

**STATEMENT BY MR. RICHARD CACHIA CARUANA, CHAIRMAN -
CORE NEGOTIATING GROUP, AT THE NATIONAL CONFERENCE
ON 'GOZO AND THE EUROPEAN UNION' - MGARR GOZO - 20
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It is almost three years to the day since the formal opening of Malta's accession negotiations on 15 February 2000.

The Negotiations were characterised by a number of issues that had to be given special attention owing to their impact across the board or on particular sectors of our population.

As head of Malta's negotiating team, let me make one thing clear at the outset: Gozo was foremost among these sectors. Although there were issues that were obviously Gozitan – such as transport between the islands and Gozo's regional status – every aspect of the negotiations was looked at from a Gozitan perspective. This was naturally the case for the Ministry for Gozo, but it also applied to the other Ministries, the negotiating team and the European Commission. The negotiated package bears out this fact.

I will start by highlighting the Gozo-specific elements of the negotiated package. I do not think that I need to emphasise the inherent constraints faced by Gozo and its people, especially to an audience such as this. We have always been aware of these realities and Government has striven to find methods to overcome them and to create the means to improve the social and economic development of Gozo.

This is totally consistent with the European Union's own declared policy for the "need for specific measures for the benefit of islands regions" as expressed in the Treaty of Amsterdam.

Clearly, the most significant of the Gozo elements is what will become Declaration 36 of the Accession Treaty on the Island Region of Gozo. It is significant for a number of reasons.

First of all the recognition of Gozo's special needs in a document of this nature is rather unique in itself. To the best of my knowledge this is the first time that an international treaty signed by the Maltese Government attributes this type of recognition to Gozo.

In a more concrete sense, it lays down the mechanism for the continued eligibility of Gozo to regional policy measures of the European Union in the event that the Maltese Islands as a whole would cease to qualify for such measures.

Let me explain what this means. To remain eligible for the maximum assistance within the EU structures, what is called Objective 1 status, the GDP per capita of the Maltese Islands must be below 75% of the EU average. The current level is around 55% of this average, so it is quite clear that we will remain eligible for maximum assistance for some time to come. Our assumption, however, is that EU membership will lead to GDP growth and that in turn this economic success could mean that the country as a whole surpasses the assistance thresholds.

All well and good, one might add, except for one factor. Gozo is a small island off a small island and the constraints caused by this double insularity could mean that while the Maltese Islands taken together are above the 75% threshold, Gozo's economy might grow at a slower rate. After all, today, Gozo's GDP is at 71% of the national GDP, the GDP for the Maltese Islands as a whole.

The Treaty Declaration on the Island Region of Gozo defines the mechanism that will be adopted if this situation arises and the procedures that will be in place to allow Gozo to continue to benefit from assistance that it requires.

As Minister Debono has said, as part of the negotiations, a Gozo Special Needs Assessment was carried out. This study identified aspects that need to be taken into consideration. These include, for instance, the fact that agriculture figures more highly in Gozo's economy than in Malta's and that tourism suffers more from seasonal fluctuations than does Malta's.

This Special Needs Assessment has been used in establishing the priorities that will go into the Single Programming Document on which expenditure from the EU's Structural Funds will be based.

The first draft of this document will be finalised by the end of March 2003, over a year before Malta's accession. The relevant details have been forwarded to the social and economic partners through the Malta Council for Economic and Social Development.

For the first three years of membership, the Government has identified five main priority areas for inclusion. These areas involve an expenditure of Lm32.5 million, Lm23.1 million of which are from EU funds. The priorities are:

- Increasing the competitiveness of the productive sector, which includes schemes for SMEs, investment in tourism and upgrading of industrial estates.
- Strategic investment, which includes investments in roads, ports, quality of water and the environment (solid waste and sewage).
- Development of people, including employment related projects.

- Rural development and fisheries, which incorporates the agriculture and fisheries sectors.
- Regional distinctiveness, comprising additional investments in Gozo in basic infrastructure, that is roads, education and health, as well as tourism and human resources.

It is worth noting that the Regional Distinctiveness, in other words, Gozo, element will have 10% of the total Structural Funds allocated to it. Gozo will, however, also benefit from the other priorities, giving it a far higher share of these funds on a per capita basis.

As regard the use of the Cohesion Fund on projects which total a further Lm14 million – of which almost Lm12 million will be EU funds – the following two major areas have been laid down:

1. Environment, including the upgrading of the Sant'Antnin composting plant and the material recovery facility;
2. Transport, including the upgrading of roads and investment in local ports;

Again, 10% of these funds are earmarked for Gozo; the major project being the Mgarr Ferry – Ghajnsielem Road.

It is important to point out that while there will be a central Managing Authority to administer all EU funding, in the case of all Gozo-related issues, the Authority will liaise directly with the Ministry for Gozo.

The financial implications of EU membership are, naturally, of fundamental importance. As a Member State, Malta will be obliged to pay its dues, its membership fee, as it were. During the first budgetary period, which will expire in 2006, Malta will be paying around Lm74 million into the global EU budget. This amount is made up of a share of VAT receipts, customs duties and certain other payments.

On the positive side, Malta will receive some Lm155 million for agriculture, infrastructural projects and participation in community programmes as well as budgetary compensation. Malta will therefore be a net beneficiary by Lm81 million between 2004 and 2006.

Lm35 million of these funds will provide the EU's share of the Structural and Cohesion projects I referred to earlier. In addition to its share of these funds, Gozo will - like the rest of Malta - also receive a share of the funds available under agriculture, fisheries as well as through the wide range of EU programmes.

This budgetary arrangement will continue until 2006 and Malta, as a Member State, will negotiate the next financial package for the period until 2013. This is a decision that will require unanimity and although the present financial package secured is exceptional, given the political and financial circumstances within which it was concluded, there is no doubt that we will have far more bargaining clout when we sit as equals around the European decision – making table.

There are a number of other Gozo-specific aspects that I would like to mention. One of the fears expressed early on in the negotiations was that the inter-island transport would be adversely affected by accession. By now you are all aware that this is not the case.

The current VAT zero-rating on ferry transport between the islands will remain. Moreover, the subsidised rates for Gozo residents will also remain.

Malta has also been granted exceptional arrangements in that state aid for the transportation of products will continue for some time to come. In the case of agricultural products, this assistance may continue in its present form until 2008, by which time it will have been developed into a system that is compatible with the *acquis*. Aid for the transportation of industrial products under the Business Promotion Act may continue until 2011. This provides ample time to introduce alternative systems.

I would now like to refer to certain aspects of the negotiated arrangements that are applicable both to Malta and Gozo.

The safeguarding of our traditional values, as recognised in the Protocol on Abortion, is of interest to all of us.

The recognition of Maltese as an official language of the European Union is a source of pride, irrespective of which island we are from.

The permanent derogation on the acquisition of secondary property will be a key factor in preserving Gozo's quiet beauty. The rules governing the Fisheries Conservation Zone around our Island are crucial for Gozitan fisherman and, indirectly, to the tourism industry. The same can be said for each of the seventy-seven special arrangements negotiated by the Government.

Hunters and trappers in Gozo, as their counterparts on the sister island of Malta, will recognise that sustainable practices are very much in the interest of those who practice these activities in a serious and responsible manner.

The arrangement whereby Malta may, if necessary, suspend the *acquis* on the free movement of workers is one that addresses a perception, rather than a

proven reality. On the other hand, it was felt that this perception could not be ignored and the government insisted that it should be catered for.

All Gozitans and Maltese are similarly affected by the transition period for the retaining of the VAT zero-rating on food and pharmaceuticals. Although this period lasts until 2010, it does so on the understanding that no other Member State will retain similar exemptions beyond the date.

And finally, agriculture in Gozo was in need of reform as much as in Malta. The accession negotiations were geared to guaranteeing a suitable income for all farmers and to the enhancement of the multifunctional role of farming. The specific case of Gozo was considered in the drawing up of both the Special Policy Programme and the Rural Development Programme.

The implementation of these programmes will see the introduction of direct income support and restructuring assistance, which will be co-funded by the European Union. Moreover, Malta also negotiated a special five-year safeguard clause in addition to the other agricultural arrangements.

In conclusion, I would like to emphasise that the Ministry for Gozo has been a most able representative throughout the course of the negotiations. Moreover the representatives of business and other sectors have been active in the Malta-EU Steering and Action Committee. They have also been consulted and involved at a more informal level. This wide-ranging approach has served us all in good stead.

I have pointed out on a number of occasions that those who claimed that the European Union is based on a one-size-fits-all approach, would have been disappointed to see the terms obtained by Malta. This remark applies more so to Gozo. Malta's case is special, but Gozo presents its own exceptions within that special scenario. I am certain that they have been amply catered for in the negotiations.