

The Business Community and the Self-Employed

Question & Answer

on Malta and the European Union

Edition No 2



10 Questions & Answers on Malta and the European Union

Information booklet compiled by the
Malta-EU Information Centre answering some of the most
frequently-asked questions on Malta and the EU.



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Special Edition focusing on the Business
Community and the Self-Employed



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1. Shopping hours

Does the EU say anything about shopping hours?



No. The European Union has no law on shopping hours, that is to say, on the opening and closing hours of shops. This is a matter that is decided by different countries of the EU quite independently of their membership of the EU.

If you ever happened to be in a pub in the UK when the clock approaches 11.00pm, you may well have noticed the warning bell calling for last drinks. But at that time, there is no bell in sight in Spain (or in Malta, for that matter).

Similarly, with retail shops. The EU does not impose opening and closing hours for shops.

This is not surprising. The EU does not and should not get into these things. Not only because they should remain in the domain of national or local affairs but also because this subject also happens to be extremely controversial whenever it comes up for discussion in different countries.

And what about Sunday trading?

A related issue is that of Sunday trading, that is to say, whether shops may open for business on Sundays. Here again, the EU does not come into the matter and there is no EU law that says that shops should be open or closed on Sundays. This too is regulated by national or local law in different countries of the EU.



On both the issues of shopping hours and Sunday trading, it must be said that there have been attempts to put these matter in the EU domain or on the EU agenda. But these attempts have been unsuccessful.

retail do-it-yourself outlet in the UK was taken to court by the local council

on the grounds that it opened for business on Sunday in breach of the UK law on shopping hours and Sunday trading. The retail outlet made the point that this UK

law was not valid because it inhibited trade and was therefore contrary to EU law.

was referred to the European Court of Justice which threw out the retailer's argument.

Court held that EU rules on free trade do not apply to national rules prohibiting traders from opening their premises on

Sundays. National rules on opening hours, the Court said, reflect certain political and economic choices on working and non-working hours that individual countries make to respect their national or regional socio-cultural characteristics. For this reason, the EU does not get into these matters.

At most, it said, the EU would only come into it, in the (rather unlikely) event where these national rules pose restrictions to trade in the EU. It added, rules on opening hours are not designed to govern the patterns of trade between Member States. For, if anything, the closure of shops in certain hours or on Sundays, affects both local products as well as imported products.



This ruling has been consistently upheld over the years in other judgements in 1992 and 1994. And no EU law regulates this matter.

2. Small businesses

*Negotiations on small businesses are said to have been closed. So is this it?
Or should small businesses look out for more?*

Negotiations between Malta and the European Union on the chapter known as Small and Medium-sized Undertakings have been closed provisionally. But this is not the end of the story and small businesses have other areas of interest that they should look out for. In these areas negotiations are still under way.

The chapter on small businesses (SMEs) was relatively straightforward because it just includes policy guidelines that encourage governments to adopt an SME-friendly policy and also extend to Malta's participation in the EU's programme on SMEs (from 2001). This is not to say, that negotiations in other areas will not affect or be of interest to small businesses. The same may be said of the industrial policy chapter, where so far Malta has discussed with the EU generic policy issues. But other chapters are clearly of direct concern to industry as well.

Small businesses are likely to be affected

depending on the business activity in which they operate. It is one thing talking about a retail outlet and quite another talking about a restaurant or a small manufacturing firm. All of these may be small businesses, but their interests are different.



Retail Retail outlets are not significantly affected by EU rules and regulations in a direct manner, unless they are also importers and would therefore be interested to learn whether there will be any changes in importation procedures, including procedures related to certification and taxation

(including levies).

Even among retail outlets, there may be different interests. For instance, certain retail outlets, such as pharmacies, are more strictly regulated than others. Here, the question arises as to whether the current system of licensing of pharmacies would be removed because of EU membership. On this matter, it is now established that different EU Member States have their own systems



established that different EU Member States have their own systems on licensing of pharmacies and that the EU does not come into it. This means that if, in Malta, we want to limit the number of pharmacies or otherwise liberalise them, we can do so irrespective of EU membership.

Small manufacturers, which are also small businesses, may be interested in areas such as health and safety, food safety and food hygiene (also of interest to restaurants), product standards (where there are applicable EU standards), product liability (in cases of defective products) and in certain cases even environmental considerations. Again, all of this depends very much on the area of business activity that one is talking about.

Upon membership, EU funding opportunities

should also be of more interest to small businesses since access to funding need not necessarily be done through government channels and according to government priorities. This means that small businesses should follow developments on Malta's access to the EU Structural Funds after membership. Equally, small businesses may be interested in participation in the EU programme on training (Leonardo) whereas on a broader level, their representative associations may be keen to follow developments on the new 4th Multiannual Programme on Enterprises. Malta will be able to participate in the new programme.



3. The EU Market

*What do we mean when we say internal market?
What are the "four freedoms"?*

More than anything else the European Union is a market that is made up of the 15 countries that form the EU. Because the 15 different countries all form part of the same European market, this is known as the single market or the internal market. Building this internal market out of 15 different countries has been one of the most difficult achievements of the EU since it was set up. The fundamental principle behind the operation of this internal market is that within this area, trade flows freely and without restrictions or distortions to competition. This is where the four freedoms come in. For trade to flow freely between all 15 EU countries, there must be full freedom to trade. The four freedoms apply to the four basic factors of production, namely goods, services, persons and capital. For a single market to work it must allow the full freedom of movement of products (goods), of services offered by individuals or by companies, of workers as well as of capital (money).

Free movement of goods means that trade in products within EU countries must not be restricted through the imposition of

say, taxes such as customs duties, levies or other tariffs. Equally, trade within the EU may not be inhibited by limits on the quantity of products that may be traded (quotas) or other obstacles. Obstacles to trade may include hidden restrictions which are not immediately obvious but which still have the practical effect of restraining trade. For instance, national regulations which apply in different ways to imported products than they do to locally-produced products may be considered as obstacles to trade and therefore illegal.

Free movement of services is similar to the movement of goods. A bank which is regularly set up in one EU country would automatically have the "passport" to offer its services in another EU Member State. The same applies to other service-oriented companies such as insurance, financial services and investment services companies.

Similarly, with the free movement of persons, EU workers have the right to move from one country to another to seek work. Once they find work, they are automatically entitled to a work permit and to reside in that country along with their family. The right of the self-employed to settle in another

EU country is known as the freedom of establishment.

Finally, the free movement of capital means that individuals have the right to transfer their money from one country to another in the EU for investment purposes. This freedom also applies to the right to transfer money in order to purchase immovable property in another EU country.

This latter point is a concern for Malta and is being raised during the ongoing membership talks with the EU. Malta wants to retain some measure of restrictions on the right of foreigners to buy property. On the other hand, the EU claims that it wants to limit exceptions to internal market rules.

In each of the above four areas, the principle remains essentially the same. This is that the freedom of movement may not be restricted. Exceptions are limited to cases justified on the grounds of public policy, public health and the like. Another way of seeing it is that there can be no discrimination on the basis of nationality. This means that, say, Italy cannot block services offered from France, simply because the services do not originate from Italy.

Having said that, the application of these principles must still respect national rules

which may differ from one country to another. That a teacher in Belgium has the right to work as a teacher in Germany does not mean that the qualifications to become a teacher or the procedure to obtain a warrant to work as a teacher are the same in both countries.

The free movement of goods, services, persons and capital are together known as the "four freedoms". Without them, the EU internal market cannot operate effectively.

For any given country, applying these four freedoms means that the country would have access to the EU market and vice-versa. Equally, for Malta, joining the EU would mean adopting these four freedoms, thereby integrating

the Maltese market into the EU's internal market. Most of the EU laws that candidate countries are required to adopt seek to achieve this objective.



4. Trading with non-EU countries

If Malta joins the EU, what will happen to our commercial relations with countries that are not part of the EU, that is, non-EU countries?

There is a common but wrong impression that EU membership means locking oneself in trade with EU countries at the expense of trade with other countries that are not part of the EU. In other words, by joining the EU, Malta would have to trade only with EU countries but forget about possible trade openings with other countries. Quite the contrary is true.

The EU is open to trade with non-EU countries and this represents as much as one third of total EU trade. This has been helped by a network of trade agreements with several countries around the world.

Countries that are part of the EU automatically become parties to these agreements. For instance, if the EU has an agreement with Turkey (which is not part of the EU), then once Malta joins the EU it would automatically become part of that agreement with Turkey and be able to extend the same commercial ties with this country. Thus, if currently the EU has a duty-free access to the Turkish market (and vice-versa) the same would apply to our country if it joins the EU.

Take Tunisia. This country has entered into

a free trade agreement with the EU as part of the EU's plan to establish a Euro-Med-wide free trade zone by 2010. Even if Malta has no free trade agreement with Tunisia today, upon membership it would automatically enter into a free trade agreement with Tunisia because of Malta's status as an EU country.

This means that membership does not only mean trading with EU countries but also with several non-EU countries, including many countries that are geographically close to us. This would be possible without Malta having to negotiate and sign individual trade agreements on a bilateral basis with each and every country with which the EU has an agreement.

Clearly, therefore, it is in the direct interest of companies that are involved in import or export to check out the agreements that the EU has with non-EU countries in order to establish how these may be used upon membership and what threats and opportunities are likely to arise. This also applies to the sourcing of raw material. A quick look at the countries with which the EU has concluded agreements (whether preferential trade agreements, free trade agreements or a customs union) reveals that

several countries around the world are part of the commercial network of the EU. Close to us, there are the negotiations to establish free trade agreements with all non-European Mediterranean countries (but not yet with Libya). These have already been concluded with Tunisia, Morocco, Jordan as well as Israel.

In Europe, the EU has free trade agreements with the former-communist Central and East European countries all of which are now lined up for membership.

Within Europe too, the EU has extended its internal market to Norway, Iceland and Liechtenstein which form part of what is known as the European Economic Area. The EEA extends the free movement of workers, goods, services and capital to these three countries. The EU has also recently concluded a string of agreements

(seven in all) with Switzerland with which it has also long had a free trade arrangement. The agreements with Switzerland cover among others, air and land transport, free movement of workers as well as agriculture. The EU also has agreements with over seventy countries in Africa, the Caribbean and the Pacific (ACP countries). Many of these were former colonies of EU Member

States. Agreements with these countries have traditionally contained a mix of financial aid from the EU and preferential access to the EU markets.

Finally, The EU also has important commercial ties that differ in degree with a number of other countries. For instance, with Mexico and South Africa it has concluded free trade agreements. The EU is also a leading trading partner for the US, Australia, Japan, Canada, and China. The

EU also pursues liberalisation of global trade within the context of the World Trade Organisation (WTO). Upon membership, Malta would automatically become a party to all these commercial ties with non-EU countries.



5. Parallel trading

I have an exclusive agreement to import a certain brand of products. Will this agreement become illegal if Malta joins the EU?

And what about parallel importation?

Local importers may import products on the basis of an exclusivity arrangement, whether written or even verbal, that they have with a foreign supplier. This agreement is usually known as an exclusive distribution agreement. This type of agreement is legal and acceptable both today - under Maltese law - and after EU membership.

Although the exclusive nature of the agreement tends to restrict competition (to just one importer), it is generally acknowledged that these type of agreements are beneficial both for commerce and for consumers. Therefore, they should be allowed. On its part, the EU is moving towards a greater flexibility in allowing such agreements, more so, when they involve small firms and where they have a negligible effect on EU trade.

So exclusive distribution agreements will

not become illegal if we join the EU. There is a side issue - of parallel importation - which is often the source of much complaints by local importers. Parallel importation or parallel trading occurs in the following typical scenario. Maltese "Company A" imports a particular product of a particular brand from UK "Company B" under an exclusive agreement, meaning that Company B will only supply Company

A in Malta and no one else. But out comes Maltese "Company C" which imports the same product, same brand, into Malta from "Company D" in Italy. This means that the same product (and same brand) would now be available locally from both Company A and Company C. That is why we speak of parallel trading. Company C would have clearly thwarted

Company A's plans to have a say in the market through the sole representation of the brand in Malta.



Parallel importation usually leads to increased price competition which tends to benefit consumers. But traders in Company A's position complain that someone else is getting a free ride over their investment in marketing the brand locally. Yet, clearly, competition is not merely based on price. "Official" importers may still fend off price competition by proving that they can offer better consumer (including after-sales) service, which parallel traders operating on low margins can hardly afford. This type of competition becomes increasingly important when consumers are informed and empowered to choose the best overall package which gives them value for money; a culture which, admittedly, is still somewhat lacking in Malta.

Parallel trading is already permissible



today in Malta. There is nothing - or hardly anything - that Company A can do to stop Company C from importing the same product in Malta simply because Company A cannot force the Italian Company D to stop supplying company C in Malta. Parallel trading is a reality that we have lived with for a

long time and local traders know this very well. The principle underlying parallel trading has also been accepted by the Maltese courts in judgements which date back several decades.

Upon membership, parallel trading will still be possible and again, there is nothing - or very little - that one can do about it. Indeed, because the EU promotes free trade among its Member States, it has always looked positively upon parallel trading as a means of enhancing competition and therefore, on balance, helping consumers get a better deal.

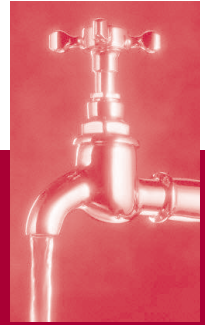


6. Water and

electricity

Will Enemalta and Water Services Corporation have to be liberalised or privatised if we join the EU?

subsidies on water and electricity have to stop?



Many often confuse liberalisation and privatisation. There is a clear difference between the two. To put it simply, liberalisation means opening up to competition. Privatisation means passing the control or ownership of certain enterprises from the state to the private sector. Liberalisation and privatisation often come together but this need not necessarily always be the case. There can be liberalisation without privatisation.

Although privatisation is favoured within the EU as an important part of the process of economic modernisation, there is no EU law that makes privatisation obligatory for EU countries. In fact, several EU member states still have state-owned companies operating in various sectors.

On the other hand, EU law does require liberalisation in most, although not all, sectors. Among the most important sectors that have been liberalised because of EU law is (of course) trade in goods. But there are also important services sectors

such as telecommunications and air transport. This means, for instance, that under EU law, Maltacom cannot continue to operate in a monopolistic situation.

On the other hand, areas where EU liberalisation is still in progress include, for instance, postal services and electricity. In the case of water, it is virtually non-existent and there are no EU rules that liberalise this sector. This is not to say that individual countries may not liberalise 'faster' than the EU. In fact, there are countries where water services are open to competition.

In the case of electricity, a recent EU law has started to liberalise this sector with respect to electricity supplies to industry as against electricity supplies to households. This accounts for the liberalisation of around one third of the market. EU statistics report that in the wake of this process of liberalisation, electricity costs for industry in the EU have gone down.

Yet, EU law in this area does not apply in the same way to electricity networks that

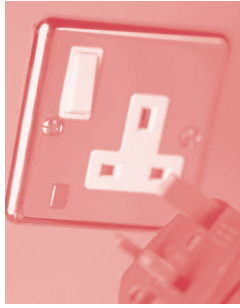
are referred to as 'small isolated systems' and which may find difficulties competing when compared to networks that can easily connect to other networks in neighbouring countries for the purposes of competition. For this reason, small-isolated systems need not necessarily open this sector to competition to the same extent as others.

This would apply in particular to the distribution function of Enemalta, rather than its electricity generating function which should be opened to competition. During accession negotiations on energy, Malta is making the point that ours is a small-isolated system and should be considered accordingly for the purposes of liberalisation.

On the other hand, Malta has to do away with the current monopoly in the importation of fuel. In this regard, Malta is willing to liberalise but is seeking a transitional period to be able to adjust over a longer period.

As to water services, there are no specific EU rules that liberalise this sector. And although general competition rules still apply, these nevertheless allow liberalisation to be withheld if this is necessary to ensure that certain essential services continue to be provided to the public.

In our current situation, the supply of water is a service that is considered as an essential service and is likely to remain closed to competition even if we join the EU. Besides being a very scarce commodity in Malta, we also pay very dearly to produce water. In



such conditions, therefore, having the state to secure the provision of such a service seems, so far, to be our only option.

And will subsidies on water and electricity have to stop?

No. EU law makes it clear that subsidies are permitted if they are given on social grounds and are passed on directly to consumers. In Malta, both subsidies on electricity and water fall within this category.

It must be added that, in the case of water, a recently adopted EU law states that in order to ensure that water resources are used in a sustainable manner, the pricing of water should reflect the true costs. However, exemption from this principle is possible where countries want to ensure that basic water services continue to be provided at an affordable price.

7. Subsidies

Will subsidies and other assistance, such as business incentives, have to stop if we join the EU?

What exactly is the EU position on subsidies?

Subsidies are one form of aid that may be given by the state to enterprises. This is known as state aid. State aid is normally granted for different reasons, but most typically it is given as an incentive to a particular commercial activity or as an assistance to an industrial sector. Under EU law, in principle, state aid is illegal if it distorts competition and affects trade between member countries. But this is not all that there is to it. There are a number of exceptions to this rule. In other words, there are cases where state aid to enterprises can legally be given even under EU rules.

If Malta joins the EU, it does not necessarily mean that all subsidies have to go. For instance, EU law is applied more flexibly with regard to aid granted to small and medium-sized enterprises (SMEs) precisely because of their size. EU law allows state aid to SMEs because SMEs play a decisive role in job creation and act as a factor of social stability and economic drive. For these reasons, some of the difficulties they face, such as, for instance, obtaining capital and

credit should be off-set.

In December 2000, the Commission adopted a regulation on state aid to SMEs which exempts certain aid in order to facilitate the development of the economic activities of SMEs. The aid that may be allowed under this regulation can be very high.

Since virtually all enterprises in Malta are SMEs, this regulation is of direct interest to all Maltese businesses that want to know what their position is with respect to state aid that is allowed under EU law.

Aid to SMEs that is allowed under this regulation would normally come through incentive schemes launched by Government to promote business and investment. They include aid for investment purposes, whether in tangible or intangible assets. In such cases, the aid that is allowed can be up to 15 per cent of costs of the investment in the case of small businesses and 7.5 per cent in the case of medium-sized enterprises.

But if the investment takes place in countries, such as Malta, that under EU rules qualify for regional aid, the level of permissible aid

can be as high as 65 per cent of costs of the project.

EU law also permits state aids when this is given for specific reasons or activities. Primarily, these are aids given for training purposes, for environmental up-grades, for research and for restructuring. Aid can also be linked to job-creation.

Furthermore, minimal levels of aid - up to Euro 100,000 over a three year period - are considered to be so small as not to fall under EU law at all and are therefore permissible.

Note, however, that since aid linked to export performance is prohibited both under EU law and

WTO rules, no aid can take the form of export aid.

Until recently, Maltese law (the Industrial Development Act) included incentives - such as export aid - that was incompatible both with EU law and with WTO obligations. On the other hand, certain aid allowed under EU law was not available under our law.

This situation has now been remedied by a new Business Promotion law that took over from the Industrial Development Act. The drafting of this new law took into account the above EU rules on what level of state aid is permissible. It also introduced new types of incentives that were previously not

available to local companies, but that are still permissible under EU law.

Those Those companies that are already operating under IDA incentives will continue to do so on the basis of their acquired rights and this point is also being made during ongoing negotiations with the EU. Apart

from local assistance, the new law would also be able to channel funds that will be available to Malta from the EU Structural Funds after membership.

Far from coming to an end, therefore, state aid for enterprises, whether subsidies or other

incentives, is still allowable under EU law provided certain conditions are respected. One just needs to establish which kind of aid is possible and in which cases.



8. Withholding tax

Does the EU have any plans to introduce a withholding tax on bank interest?

Until recently, yes, European Union Member States were indeed discussing plans to introduce an EU-wide withholding tax on savings income. These plans have now been dismissed in favour of a system of exchange of information among member countries.

By way of background, it must be said that this matter has been the subject of EU discussion for over a decade. The reason behind it is to attack tax evasion perpetrated by those who open bank accounts or other holdings outside their own country in order to benefit from low or zero taxation and evidently, to refrain from declaring the income in their home country. This evasion is said to cost national coffers hefty tax revenues each year.

Progress has not been easy and a first draft proposal dating back to February 1989 was left to gather dust because it lacked support. It must be recalled that in the EU, laws relating to taxation require the common approval of all Member States, that is to say, decisions must be taken by unanimity. Hence the slow progress.

The 1989 draft was eventually substituted by a new proposal in March 1998. This

proposal offered EU Member countries an option; either to impose a withholding tax of at least 20 per cent on savings income (including bank interest) or alternatively to agree to exchange information on savings income.

Note that the proposed withholding tax would have been charged on non-residents and not on nationals. Thus, the withholding tax in the UK would not have applied to UK citizens, but to residents of other EU member states holding accounts in that country.

Those countries which did not favour the withholding tax had the option to exchange information with the other EU Member States on income from savings earned by non-residents.

But following much debate, no agreement was reached even on this proposal. Disagreement centred on two points: first, the UK was adamantly opposed to any withholding tax whatsoever. Secondly, countries such as Luxembourg, where banking secrecy has been used for decades, opposed exchange of information unless this was also adopted by other financial centres such as Switzerland and the Channel Islands.

The final decision ended up a rather diluted version of initial intentions. In the summit of EU countries held in Portugal in June 2000, it was finally agreed that the proposal for withholding tax be scrapped. Instead, EU member countries agreed that they would "ultimately" introduce a system of exchange of information on income savings earned by nationals of other countries.

Agreement was made conditional on an important prerequisite. This means that, before any EU law is approved, the EU

would enter into discussions with the US and other countries such as Switzerland, Liechtenstein, Monaco, Andorra and San Marino to promote the adoption of similar measures by these countries. At the same time, EU Member States with dependent territories (such as the UK with the Channel Islands and the Isle of Man) would do the same with their respective territories.

In other words, there will be no EU law until other countries too accept to introduce the same system. Once sufficient reassurance is obtained that these other countries and jurisdictions would also impose a system of exchange of information, EU countries would then adopt this law (again, by unanimity).

The time frame for adoption is the end of 2002.

Because of this tough condition, the



likelihood that such a law would be approved is already being questioned. In view of the above, therefore, one can conclude that presently there are no plans for the EU to introduce a withholding tax on bank interest.

9. The EURO

When will we "see" the Euro enter into circulation?

Can Malta adopt the Euro without joining the EU?



Although the European single currency, the Euro was launched on January 1, 1999, it is still not in circulation. This means that Euro banknotes and Euro-cents are still not available in cash that people can use when buying their goods and services. This situation will change on January 1, 2002 at the latest when the Euro will enter into circulation. Subsequently, national currencies that are still being used in those countries that have adopted the Euro, will be withdrawn. This means that very soon there will be no more Italian Lira, German Mark or French Franc in use. In these countries there will just be Euro. One of the main reasons why the Euro will only enter into circulation after three years is to enable the public to become acquainted with the new currency and its value. This is not easy, especially for children, the elderly and the disabled. The EU and the Euro-zone countries are expected to intensify their educational campaign on the Euro in the final countdown before it enters into use as cash.

Only countries that are members of the European Union can adopt the Euro, although countries that are outside it may clearly opt to "shadow" its value. Malta is already doing this in part by pegging around 56 per cent of our Lira to the value of the Euro. The other portion is pegged to the UK Pound and the US Dollar.

On the other hand, not all EU Member States are automatically part of the Euro. There are a number of tests to be fulfilled before a country that is a member of the EU can adopt the Euro. These tests are meant to ensure that the countries that adopt the Euro have sound credentials in economic, fiscal and monetary management. The tests are known as the "convergence criteria" and include requirements for low inflation, public deficit and public debt. They also include tests on currency stability and strict independence of the national Central Bank from political interference.

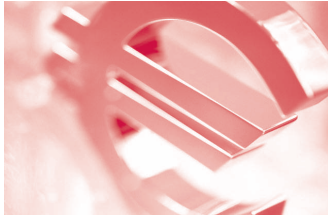
These tests would quickly raise brows in Malta where current public deficit levels are still wide off the mark for membership of the Euro. Other countries, such as Italy and

Greece have successfully reduced very high public deficits in relatively short periods of time.

Note also that these criteria are not required for membership of the EU but only for qualifying for the Euro-zone, which happens after membership.

Of the 15 EU countries, there were originally four that were not in the Euro-zone. There was Greece, which joined on January 1, 2001. And there are still Sweden, Denmark and the UK outside the Euro-zone. The Danes rejected the adoption of the Euro in a referendum held in September 2000.

Candidate countries are required to adopt the Euro once they join the EU. Because of the current rules for membership of the Euro, candidate countries cannot join the EU and the Euro at one and the same time. According to current rules



they can only join the single currency after at least two years of their membership of the EU.

This means that Malta cannot adopt the Euro without joining the EU. And

it can only adopt the Euro after it joins the EU and not at the same time.



10. The date of membership

When will new countries join the EU?

There is no concrete answer yet for this very important question. The reason is that the EU countries have still not decided to set a date for enlargement. And it is entirely up to them to do so. Candidate countries have no direct say in setting this date. To be sure, all candidate countries, Malta included, have set their own preferred dates. But rather than the date of membership, these are target dates by when they aim to be prepared for membership. Most of them, like Malta, have set the target date of January 1, 2003. However, it must be clear that this is not necessarily the date when they will join the EU. It is simply the date when they should have completed their internal programme to be ready to do so. It is up to the EU member countries to set a date for the next enlargement. So far this has not happened, despite mounting pressure by several countries.

However, in December 2000, at a summit meeting of the leaders of EU countries that was held in Nice (France), a decision was taken that has a direct impact on the date of enlargement. In their conclusions EU leaders said that they hoped that the new Member States would join the EU in time to take part in the next European Parliament elections that are due to be held in June

2004. Clearly, for new countries to take part in the next European Parliament elections, it is evident that they must have joined the EU before June 2004.

In Nice, the EU leaders also renewed their commitment that the EU should be in a position to start taking in new members from the end of 2002.

This means that although no specific date was fixed, the timeframe for the next enlargement has now been narrowed down to a date between January 1, 2003 and January 1, 2004. This is the closest we have come to having a date fixed for the next enlargement.

For Malta to be part of this enlargement, it must have concluded negotiations in time. But in our case, joining the EU is also a question that will be decided by the Maltese electorate in a referendum that will be held after the end of negotiations.