than playing hide-and-seek behind the GATT article it seems to me that, it would be more in place, to adapt the Geneva institution to the new situation prevailing thirty years after its birth.

IV. COMMUNITY ENLARGEMENT – OPPORTUNITY AND REASON FOR A NEW APPROACH TOWARDS THE MEDITERRANEAN COUNTRIES

Although the outcome of the first stage of EEC-Mediterranean relations has not been negligible, this has been 'realized' by the partners of the region rather in the way of hope and a promise than by any effective and decisive action. And this has been particularly true in what concerns their principal exports which are agricultural and for which the concessions given in the agreements have been lowest due to their competition with similar production in the Community.

But, for certain Mediterranean countries, Great Britain figured as a safety valve in a large buyers' market, with very low tariffs, sometimes nil, for the various fruits and vegetables, as well as processed agricultural products.

(a) Enlargement of the Community

An effect of the enlargement of the Community was the obligation for the new members to accept the 'acquis communautaire' in the case of the existing agreements between the EEC and the Mediter-

ranean.⁷ If the 'acquisition' of this dozen or so agreements did not present any economic difficulty for Denmark, Great Britain and Ireland the situation was all so different, and often very serious, for Mediterranean countries. It was particularly the case with Spain and Israel who saw their traditional trade flows, made up of fresh and preserved agricultural products, very soon confronted by the Common Agricultural Policy which so far had been averted by passing through the English Channel. Besides, the introduction of the Generalized Preference Scheme, the setting up of a free trade area with the EFTA non-member countries of the Community and the geographic extension of association to African countries, would undoubtedly disfavour the commercial position of Mediterranean countries *vis-a-vis* the enlarged EEC.

These were not unfounded fears in so far as the effect has been to cause a deterioration in the internal equilibrium due to enlargement. The most evident cases were those of Spain and Israel where the 'average' for the agricultural sector have changed respectively from 59% and 79% (Six) to 46% and 62% (Nine) due to enlargement, and often it treated of exports which had been developed in function of the requirements of the U.K. market.

During close contacts between the Community and its Mediterranean partners which had taken place during spring/summer 1971, the latter had shown a strong political interest in the enlargement of the EEC and had reaffirmed their desire for a close co-operation underlining though, sometimes very forcefully, the economic risks that the change would carry for them.

The community requests were thus bent to search for a solution, both in the agricultural as well as in the industrial sector, aimed at attaining a balance of agreements and avoiding serious consequences for the Mediterranean countries. To this affect, the Commission had proposed, end 1971, to give tariff concessions to these countries in order to compensate them for the effects of enlargement. This treated of corrective measures within the existing agreements; these would not be subject to change either in their essence or duration. The ensuing discussions led to a deadlock when the negative attitudes taken by the member states were heaped on

⁷ Article 108 of the Treaty of Adhesion.

the Commission proposals of a 'product by product' approach. Eight months thus passed by, with documents moving at the frustrating rhythm of the Community procedural 'shuttles', a 'come and go' between experts — ambassadors — ministers. At the door, knocking, were the Mediterranean countries, who knew the difficulties of the EEC member states, but who were disappointed of the generosity of the largest commercial group of the world.

This Gordian knot of sophism, conferences, tariffs and quotas provoked the reaction of the European Parliament which requested 'to lead to a common political initiative on the basis of a coherent overall attitude aimed particularly at promoting development policy and using means better adapted than simple trade measure'.⁸ This has been an option often desired by the Commission.

A magic word: 'global approach' pronounced by the French minister Maurice Schuman in the summer of 1972 was to set the Community on a new path. It was the end of the deadlock: the problems posed by enlargement were to be solved by an anticipated renegotiation of the various agreements according to a global and balanced approach in the Mediterranean. End September 1972, the Commission put forward its proposals accepted in principle by the Council: the progressive establishment of free trade between the Community and each of the Mediterranean countries that were willing to undertake it, the introduction of forms of economic and financial co-operation.

This attitude satisfied the Mediterranean partners who accepted the negotiations of additional protocols⁹ adapting the existing agreements to the enlarged Community in expectation of new agreement to be negotiated along new lines.

The idea of an overall policy, extending over the globality of problems, at least of the economic ones, existing between Europe and the Mediterranean countries is not new. This was in fact the subject of a memorandum presented by Italy to the Council of Ministers in 1964; it is to be found in several debates and resolutions of the European Parliament,¹⁰ in speeches of both European and

⁸ Rossi Report — Doc. 246 of the European Parliament (1971).

⁹ c.f. in annex the position on 1st July 1973.

¹⁰ Resolution following the Rossi Report (Dec. 302/72 of 28/2/72)

Mediterranean statesmen, as well as those of members of the European Commission.

It was in the order of things to translate these desires in terms of a political choice, but the Community seems to have been too involved with its own process of enlargement to bother with the Mediterranean as well. But the effects of this move towards integration in the Mediterranean region and the reaction of these countries have led to, after the limited efforts already described, taking a step towards what Maurice Schumann had defined: 'The global approach'. Also the Paris Summit of October 1972 was to confirm, in point 11 of the final communique, that it attaches 'an essential importance to the fulfilment of its commitments with the countries of the Mediterranean basin, with whom agreements have been signed or about to be signed, agreements which should be the subject of a global and balanced approach.'

Meanwhile the European Commission of Mr. Mansholt did not have to be coaxed to formulate into proposals this concept of global approach, which for some was rather nebulous. The 27 September 1972 was the occasion for clearly establishing, on the internal and external level of the Community, the Euro-Mediterranean relations taken from evidently dissimilar agreements that had posed growing problems to the member states, both in the relations with internal pressure groups, as well as with important third countries and at GATT without furthermore effectively contributing to the development of the region.

The *proposals of the Commission* seemed to start off by a preliminary examination of conscience: only a Community which would have realized a substantial progress in its own 'approfondissement', would be capable of defining a Mediterranean Policy to a degree of its responsibility. Now, the EEC in 1973, does not have at its disposal common policies in energy, industrial and social matters not to speak of an economic and financial policy. Basing proposals on nonexistent policies or which are just about coming into existence is wishful thinking: the result of which would be a book of Mediterranean dreams.

The approach has thus been more modest, in bringing down a utopian globality to specific problems that is advisable to deal with in the near future. The first problem is to attain a realization

of free trade for the essential trade flow thus the first phase is included in the already existing agreements. This liberalization should function within the framework of customs unions for the European countries whose political and economic set-up would permit the possibility of a progressive integration with the Community, for the others, within the framework of a free trade area.

For *industrial products* from the side of the Community, the progressive elimination of obstacles to trade is envisaged in principle for the 1st July 1977. For the Mediterranean partners, their lag in removal of obstacles to trade will be more or less long depending on their level of development besides their ability to compete.

For *agricultural products*, the Commission proposes liberalization of trade for 80% of the agricultural exports of each of the Mediterranean partners with only partial reductions (from 40% to 60%) of Common Customs Tariff. This restrictive approach, which is added on to the establishment of calendars (timetables) for imports, is justified by the similarity of products which leads to very strong competition between Mediterranean and Community products. All supplementary concessions cannot become operative except after periodical 'meetings' between the contracting parties aimed at studying the evolution of trade in the area concerned.

But, free trade, comprising agricultural products, would not be sufficient on its own to ensure stability and economic development in this area. Commercial agreements no matter their nature cannot but be based on the status quo of production and do not therefore, in themselves contain any essential element favouring development. The Commission thus is of the opinion that the restructuring of its Mediterranean Policy should also contain contractual co-operation including coherent measures regarding capital movement, financial and technical aid, technology, employment and protection of the environment.

Bearing in mind the elements of interdependence which characterize oil, on one hand for security of supply of Community energy, and, on the other, for the economic and social development of the Mediterranean basin countries, a Community Policy in respect of this region should not be separate from co-operation in this sector according to the Commission.

The necessary hinge for the above proposals is considered by

the Commission to be putting in dock a co-operation policy in the financial, technical, employment and environment sectors. But the approach should be flexible and progressive. During the critical launching period Community aid would be given according to the usual schemes and measures by member states, aids by other countries or multilateral organizations given to Mediterranean basin countries are maintained; beyond search for possibilities that would permit attaining a progressive concentration for development action for the whole of the Mediterranean basin would take place. Without hesitation the Commission has proposed that the Community would immediately undertake common co-operation initiatives in the economic, industrial and financial sector to encourage regional groupings, facilitate sectoral development on the basis of devision of labour and scientific and technological co-operation.

Within the framework of this general co-operation, the following group of measures would be given priority:

– *technical co-operation* should complement economic co-operation in the various areas. The Community would contribute, as a first priority, to the training of men, besides to the study of problems and projects to be introduced. It is worth underlining at this stage the importance of the needs, already noted in this context regarding the study of markets and those directly linked to specific industrial projects.

– *financial co-operation* would be given. In certain cases it is indispensable in the form of normal loans, loans on special terms, or grants, with the objective, on the one hand, to support development effort of the least advanced countries having the least appropriate resources to finance their action in complementing their capital availability, and, on the other, to help to put in place the necessary investment to materialize efforts aimed at regional co-operation.

These two forms of co-operation would be offered only to the less developed countries of the Mediterranean basin countries starting with Algeria, Morocco, Tunisia and Malta.

– *co-operation in the employment sector* should also be included in the global approach. It would have as an objective the improvement of the conditions of reception, stay and employment of the workers employed in the Community. This would, in principle, be extended to all the interested countries.

It treats mainly, on one side, of the establishment of non-discrimination in matters concerned with conditions of work, wages, and social provisions, and, on the other, of contributing to the professional formation, prior to emigration, facilitating social mobility during the period of work in the Community afterwards, and permitting the stabilization of capacity for work in view of the worker's eventual return to his country of origin.

The ecological unity of the Mediterranean and the opportunity of avoiding the creation of obstacles to trade that could inhibit the development of economic co-operation that one envisages being established necessitates that co-operation in matters of *protection of the environment* would equally form part of the global approach. This would particularly permit to respond by an equitable sharing out of the expenses, aimed at eliminating pollution in the Mediterranean which is in the converging long term interest of all the bordering countries.

The propositions of the Commission concerned all the Mediterranean basin countries to the exception of Greece and Turkey, countries associated to the Community and destined, if political conditions and the evolution of economic structure would permit, to adhere one day to the EEC. Among the other countries, a priority has been given to Spain and Israel, the countries most hurt by the enlargement of the Community (see above), the Maghreb countries (the agreements with Tunisia and Morocco are about to come to an end) and Malta to which renegotiations have been promised as soon as possible.

These new agreements should come into effect on 1st July 1974, at the time when the new member states, would start aligning their external tariff to the Common External tariff.

(c) Council of Ministers decisions on the Global Approach

The Commission propositions have been discussed for nine months by the European Ministers, their experts and Commission teams. What is at stake is important because the global orientations of relations between Europe and the Mediterranean would meet the opposition, concealed or explicit, of the most of the large third countries and because the new member states are showing some hesitation in accepting the 'regionalistic' approach characterising the

legal commitments already undertaken by the original Community with the countries of this region. Furthermore, the introduction of forms of co-operation signifying in the very short term a financial participation of unknown proportions would come up in the same time period when an important effort is being envisaged for a renovation of the convention linking the EEC to the French speaking countries to which the countries of the 'black Commonwealth' will be added. Finally, the Commission proposals, envisaging free trade for industrial products and important concessions for agricultural goods would not fail from arousing fears and reactions from the less developed regions of Europe, which are afraid of having to pay the price for this operation.

But already in November 1972, the Council of Ministers accepted as a basis for further work the Commission proposals. End June 1973 the first directives for negotiations were given and thus permitted the opening of negotiations with Spain, Israel and the Maghreb countries. Thus the Commission proposals have been retained in principle: relations with the Mediterranean countries must be brought out of the 'trade ghetto' which had characterised the past experience. The Global Approach has thus been defined under three sub-headings: the commercial one which envisages the liberalization of the most important trade flow; that of economic, technical and financial co-operation which will be given depending on the level of development of each of the countries concerned; that of human co-operation concerning workers and in particular Mediterranean migrant workers.

The beneficiaries of this policy will be those Mediterranean countries that desire to participate. The agreements would in principle have an indeterminate duration, signed on the willingness to co-operate in the long run.

Yet, the proposals that the Community offered to the Mediterranean Countries at the end of June 1973 are not of the sort that satisfy its partners. Agricultural concessions are limited, and the outlines of co-operation are still undefined, nothing has as yet been said on the amount of financial aid. But the first step has now been taken, the foundations for formulating a policy based on the doctrine of a coherent whole aimed at promoting the development of this region in search of peace and stability exist. The first proof of sin-

cerity was undertaken in autumn of 1973 during the final phases of negotiations with the countries already noted. These had already stated that the proposals made included an obvious element of disequilibrium. This disequilibrium arises from the fact that the Community exports more than it imports from the Maghreb countries and even more so from Spain and Israel.

Particularly for the latter two, the disequilibrium of the envisaged concessions depend on the Community's choice which provides for establishing with them free trade for industrial products (covering the main export items) and limited concessions in the agricultural sector (where an important proportion of the Community partners' exports lies). In such circumstances, it is clear that industrial free trade is to the advantage of the EEC, the Mediterranean countries lose all the foreign exchange for the ultimate benefit of complementary concessions in the agricultural sector.

The negative reactions of the Mediterranean countries that had undertaken a new renegotiations with the Community in the framework of the 'global approach' and which everyone has been quoting, should not make one forget that the dialogue has just started. The complementary mandates will improve the Community offer and the final outcome will be that of all such negotiations: a certain disappointment with the results obtained mixed with a hope of an eventual development of the contents of the agreements.

In fact if, as we have said, the Council of Ministers has accepted the proposals of the Commission in principle, it could not follow them in their entirety, which would have demanded a 'wider' mandate and probably would have proved satisfactory for their partners in negotiation. Time will however allow for 'correcting the aim' and to put on a more appropriate stand the line taken by the Commission in matters concerning new relations with the Mediterranean.

V. CONCLUSIONS: LONG-TERM HOPES

We have tried to examine the first steps in a European economic policy for the countries of the Mediterranean basin, which had its inception at nearly the same time as the birth of the Community and which has been conditioned all through these years by the limits of the internal development of the latter.

If the member states have not yet undertaken commitments corresponding to the importance of the Mediterranean region for the future of Europe itself, this has not been the cause of a protectionism often determined by electoral frenzies or the fear of having to dish out an unknown sum of money. These are on the contrary the very problems of internal Community development which obstruct action in a coherent manner towards the rest of the world. The opulent north of the European Industrial triangle has hardly reduced the divergence which separates it from the less prosperous regions, or eliminated the structural disequilibria, or alleviated the income differentials and the contrasts in human conditions. It follows that the persistence of a certain under-development in Europe largely conditions any constructive efforts to participate in solving the development problems of others. And, with respect to this, the resources allocated to the restructuring of agriculture and industries in decline constitute a less visible but a more certain contribution in favour of third world countries besides the less developed countries of the Mediterranean region.

Although the Mediterranean policy (just like that towards the other less prosperous countries) is conditioned by the progress of European Integration, it is a big risk to wait, before making a choice, for the realization of objectives such as that of the economic and monetary union.

The Mediterranean Policy, just like development policy in general, should be one of permanent concern to the Community during the establishment of common policies, a constant and a component of European Policy itself.

In my opinion, the Mediterranean region constitutes probably the only field for the realization of a development effort having an original character, using means which surpass and update traditional formulas. There exist, in fact, on the two sides of the Mediterranean, a series of favourable conditions economic, social and cultural, forces which link, for better or for worse, the partners of this region.

This Mediterranean, which had lost its sense of unity for two thousand years, reappears as a reality in its own right, a planet distinct but not isolated from the space of the third world. The interdependence with the old continent, the civilization of which it

has so profoundly influenced would strongly integrate the Mediterranean in the context of economic growth of an expanding Europe, where very largely hinges the lot and stability of the Mediterranean region and where will depend in their turn, very largely, the security and prosperity of Europe.

The risk is that the Community, due to its newly attained dimensions and its increased economic power, would forget its responsibility and become, for the rest of the world, the 'ugly Europe' of the eighties. This possible egoism could retard all serious efforts of development in the Mediterranean, efforts which are not only desirable or possible, but just plainly necessary. Necessary, not solely for our Southern neighbours, but for a grand Europe, a dominating economic power, the strength of its essential roots soaked in this living water. And we all know what happens to the biggest and most beautiful of trees if by any misfortune their roots come to die.

A commitment based on co-operation with the Mediterranean and aiming at a progressive reduction of tensions caused by skewed development would entail obvious costs. Maintaining the existent disequilibrium can entail even higher costs, of immediate nature for the less developed Mediterranean countries, and eventually to the Community. With regard to this point, I adopt here the conclusions of a Euro-Mediterranean debate organized by OCIEP¹¹ at Bruxelles in December 1972: 'A growth which only pursues itself leads to its own destruction and to harass those that slave for it as well as those that are excluded. To care to share with others who are less advantaged, is to contribute the means by which to provide for the good of man. It also means following the way of a true co-operation, respecting the interests and dignity of one's partner. These are no longer times when Europe could impose its hegemony in the Mediterranean. A better task is awaiting her: working to outline a link between North and South, in order to become again the

¹¹This debate with the theme 'The Community and the Mediterranean Basin: matters at stake and ways for co-operation and development', involved representatives of Mediterranean countries, EEC diplomats and administrators, industrialists, union representatives and migrant workers besides research workers.

place of exchange and mutual enrichment between peoples and cultures'.

So far it has been a question of responsibilities and choice put at Europe's door step. But all development efforts and all Community initiatives in the matter cannot succeed unless the Mediterranean countries desire this kind of dialogue, which must be based strictly on a parity basis and in respect of the sovereignty of partners. Within this context, the Mediterranean countries must move towards forms of co-operation which permit a more rational utilization of each one's resources. At the overall level of the region, this is not yet possible, and sub-regional co-operation will be an indispensable stage.

This requires the will power and courage to overcome national egoism and the ease to play the demagogue: The choice lies with each country in either harming itself in ignoring the effort or build up a solidarity in co-operation. The fields open for co-operation are not lacking: development, transportation, environment, energy, trade, and tourism. This concentration of effort will result, in the end, in bringing the centre of gravity of the Mediterranean to the Mediterranean. This would be moreover a way in which to identify a position in relation to Europe in trying to put forward a common front in order to thereby strengthen the region's negotiation position.

Efforts aimed at attaining organization at the level of the Mediterranean area already exist, the Maghreb experience is an example. These must be expanded upon and reinforced to define a solution, which if it does not amount to common stands, at least avoids contradiction in respect of the development problems of the region. It is an effort which would be worth realizing: perhaps it might signify a Mediterranean 'renaissance' and offer the basis for a twentieth century civilization.

ANNEXES

A. CURRENT AGREEMENTS BETWEEN THE EEC AND MEDITERRANEAN COUNTRIES AND THEIR CONTENTS:

- (a) Summary Table
- (b) Complementary protocols concluded as a result of enlargement of the Community
- (c) A systematic description of the contents of the Articles.

B. ECONOMIC AND STATISTICAL DATA:

- (a) A summary table of economic data
- (b) Import-Export 1972 between EEC and Mediterranean.

Plan of Agreements signed between
the Community and Mediterranean Countries
(as in 1st September 1973)

COUNTRY	DURATION	DATE OF ENTRY INTO FORCE	DATE OF EXPIRY	LEGAL BASIS EEC TREATY
<u>PREFERENTIAL AGREEMENTS</u>				
GREECE	unlimited	1.11.1962		art. 238
TURKEY	unlimited	1.12.1964		art. 238
TUNISIA	5 years	1.09.1969	31.08.1974	art. 238
MOROCCO	5 years	1.09.1969	31.08.1974	art. 238
MALTA	5 years	1.04.1971	31.03.1976	art. 238
CYPRUS	4 years	1.06.1973	30.06.1977	art. 238
SPAIN	6 years (minimum)	1.10.1970	no fixed date	art. 113
ISRAEL	5 years	1.10.1970	30.09.1975	art. 113
EGYPT	5 years	signed on 18.12.1972		art. 113
LEBANON	5 years	signed on 18.12.1972		art. 113
PORUGAL	unlimited	1.01.1973		art. 113
<u>NON-PREFERENTIAL AGREEMENTS</u>				
LEBANON (1)	3 years can be extended for 1 year	1.07.1968	30.06.1971 annual reviewing	art. 111
YUGOSLAVIA (2)	3 years	1.05.1970	1.05.1973	art. 113

(1) Agreement on Trade and Technical Co-operation.
 (2) A new 5 year Agreement followed the expiry of the first
 agreement with Yugoslavia.

COMPLEMENTARY PROTOCOLS CONCLUDED AS A RESULT
OF COMMUNITY ENLARGEMENT
(as in September 1973)

COUNTRY	SIGNING	ENTRY INTO FORCE
Greece		
Turkey	30.06.1973	
Tunisia	28.02.1973	
Morocco	1.03.1973	
Malta	Not yet signed	
Cyprus	19.12.1972	1.06.1973
Spain	29.01.1973	30.03.1973
Israel	30.01.1973	29.03.1973
Egypt	19.12.1973	
Lebanon	Not yet signed	

MEDITERRANEAN BASIN AGREEMENTS
(scheme of contents)

COUNTRY		GREECE
A	<i>Type of Agreement</i>	Association Agreement Art. 238
B	<i>Objective of Agreement</i>	A customs union with eventual adhesion as final objective
C	<i>Trade Concessions made:</i> – by the EEC	<ul style="list-style-type: none"> – free entry for industrial products – free entry for agricultural products included in a list covering practically all EEC imports from Greece
D	<i>Trade Concessions made:</i> – favouring the EEC	<ul style="list-style-type: none"> – establishing a customs union in 1984 – situation in 1973: reduction of 80% for the list of 12 years; reduction of 28% for the list of 22 years
E	<i>Other non-Commercial provisions</i>	<ul style="list-style-type: none"> – Progressive harmonization of agricultural policies – Establishment of free circulation of persons and services; date to be fixed by Association Council – Rapprochement of rules of competition – Community financial Assistance * These provisions have been suspended since the coup d'etat of April 1967.

TURKEY

TUNISIA

A	Association Agreement Art. 238	Association Agreement Art. 238
B	A customs union with eventual adhesion as final objective	Free Trade Area
C	<ul style="list-style-type: none"> - free entry for industrial products (except textiles and refined petroleum products) - a rate of reduction for a list of agricultural products (= 95% of imports coming from Turkey) 	<p><i>Total imports:</i> covering 81.5% (1970)</p> <p><i>Industrial Imports:</i> 100% except cork and refined petroleum products.</p> <p><i>Agricultural Imports:</i> 44.7% (1970)</p> <p><i>Rate of Reduction:</i></p> <p>Industrial Sector: 100%</p> <p>Agricultural Sector: 50 to 100%</p> <p>(citrus 80%)</p>
D	<ul style="list-style-type: none"> - tariff reductions since 1971 will progressively lead to the formation of a customs union in 1986 	<ul style="list-style-type: none"> - reduction from 20 to 30% of customs tariff for 44.8% of imports coming from the EEC (essentially industrial products)
E	<ul style="list-style-type: none"> - discretionary introduction of the common agricultural policy in 22 years - Harmonization of rights of establishment and free rendering of services - Rapproachment of rules of Competition - Labour: free circulation to be attained between 1974 and 1986 - Financial assistance (2nd protocol will come to an end in May 1975): loans of E.I.B. = 247 millions U.C. due to enlargement 	NIL

	MOROCCO	MALTA
A	Association Agreement: Art. 238	Association Agreement: Art. 238
B	Free Trade Area	Customs Union
C	<p><i>Total Imports:</i> covering 74.9% (1970)</p> <p><i>Other imports besides those with no tariff:</i> 62.6%</p> <p><i>Industrial Imports:</i> 100% (except for cork and refined petroleum products.)</p> <p><i>Agricultural Imports:</i> 57.5%</p> <p><i>Rate of Agricultural Reduction:</i> 50 to 100%</p> <p><i>Industrial Sector:</i> 100%</p>	<ul style="list-style-type: none"> - <i>Industrial Products</i> (except ECSC products): tariff concession: 70% covering: 100% - <i>Agricultural Products:</i> no concessions
D	No preferential tariffs opening up of quotas	<ul style="list-style-type: none"> - <i>Industrial Products</i> tariff concession 35% covering 81% - <i>Agricultural Products</i> no concessions
E	NIL	<ul style="list-style-type: none"> - Passage from one stage to another of a common agreement - No fiscal discrimination - No discrimination between memberstates, nationals and Community and Maltese companies - Dumping; sectoral, regional and financial safeguard clauses.

CYPRUS

SPAIN

A	Association Agreement: Art. 238	Preferential Trade Agreement Art. 113
B	Customs Union	Free Trade Area
C	<ul style="list-style-type: none"> - <i>Industrial Products</i> (except ECSC products): tariff concession: 70% covering: 100% - <i>Agricultural Products</i>: various concessions covering 78% 	<ul style="list-style-type: none"> - <i>Industrial products</i> (except ECSC products) tariff concessions of 60 to 70% + on a limited number, 40% covering 95% - <i>Agricultural Products</i> various concessions covering 61%.
D	<ul style="list-style-type: none"> - <i>Industrial Products</i> tariff concession 35% covering 55% - <i>Agricultural Products</i> tariff concession 35% covering 35% 	<ul style="list-style-type: none"> - <i>Industrial products</i> Tariff concessions: 3 lists covering: 80% - <i>Agricultural Products</i> Tariff concessions or commitment to buy certain dairy products covering: 43%
E	Similar provisions as those made in the Malta Agreement	Similar provisions to those made in the Malta Agreement.

	ISRAEL	EGYPT
A	Preferential Trade Agreement Art. 113	Preferential Trade Agreement Art. 113
B	Free Trade Area	Free Trade Area
C	<ul style="list-style-type: none"> – 50% reduction of the CET for 80% of imports of industrial products. – Reductions of 30 to 40% for a limited number of agricultural products covering approx 80% of imports of agricultural products. 	<ul style="list-style-type: none"> – 55% reduction of the CET for 45% of industrial products having a positive duty (except for cotton thread). – Reductions of 25% to 40% of CET for agricultural products + an economic advantage equal to 25% of the levy on rice equal to 50% of imports.
D	<ul style="list-style-type: none"> – Reductions of 10 to 30% according to 5 lists of industrial products. – Potential preference for a list of products at nil duty covering: 65% of imports. 	<ul style="list-style-type: none"> – Reduction of 30 to 50% for 3 lists of products representing about 30% of Community originating imports subject to positive duties.
E	Similar provisions to those made in the Malta Agreement	Similar provisions to those made in the Malta Agreement

PORTUGAL

YUGOSLAVIA

A	Preferential Trade Agreement Art. 113	Non-Preferential Trade Agreement Art. 113 – extended until entry into force of the agreement signed: 26/6/1973.
B	Free Trade Area	Application of the most favoured nation clause.
C	<ul style="list-style-type: none"> – <i>Industrial Products</i> (ECSC products included). nil duty by 1.7.1977 except paper and cotton (1.1.1984). Control over certain textile products up to 1.1.1980. – <i>Agricultural Products</i> various concessions covering: 64%. 	<ul style="list-style-type: none"> – Reduction of the levy on imports of baby-beef coming from Yugoslavia. N.B. Yugoslavia is one of the principal beneficiaries of the EEC Generalized Scheme of Preferences.
D	<ul style="list-style-type: none"> – <i>Industrial Products</i> tariff concessions: 3 lists: (7.1977) (1.1980) (1.1985). – <i>Agricultural Products</i> Commitment to maintain or increase the EEC ratio of Portuguese imports. (Concerning 25% of imports coming from the EEC). 	
E	<ul style="list-style-type: none"> – Provisions allowing for the possibility of developing the relations established by the agreement to the degree and in the areas which the current agreement does not cover. 	The new agreement provides for dialogue concerning migrant labour.

LE BANON

A	Preferential Trade Agreement Art. 113
B	Free Trade Area
C	<ul style="list-style-type: none">– 55% reduction of the CET for 58% of industrial products.– Reduction of 30 to 50% for certain agricultural products representing approx 40% of imports coming from Lebanon.
D	<ul style="list-style-type: none">– Reduction of 6 to 70% for 3 lists of products covering about 20% of imports coming from the EEC.
E	Similar provisions to those made in the Malta Agreement.

	POPULATION		ACTIVE POPULATION 1970			GROSS NATIONAL PRODUCT		
		RATE OF GROWTH 1960-1970	TOTAL	AGRICULTURE	AGRICULTURAL POPULATION	1970	PER CAPITA	RATE OF GROWTH 1960-1970
	1,000	%	1,000	1,000	%	1,000	\$	%
Spain	33,645	1.1	12,160	4,099	34	34,360	1,020	6.1
Israel	2,910	3.2	1,047	110	10	5,690	1,960	4.7
Malta	330	0.0	99	8	8	270	810	5.8
Cyprus	625	1.1	265	92	35	590	950	5.3
Lebanon	2,726	2.5	726	344	47	1,610	590	0.5
Egypt	33,329	2.5	9,026	4,942	55	6,870	210	1.7
Libya	1,940	3.7	514	219	43	3,420	1,770	20.4
Syria	6,098	2.9	1,549	756	49	1,750	290	3.4
Jordan	2,317	3.5	543	210	39	570	250	2.9
Portugal	9,635	0.9	3,353	1,227	37	6,390	660	5.3
Morocco	15,495	2.9	4,108	2,489	61	3,600	230	1.0
Tunisia	5,075	3.0	1,323	614	46	1,270	250	0.5
Algeria	14,330	3.1	3,298	1,837	56	4,270	300	1.7
Yugoslavia	20,540	1.1	7,642	4,083	53	13,340	650	4.3
Albania	2,170	2.9	921	571	62	1,290	600	4.8
Greece	8,892	0.7	3,944	1,836	46	9,700	1,090	6.6
Turkey	35,230	2.5	15,841	10,940	69	10,860	310	3.9

SOURCE: WORLD BANK: FAO

EEC IMPORTS COMING FROM THE MEDITERRANEAN

(1972 – Source: OECD)

(in millions of \$)

ORIGIN \ DESTINATION	EEC 6	U.K.	Ire- land	Den- mark	3	9	% Med/ External
World (External to 9)	39,572	18,320	620	2,497	21,437	61,009	100
Greece	472	42	1	3	46	518	0.8
Portugal	250	304	9	38	351	601	1.0
Spain ¹	1,387	391	20	41	452	1,839	3.0
Turkey	348	41	2	19	62	410	0.7
Albania	9	"	—	"	"	9	"
Yugoslavia	895	53	"	9	62	957	1.6
Gibraltar	1	1	—	"	1	2	"
Malta	17	23	"	"	23	40	"
Morocco	398	39	5	4	48	446	0.7
Algeria	732	55	1	1	57	789	1.3
Tunisia	192	6	"	1	7	199	0.3
Libya	1,399	346	"	3	349	1,748	2.9
Egypt	113	30	"	3	33	146	0.2
Cyprus	32	52	1	1	54	86	0.1
Syria	78	1	"	1	2	80	0.1
Lebanon	60	16	"	3	19	79	0.1
Israel	286	135	5	6	146	432	0.7
Jordan	1	2	"	"	2	3	"
Mediterranean, TOTAL	6,670	1,537	44	133	1,714	8,384	13.7
% Med/9 (External)	16.9	8.4	7.1	5.3	8	13.7	

¹does not include spanish foreign territory

* implies insignificant quantity

EEC EXPORTS TO MEDITERRANEAN

(1972 – Source: OECD)

(in millions of \$)

ORIGIN \ DESTINATION	EEC 6	U.K.	Ire- land	Den- mark	3	9	% Med/ Exter- nal
World (External to 9)	49,095	16,231	342	2,256	18,829	67,924	100
Greece	1,159	162	3	15	180	1,339	2.0
Portugal	658	274	2	24	290	948	1.4
Spain ¹	2,024	480	19	47	546	2,570	3.8
Turkey	616	19	"	7	26	642	0.9
Albania	14	"	"	"	"	14	"
Yugoslavia	1,357	103	1	14	118	1,475	2.2
Gibraltar	"	18	"	1	19	30	"
Malta	54	49	1	2	52	106	0.2
Morocco	340	32	"	6	38	378	0.6
Algeria	878	81	1	10	92	970	1.4
Tunisia	264	15	"	2	17	281	0.4
Libya	553	111	1	6	118	671	1
Egypt	236	44	"	6	50	286	0.4
Cyprus	93	79	1	5	85	178	0.3
Syria	129	24	"	3	27	156	0.2
Lebanon	305	85	1	7	93	398	0.6
Israel	583	323	"	8	331	914	1.3
Jordan	43	27	"	2	29	72	0.1
Mediterranean							
TOTAL	9,317	1,926	30	165	2,111	11,428	16.8
% Med/External	19	11.9	8.8	7.3	11.2	16.8	

¹does not include foreign territory.

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