

SMALL STATES IN AN ENLARGED E.U.

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Although the focus of this book is on Gozo as an island region of Malta, I think that our country is small enough as it is and we need not fragment it even more. I consider the whole country to be an Island Region and there is no way that Gozo could benefit unless Malta enjoys a similar experience.

I therefore propose to consider the issue of the relations with the E.U. on a national basis and not merely treat Gozo as a distinct region.

The enlargement of the E.U. which could include Cyprus and Malta is in itself a new experience also for the E.U. It is the first time that the E.U. is considering admitting to membership island states which are extremely small and geographically located off the mainland on the southern periphery of the Union.

Voting and Veto Power

This means that we cannot measure the pros and cons of membership on today's rules. The E.U. which we will eventually be offered to join will be very different from the E.U. of today. These rules have yet to be decided during the Inter-Governmental Conference about to start. The new President of the Commission, Romano Prodi, is one of the most optimistic persons on earth in hoping that this can be concluded by the end of the current year with current members agreeing to the necessary compromises involving dilution of their current voting and veto powers.

Yet no enlargement can take place without such re-jigging of the E.U. decision making mechanisms. The current systems of wide veto powers and qualified majority voting is already under stress with 15 members. With 28 members it will bring the E.U. to a complete paralysis.

However it takes little imagination to conclude that small incoming island states like Malta will not be allowed to enjoy any veto rights. It is also quite sensible to expect that the qualified voting majority system will be extended to areas currently requiring unanimous consent and will be changed to give more weight to the large countries of the E.U. Germany is lobbying for the introduction of double majority voting where decisions not only have to be taken by a majority of members but also by a majority of the population represented by members.

One can then deduce how much voting powers Malta and Gozo will have in the E.U. we will be offered to join, and how much we would really be in a position to influence decisions which we would be obliged to implement, whether we agree with them or not.

This reality must be high on our list of criteria when we analyse whether membership is in the best long term interest of our country, Malta and Gozo. Our country has not been endowed with rich natural resources except the brain power and determination of its human resources.

Malta's Geo-political Location

The only natural resource which we have to assist us in earning a decent living in a ferociously competitive world, is our geo-political location which gives us a strategic value far greater than our size. This geo-political resource can be gently leveraged to translate it into economic benefits. We should not abuse it as happened in the past as this would be counter-productive. But we should use it to ensure we can enrich the goods and services we sell to the rest of the world, with economic benefits which distinguish us from our competitors.

The present government's policy of membership as quickly as possible whatever the cost, whatever the consequences, has all the likelihood of our giving up this only natural resource which nature has endowed us with.

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It is also absolutely un-businesslike to position ourselves as having no alternative when we have no idea of what the rules of membership would be. Would one commit oneself to buy something without even knowing its price and delivery terms?

Many argue that what is good for the 12 other countries seeking membership, must be good for us. This is fallacious! All the other countries have higher political needs which will be met by membership. Ten of them are just coming out of nearly fifty years of communist oppression and are eager to safeguard their newly found sovereignty from any fresh attempts of Russian hegemony, should there be instability in the East. Turkey is a case on its own with a huge population enjoying a standard of living not much above the poverty line and with intrinsic inflation problems which can only be addressed by massive grant funding and by having the freedom for its youth to work in other E.U. countries.

Cyprus also has a higher order need to go for membership. They consider it as the only solution to regain statehood over the northern territory which has been forcibly occupied by Turkey since 1974. They expect the E.U. to lean on Turkey and trade economic aid against Turkey's political commitment to withdraw its forces from Northern Cyprus to permit the political re-unification of the island.

In Malta we have no such higher political need to go for membership. Malta is the only candidate country that can take a pragmatic approach to membership. We must know the rules to judge whether the benefits of membership outweigh the unavoidable loss of sovereignty. We must seriously consider whether the other model proposed by the Labour Party can effectively give us the all-important access to E.U. market without carrying the high cost of the E.U. bureaucracy and without compromising our sovereignty.

Funding

There may be various funding programmes which Malta and Gozo would be entitled to through membership. As our GDP per capita, in Purchasing Power Parity, is probably less than 75% of the E.U. average and as we are peripheral island regions, I have no doubt that we will effectively so qualify.

What must be understood is that this funding has to be project related. It is not funding for general purposes. It is not the post-war Marshall Aid or the rent we used to receive under the Military Base agreement in the 1972-1979 period. It is meant to finance investment and infrastructure projects which are pre-approved by the E.U. and which are dispensed with rigorous controls from the E.U. structures. Furthermore such funding rarely exceeds 75% of the total investment cost. We would need to fund some 25% from our own resources.

There are two important questions to be asked regarding funding. Firstly do we have the resources to manage the massive Brussels bureaucracy in order to translate such funding from text book projects to real funds draw-down and disbursement? I do not think we have the necessary structures to handle this. We have often failed to draw-down the allocations under the Financial Protocols due to our inability to handle the Brussels bureaucracy.

Secondly, who really pays for such funding? On an E.U. to Government basis there is little doubt Malta would be a handsome net recipient if we manage to master the Brussels bureaucracy. But on a total country to E.U. basis I feel that this benefit will disappear and we could well end up as net contributors. Adopting the wasteful CAP policy and being restricted to impose the Common External Tariffs would mean that our people will have to pay higher prices for their common everyday goods in order to finance the CAP mechanism. CAP still absorbs half the total E.U. budget, and still has to find a way to digest the large rural applicant countries in East, Poland in particular, that are seeking membership.

For and Against Accession

It would be wrong to give a definite black or white reply to this question, as to whether or not Malta should accede to the E.U. Like many other important things, it is very much a question of 'yes' if and 'no but'. Much of the information needed to make a proper assessment is still not available. Would we have our own Commissioner? How many members would we have in the European Parliament? Would we take our turn for the Presidency of the E.U.? Would the Maltese language play any role in the Brussels bureaucracy? Would we be given any veto powers? Would we

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really be in a position to influence in our favour the qualified majority voting? Would we be allowed to opt out of the CSFP? And so many other similar questions to which answers will only emerge after the up-coming Inter-Governmental Conference.

Yet all in all I feel that the Swiss Model proposed by Labour is more appropriate for our realities if we are really disciplined to do what we have to do for ourselves; if we find the necessary leadership to guide us to modernise this country and rid it of the inefficiencies which are destroying its competitiveness in a world ever more globalised. If on the under hand we miss such leadership and self-discipline, if we need the Big Daddy to force discipline upon us than we do not deserve our statehood. Then we can consider our short independence as a failed experiment and we can go for the irreversible step of membership as a choice of the lesser evil to avoid the economic ruin which our indiscipline will unavoidably lead us into.