TASK 1

In short, European integration is motivated by Political, Economic and Security consideration and it is the union's intention to be ready for enlargement by the end of 2002. The most significant power in respect of enlargement is to give its assent to the final treaty of accession.

The main aims is to have institutional stability, respect for human rights, the existence of a functioning market economy, the capacity to cope with competitive pressures of market forces and the ability to take on al l the obligations of economic and monetary union.

The Enlargement process involves:

- Free movement of goods
- Freedom to provide services
- Free movement of capital
- Free movement of persons
- Company law
- Social and employment policy
- Regional and structural policy
- Environment
- External relations
- Competition policy
- Transport policy
- Taxation
- Agriculture
- Financial control
- Financial and budgetary provisions

The countries of Eastern & Central Europe are not only of interest due to their market potential but also because they can be expected to attract interest in relation to investments in the future. Even without membership, the Eastern European states are building a stronger trading relationship with the EU.

There will be no limits to the opportunities presented when the development of the markets in these countries takes place. The interest from EU and other companies in buying up companies in some of the Eastern European countries and establishing joint ventures with others has been to establish contacts and serving the local markets. The production from Eastern and Central Europe will be competitive; this might be a major factor in attracting investments funds.

The significance of these developments for businesses within Europe lies in the extra opportunities for trade in new markets and the effects they have on existing markets. The immediate effects are a dramatic improvement in the security situation in Europe and the opening up of a huge potential for economic development.

Help is needed from the west to assist and mitigate some of the hardships faced by the Eastern European states in establishing a free market economy and political stability, and this help is arrived through various organisations. The west's concern is to build a free market infrastructure and retain political stability.

Between 1989 – 1993, exports to the EU rose by 22% per year. Imports from the EU, went up by 30% per year. About 40% of their exports are in sensitive sectors such as food, agriculture, textiles, steel and chemicals and there have been calls of EU member states for tariffs and quotas to protect EU domestic markets.

Exports must primarily come from areas where high EU standards do not constitute a barrier. Agreements in major areas like textiles, steel and agricultural products, have been expected from the EU. There are few restrictions in producing parts for the automotive industry or other industries, or consumer products, where high standards are not important in the Central European countries. A commitment was also made to phase out customs, duties on products such as cars and chemicals over a 2 year period and for sensitive products such as textiles and steel over 4-5 years.

In the field of industrial policy, the candidate countries (Seen in appendix 1) essentially faces two challenges, which is aligning their law with community law otherwise known as the acquis communautaire and increasing the competitiveness of their industries.

Measures needed to be taken to improve and simplify the legal framework, incorporating rules on product specification, market access, competition, financing, environmental standards, appropriate measures complementary to industrial policy, such as the provision of a stable macroeconomic environment, increasing human resources, social dialo gue, active labour market policies and adequate infrastructure.

European Business

The completion of the European internal market should achieve one main objective and that is significant reduction in costs to the consumer and is achieved in three ways:

1) Through economies of scale in product and business rationalising their own organisations.
2) The more open market competitiveness will result in greater requirement to achieve and retain market share.
3) There will be increased innovation to match consumer's needs.

Companies themselves can look forward to healthier profits for the following reasons:

- Lower input costs
- Responsiveness to profit through utilisation of production capacity and the use of best practice production techniques
- Removal of non-tariff barriers
- Cross-frontier research & development

The industrial sectors, which are most likely to be affected and stand to win, is:

- ✓ Telecommunications and High Technology
- ✓ Pharmaceuticals & Chemicals
- ✓ Food & Drink
- ✓ Manufacturing
- ✓ Transport
- ✓ Construction
- ✓ Retailing
- ✓ Financial Services

The commission intends also intends to make proposals to reduce price barriers to stimulate free trade while taking account of the need to encourage the future development of innovation.

The EU's food harmonisation programme concentrates on establishing a more informative system of food labelling & on setting general food safety and hygiene standards. The alcoholic drink sector will also be affected by changes not only in manufacturing but also in the harmonisation of VAT and excise duties.

European Business

The single market should allow more British clothes to be sold in member states and more clothes to be sold in the UK. Increased competition will encourage better quality, style and lower prices.

Completion of the single market in transport is particularly significa nt for the UK, where direct road and rail freight access to the European network will open up a major new opportunity for British manufactures to compete with their EU rivals on more equal terms

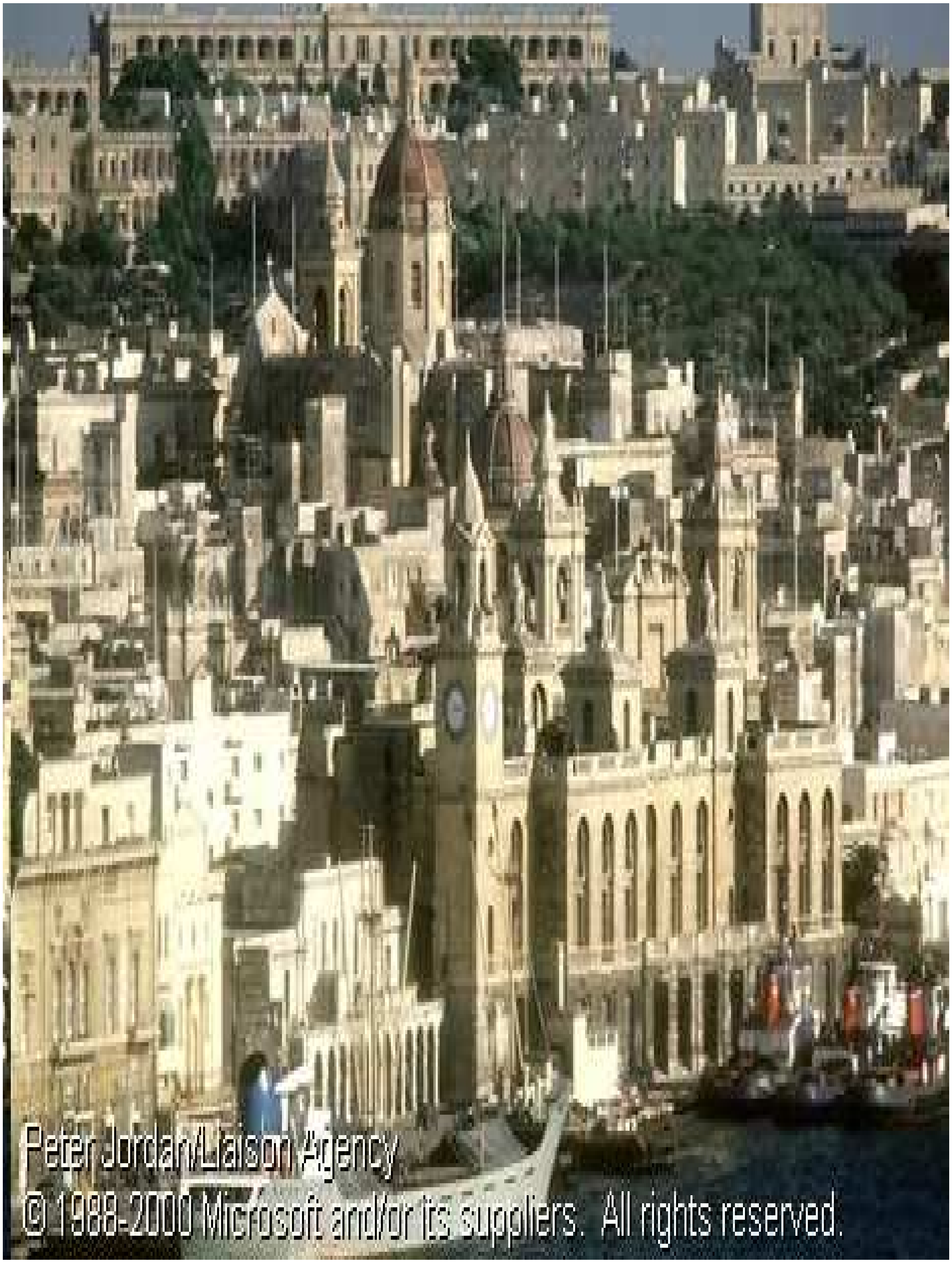
Restrictions on purchasing financial products outside the ho me will be removed. This will benefit British financial institutions, which is already efficient and aggressive.

The transfer of money through the PHARE programme is significant in relation to establishing business with Eastern Europe. The PHARE programme has a budget from the EU and also benefits from national funding, co-ordinated by the EU commission. It focuses its assistance in four areas:

- Internal restructuring including legal
- Modernisation of financial services
- Privatisation of small & medium-sized businesses
- Development of the labour market and social sectors

The extent of structural change in the economy is already producing rapid growth from new healthy roots. It looks as though enlargement is a win-win process.

MALTA


Peter Jordan/Liaison Agency
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HISTORY

In 1956 a referendum for the complete integration with Britain was approved, however, by 1958 an independent movement began to grow. In 1962, a constitution was approved so that the British colony could become a state will full internal self-government, although the new legislative assembly favoured full independence.

On 21st September 1964, Malta became an independent constitutional monarchy. In 1974 the constitution was amended and Malta became a republic within the commonwealth. In May 1987, Edward French A dami was elected prime minister and on 16th July 1990, Malta applied for full EU membership. Also in 1992, the government continued with its policy with liberalization with import barriers being reduced in line with the country's aspiration too gain membe rship with the EU.

In June 1993 the commission of the EU announced that Malta had all the qualifications for EU membership, although they would have to implement certain economic reforms & legislative measures in order to gain entry. Malta's application for EU membership was frozen in 1996 and re-activated in 1998.

Per capita GDP is roughly $13,000, which places Malta in the ranks of the less affluent EU countries. The island is divided politically over the question of joining the EU. The sizable budge t remains a key concern.

The resolution notes that Malta meets the Copenhagen political criteria and as a functioning market economy, it should therefore be able to cope with competitive pressures and market forces within the union.

There is some catching up to do in regards to environment and agriculture. Parliament considers that Malta needs to intensify its efforts to transpose, apply and enforce the community acquis.

DEMOGRAPHIC PROFILE

LOCATION

One of 5 islands located in the central Mediterranean Sea. Malta is a crossroads between Europe and Africa and at the southern tip of the European continent.

Capital: Valletta

Major Cities: Birkirkara, Qormi, Hamrun, Sliema

Area: Total – 320 sq km
Land – 320 sq km
Water – 0 sq km

Area Comparative: Slightly less than twice the size of Washington, DC

Urban: 85.3%

Rural: 14.7%

Languages: Maltese & English

Climate: Mediterranean with mild, rainy winters & hot dry summers

POPULATION

Estimated: 378,900 (Atlapedia.com – 2000)
381,603 (Weatherhub.com – July 1999)
0.39 million (Europa.com – Dec 2000)

Within Cities: Valletta – 9,100
Birkirkara - 21,800
Qormi – 19,900
Hamrun – 13,700
Sliema – 13,500
(1994)

Age Structure:

AGE	PERCENTAGE	MALE	FEMALE
0 – 14	20%	40,058	37,810
15 - 64	68%	130,282	128,390
65 +	12%	18,996	26,067

(1999)

Birth Rate: 11.02 per 1,000 populations (1999)

Death Rate: 7.37 per 1,000 populations (1999)

Race: Maltese are descendants of ancient Carthaginians & Phoenicians.
Mixture of Arab, Italian & retired British Nationals.

Religion: Roman Catholic – 98%
Anglican – 2%

Education: Literate population 15 + = 96% (Atlapedia, 1985)
Literate population 10 + = 88% (Weatherhub, 1985)

ECONOMIC PROFILE

Land is mostly rocky, flat to dissected plains; many costal cliffs

Pastures & Agricultural cultivated: 41%

Other: 59%

Permanent crops: 3%

Forests & woodland: 0%

Environmental Issues: Very limited natural fresh water resources & relies on desalination.

Economic Resources: Limestone, Famous golden stone (Globigerina) & beekeeping.

Human Resources: Labour force – 148,085
Occupation – Public Services, 34%
Other Services, 32%
Manuf &Construction, 22%
Agriculture, 2%
Unemployment rate: 5%

TRANSPORTATION

Railways: Nil

Buses: 19,653 (1989)

Airports: 1 (1998)

Highways: Total = 1,582 km (1993)
Paved = 1,471 km, Unpaved = 111 km

MAJOR INDUSTRIES & PRODUCTS

Major Industries: Agriculture, beverages, clothing, electronic equipment, food stuffs, footwear, leather, rubber, plastic, shipbuilding, repairs, textiles, tourism, tobacco products.

Main Primary Products: Fruit, limestone, pigs, poultry, salt, tobacco, vegetables, wheat.

Agricultural Products: Potatoes, cauliflowers, grapes, wheat, barley, tomatoes, citrus, cut flowers, green peppers, milk, eggs, pork, poultry.

PATTERNS OF TRADE

Main trading partners: Germany, UK, USA, Italy

Main exports: Clothing, footwear, furniture, machinery, ship instruments, textiles, tobacco.

Export partners:
France – 18%
USA – 15%
Germany – 15%
UK – 8%
Italy – 6%

Exports: $1.7 Billion (f.o.b.1997)

Main imports: Machinery, transport equipment, manufactured goods, food, drink, tobacco

Import partners:
Italy – 20%
France – 16%
UK – 15%
Germany – 10%
USA – 8%

Imports: $2.3 billion (f.o.b.1997)

Malta is well integrated in terms of trade with the European Union. In 2000, 33% accounted for Malta's exports & 60% of imports.

ECONOMY

Inflation rate: 2.8% (1997)

Budget revenues: $1.32 million (1998)

Budget expenditures: $1.76 million

GDP: 60.6% (2000)

GDP by sector: Agriculture = 3%
Industry = 26%
Services = 71%

Currency: Lira

External debt: $130 million (1997)

Average exchange rate: E2.4741 (2000)

TASK 3

The benefits of enlarging the Union to include these countries are Political, Economic and Cultural:

- The addition of more than 100 million people, in rapidly growing economies, to the EU's market of 370 million will boost economic growth and create jobs in both old & new member states.
- Enlargement will strengthen the Union's role in world affairs – in foreign policy, trade poli cy & other fields of global governance.
- The arrival of new members will enrich the EU through increased cultural diversity, interchange of ideas, better understanding of other people.
- The extension of the zone of peace, stability and prosperity in Europe will enhance the security of its entire people.

Benefits are already visible, such as:

- The economic reforms in these countries have led to high rates of economic growth and better employment prospects
- This process has been helped and encouraged by the pro spect of EU membership and by the EU's financial assistance.
- As a result, the Union enjoys growing trade with these countries and this generates employment and growth in the member states.

ADVANTAGES

- The benefits of enlargement outweigh the costs. Alth ough the benefits are relatively larger for the acceding countries, because they start from a lower economic base.

- Enlargement if well conducted, will bring major benefits both to the existing Union and to the acceding countries.

- For both the current member states and for the candidate countries preparing to join, enlargement offers advantages in terms of strengthening the area of freedom, security and justice, providing a boost to economic growth and attracting from outside, which strengthens Europe's place in the world.

- Benefical effects of the various policies for reducing inflation and anchoring exchange rates.

- Member states run considerable surpluses on their export trade with candidate countries and these translate into more jobs and more tax Revenue and more money for social security systems.

- An opportunity to increase living standards and improve prospects in global competition.

DISADVANTAGES

- The changes taking place in the candidate countries have led to social problems and in particular to marked social stratification and in some cases high unemployment.

- Enlargement will strain the EU budget. Need to finance the enlargement with the framework given by the interinstitutional agreement of 6th May 1999.

- Tariffs on agricultural products would be high.

- No commitment to move quotas, which is considered the biggest barriers to trade.

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