

**CYPRUS ADULT EDUCATION ASSOCIATION
WORKERS PARTICIPATION DEVELOPMENT CENTRE (UNIVERSITY OF MALTA)**

**“CYPRUS - MALTA ON THE THRESHOLD
OF ACCESSION TO THE EUROPEAN UNION.
CHALLENGES TO WORKERS
AND TRADE UNIONS”**

**POSITIONS OF THE MAIN TRADE UNIONS AND
REPORTS FROM TWO SEMINARS**

**EDITORS: KLITOS SYMEONIDES
GODFREY BALDACCHINO**

NICOSIA 1996

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The head of the Cypriot delegation addresses the President of Malta



The inauguration of the seminar in Cyprus

INTRODUCTION

Klitos Symeonides

The predicament of small island economies is significantly shaped by developments elsewhere. All the more so when the external agency is none other than the largest economic block in the world today. The European Union (EU) is now a pan-national organization of 15 countries, with various other European States hopeful of future membership. On its Mediterranean peak lie two small but sovereign islands already with substantial levels of trade with the EU, Cyprus and Malta. As if to confirm a basis of commonality both submitted application to join the EU in July 1990.

It appears that the main decision has already been taken: The European Union has already decided to accept Malta and Cyprus within the fold. Negotiations with the EU are likely to start after June 1997 and it is expected that the two countries will join the European Union by the year 2000.

This report presents the policy positions of the four main trade unions of Cyprus and Malta (CMTU, GWU, PEO, SEK) along with the key deliberations of two seminars which were organized in Malta (November 1995) and Cyprus (February 1996) on the theme:

“Cyprus and Malta on the threshold of accession to the European Union: Challenges to Workers and Trade Unions.”

The two pioneering seminars were organized by the Cyprus Adult Education Association (CAEA) and the Workers Participation Development Centre (WPDC) of the University of Malta.

The basic objective of this educational initiative has been to explore the impact of accession to the European Union on the two micro-economies and micro-labour markets of Cyprus and Malta. In the process, labour representatives have been able to benefit from the experiences of their counterparts from the only other European and Mediterranean micro-state. New contacts have also been established and there should further promote international collaboration between worker leaders in these two countries. Malta and Cyprus have so much in common and so much to learn from each other, yet logistic difficulties have so far hindered a proper and stable exchange network. The common challenge of EU accession and the new opportunities for collaboration that this offers should help remedy this situation.

The two seminars have, in particular, placed a focus on the effects of:

- Pressure towards liberalization and de-regulation
- occupational mobility between the two micro-states and the European Continent
- demands for language competencies of Maltese and Cypriot workers
- need for greater co-ordination with trade union organizations and federations at the European level
- adoption of EU directives and recommendations concerning labour policy and conditions of work: (e.g. maternity leave, occupational health and safety, European works councils, disabled workers etc)
- implications of smallness and islandness on liberalization, competition and participation in EU institutions.

Klitos Symeonides, President of the Cyprus Adult Education Association and **Godfrey Baldacchino**, Research Officer at the Worker's Participation Development Centre of the University of Malta, have acted as the Cypriot and Maltese seminar co-ordinators respectively.

Various experts – including academics, government officials and negotiators from Cyprus and Malta – have discussed and explored with the seminar, participants a number of themes related to the broad impact of EU accession. There have explored such topics as impact of liberalization and deregulation on local industry and small scale enterprises, training needs for workers, social and economic welfare of the two countries, working conditions, accession strategy and trade union education for effective worker participation.

Visits to the Trade Union headquarters and the two Universities were organized, and meetings with the two EU ambassadors have also taken place. The President of the Republic of Malta and the Minister of Education and Culture of the Government of Cyprus have welcomed the participants and expressed their support and interest of this exchange programmes. (A copy of the seminar programmes in Malta and Cyprus and the list of participants are provided in the Appendix).

The seminars have been generously financed by the European Union, the Friedrich Ebert Foundation of Malta and the Industrial Training Authority of Cyprus. The European Union has shown great interest in this initiative and **Mr Ivor Roberts**, Principal Administrator responsible for Trade Unions and Social Affairs of the EU has actively participated in the seminar held in Cyprus. The EU Ambassador in Cyprus **Mr Gills Anouil** inaugurated the seminar in Cyprus.

Preparations for accession to the European Union

The structured Dialogue and the harmonization of Cyprus with the Acquis Communautaire

Theophilos Theophilou

Before I proceed to the presentation of the subject of today's discussion, I would like to make a few introductory comments on some other aspects of this educational seminar.

First, I wish to congratulate the Cyprus Adult Education Association for their praiseworthy initiative to organize a seminar with such a subject and with participation of trade-unionists and educators from Cyprus and Malta. To my knowledge this is the first time that a seminar of this nature takes place in our country. During the past three years many seminars have been organized, each one of them on a different aspect of the relations of Cyprus with the European Union. Yet, none of them has even touched upon on the issues dealt with at this seminar. It is mainly for this reason that I believe that this seminar will be a very useful one not only generally, but in a concrete manner as well. I have no doubt that its deliberations will be substantive and constructive and that the participants will draw useful conclusions which will have practical application in our preparations for accession to the Union.

Second, I want to make some observations on the common course of Cyprus and Malta towards the European Union. This common course which has been followed consistently since 1990 is not only the deliberate choice of the governments of our countries. It is also the result of the official policy of the European Union *vis a vis* Cyprus and Malta. During the past three years, both countries proceeded in a parallel way and achieved substantial progress towards accession. The synchronization of their steps is not accidental or coincidental. There are good reasons for this, both from the point of view of Cyprus and Malta on the one side and of the EU on the other side.

Our two countries have many things in common. They are small – both in terms of territory and population – island, mediterranean nations. Both of them are English-speaking, former British Colonies which acquired their independence in the early sixties and became members of the Commonwealth and of the Non-Aligned Movement. Both have a developed free market economy in which the services sector has a dominant position. Cyprus has historically maintained very close ties with Greece, a

mediterranean country, member of the EU. Malta has also a very close relationship with Italy, another mediterranean country who is also one of the founding members of the Union.

Cyprus applied for membership on the 4th of July, 1990. Malta submitted its application two weeks later (16/7/1990). The Opinions of the Commission on the applications of Cyprus and Malta were issued on the same date, the 30th of June, 1993. Although the conclusions of these opinions were not exactly the same, they were similar to a considerable extent. Yet, the approach and the strategy adopted by the Commission were almost identical. Both Opinions were considered by the Council of Ministers at the same meeting on the 4th of October 1993. The Council adopted similar conclusions with regard to these two cases and instructed the Commission to initiate substantive talks with the governments of Cyprus and Malta “with a view to preparing them for the accession negotiations that will follow later on”.

In June 1994, the European Council of Corfu decided that “the next enlargement of the European Union will include Cyprus and Malta”. This decision was confirmed six months later by the European Council of Essen. Again, the cases of Cyprus and Malta, are dealt with by the Council at the same meeting and both countries are treated in exactly the same way. The importance of this decision needs hardly to be emphasized. No such decision has until now been taken with regard to any other country, although there are quite a few states which have also applied and which are pressing hard for the adoption of a similar decision.

On the 6th of March, 1995, the General Affairs Council decided that “accession negotiations will start on the basis of Commission proposals six months after the conclusion of the 1996 Conference, taking into account the results of the Conference”. In the same decision, the Council expressed also its intention “... to adopt a specific strategy in preparation for accession, including a structured dialogue...”. An exactly identical decision was taken by the Council one month later, on 10.4.95. with regard to Malta.

On the 12th of June, in the same year, the Association Councils of Cyprus – EC and Malta – EC met separately in Luxembourg and adopted identical Resolutions on the contents of the structured dialogue and on the strategy in preparation for accession. About a month later, on the 17.7.95, the GAC adopted identical decisions on the modalities of the structured dialogue of Cyprus and Malta with the E.U.

It is clear from the above that Cyprus and Malta are treated by the Union in exactly the same way. The two countries together constitute the

Mediterranean dimension of the enlargement of the Union. In other words, we are in the same boat. Where the one goes, the other goes as well. Together we proceed to our destination which is clear and within reach. If we are to succeed in our efforts we have to co-operate and to co-ordinate our actions. The gate of the EU does not open often or easily. Enlargement, even though desirable, becomes more and more difficult and complicated. One cannot expect the Union to enlarge by taking in only Cyprus or only Malta. Working together we will gather enough strength to push the door open.

In its Opinion on the application of Cyprus, the Commission came, *inter alia*, to the following conclusions. "Cyprus geographical position, the deep-lying bonds which, for two thousand years, have located the island at the very fount of European culture and civilization, the intensity of the European influence apparent in the values shared by the people of Cyprus and in the conduct of the cultural, political, economic and social life of its citizens, the wealth of its contacts of every kind with the Community, all these confer on Cyprus, beyond all doubt, its European identity and character and confirm its vocation to belong to the Community" (para. 44).

Further down, in para. 46, the Commission says: "... In regard to economic aspects, this opinion has shown that, in view of the progress towards a custom union achieved thus far, the adoption of the *acquis communautaire* by Cyprus will pose no insurmountable problems... The economy... of the island has demonstrated an ability to adapt and seems ready to face the challenge of integration provided that the work already started on reforms and on opening up to the outside world is maintained, notably in the context of the customs union".

I cited these quotations from the Avis because I wanted to show, using the Commission's own words, that the preparation of Cyprus for accession is not something new, something which started only recently. The process of preparation began many years ago with the conclusion of the Association Agreement in 1972. In other aspects, Cyprus was adapting its legislation and policies with those of the Community as part of its program for economic and social development right after independence. The goal of the developmental strategy of the government in those years was not, of course, the harmonization of Cyprus with the Acquis. The target was simply to develop the country and modernize its economy. Yet, the net result of the policies pursued in the 60's and in the 70's was, to a considerable extent, the same. Bringing Cyprus closer to Europe and narrowing the existing gap between it and the European countries, even though this was not done deliberately with a view to preparing Cyprus for acceding to the Union at some future time.

The conscious efforts to adapt the legislation of Cyprus, at least in certain sectors, to what applied in the European Community began only after the submission of the application for accession in 1990. These efforts became more methodical and systematic late in 1993, in the light of the conclusions of the Avis and following the decision of the Council of 4th October in the same year. The Council instructed the Commission to carry out substantive discussions with the government of Cyprus in order to help it prepare under the best possible conditions for the accession negotiations that will follow later on.

The substantive talks began in Nicosia on the 26th of November, 1993. A team of 10 officials from different D-G's came to Cyprus for this purpose and held discussions with Cypriot civil servants on a wide range of issues. In the light of the conclusions of the first general round of talks, the government decided to establish 20 Working Groups in order to carry on the discussions on a systematic basis. Each Group was assigned a different subject, as follows:

- External Trade Policy and Relations (Common Commercial Policy)
- Free Movement of Goods, Customs Union
- Free Movement of Services, Right of Establishment
- Free Movement of Capital
- Free Movement of Persons, Employment and Social Policy, Education
- Common Agricultural Policy, Fisheries
- Industrial Policy, Energy
- Common Transport Policy
- Economic and Monetary Union
- Common Foreign and Security Policy
- Co-operation in Home and Justice Affairs
- Environment
- Competition Policy, Consumer Protection
- Regional Policy, Structural Funds, Cohesion Fund
- Company Law
- Statistics
- Taxation
- Telecommunications
- Enterprise Policy, Distributive Trades, Tourism, Co-operatives
- Research and Technology Policy.

As far as the chairmanship of the various Groups is concerned, the Ministerial Committee decided that each one of them would be chaired by the ministry or government department which is by law the competent authority for the issues dealt by it. Other ministries or government

departments which have also a say or an interest in the same issue would participate in the WG as members. The organized interests of the private sector such as the Trade Unions, the Farmers' Associations, the Chamber of Commerce and Industry, the Organization of Employers and industrialists and others were also invited to participate in the WG.

The terms of reference of the WG were, on the one hand, to familiarize themselves with the *acquis communautaire* and, on the other hand, to compare the existing legislation in Cyprus in different sectors with the *acquis* and to pinpoint the differences. Apart from finding out and listing the differences, the WG were also required to establish the needs of Cyprus for financial and technical assistance that may be required from the Union in order to effect the necessary harmonization.

The talks lasted for about 14 months and were concluded in February 1995. The members of all 20 WG went to Brussels several times where they held discussions with officials from the competent D-Gs and exchanged information and notes on what applies in the Union and in Cyprus in their respective areas.

Upon the conclusion of the talks, high ranking officials of the Commission, including Vice President Sir Leon Brittan and Commissioner for External Affairs Mr. Van den Broek, expressed their satisfaction for the results. They also praised the Cypriot officials for their thorough knowledge of the *acquis communautaire*, their correct perception of the issues involved in this difficult exercise and their readiness and willingness to take up the challenge of harmonization. On our side, we also found the talks to be very useful and indeed an indispensable phase in the process of preparation and harmonization.

Soon after the completion of the talks, the WG were invited to submit their reports to the Ministerial Committee in charge of the relations of Cyprus with the E.U. The Chairmen of the Groups appeared before the Committee and presented orally a summary of the reports which they had prepared. In some cases, these reports were voluminous covering a few hundred pages. The work done was indeed enormous. Some of the Groups had to study several pieces of legislation (regulations, decisions, directives), covering thousands of pages.

Following the presentation of their reports, the Committee invited the WG to prepare and submit to it proposals, including timetables, for the gradual harmonization of the legislation and policies of Cyprus with the *acquis*. In preparing their proposals, the WG have been instructed to take into consideration the financial and social cost of the proposed harmonization. The overriding consideration, though, is that Cyprus should harmonize to

the fullest possible extent before the accession. Derogations and transitional periods will be sought only for those areas in which full harmonization will cause disastrous effects. The government's tactic is to shorten the period of negotiations to around a year or even less by proceeding quickly with the harmonization in the sectors which are not problematic. The strategic goal is the full preparation of Cyprus for accession by the time of the completion of the accession negotiations sometime in 1999.

The Government of Cyprus perceives the accession as a challenge which has to be met successfully at a certain point in time around the year 2000. It does not accept that accession is a free ticket to the benefits and privileges of membership. It does not want to be perceived as a free loader who is seeking to reap benefits without undertaking to the full the obligations of membership. It is true that Cyprus stands to gain from its integration into the European family. Yet, at the same time, it is ready and willing to undertake and fulfil all the obligations that membership entails.

On the 6th of March 1995, the Council decided that accession negotiations will start on the basis of Commission proposals six months after the conclusion of the 1996 Conference, taking account of the results of the Conference". On the same occasion, the Council expressed the intention "to adopt concrete proposals for a specific strategy in preparation for accession, including a structured dialogue...". At its 15th meeting held in Luxembourg on 12th June, 1995, the Cyprus - EC Association Council adopted a Resolution of the establishment of a structured dialogue between the European Union and Cyprus and certain elements of the strategy to prepare for Cyprus' accession to the European Union.

The main provisions of this Resolution are as follows:

1. The structured dialogue will be of a quality equivalent to the dialogue offered to the CCEEs.
2. It will be held at various levels and will cover different issues from all three pillars of the Maastricht Treaty and will include namely:
 - a. Meetings on the occasion of the European Council between the heads of State or Government;
 - b. meetings and talks at Ministerial and other levels on issues falling within the CFSP;
 - c. meetings and talks at ministerial and other levels (including Committee and Working Party levels) on issues of justice and home affairs.
 - d. meetings and talks at ministerial or other level, if necessary and

according to need, on subjects of common interest, such as, for example

- the environment
- tourism
- shipping

3. The existing political dialogue between Cyprus and the EU on CFSP issues will be extended to include, in addition to the above mentioned meetings at the highest level and at ministerial level, the following meetings and practices:
 - a. Meeting of the political directors;
 - b. experts meetings on issues such as human rights, disarmament, security, the OSCE, planning, terrorism, the UN etc;
 - c. Cyprus' alignment with the Union's declarations;
 - d. the association of Cyprus with the Union's demarches and with joint actions;
 - e. cooperation within international organizations and during international conferences;
 - f. the appointment of an associate Cypriot European Correspondent;
 - g. regular talks between the EU and Cypriot diplomatic missions in third countries.

It was also provided that in addition, special attention will be paid to matters of interest of the Mediterranean, a provision which is of particular importance to Cyprus as a mediterranean country.

4. Apart from the structured dialogue as analysed above, the specific strategy for preparing for accession comprises provisions and arrangements concerning, *inter alia*, the following:
 - a. Continuation of efforts to familiarize Cypriot administration with the *acquis communautaire* and to harmonize Cypriot legislation with the *acquis*;
 - b. examination of the possibility of extending to Cyprus the Trans-European shipping and telecommunication networks;
 - c. participation by Cyprus in Community programmes open to the Member States and/or partner countries which have applied for accession such as MEDIA II, certain training programmes (Leonardo, Socrates, Youth for Europe) ARIANE, RAPHAEL, KALEIDOSCOPE, the Fourth Framework Programme of Scientific

and Technological Research, MATTHAEUS;

- d. possibility for Cyprus to benefit from funding under the future Mediterranean policy devoted to activities of regional interest, in order to prepare for the harmonization of its laws and policies with those of the Union;
- e. extended co-operation between EUROSTAT and Cyprus' statistical and research departments.

The modalities of the structured dialogue, including the frequencies of the meetings were decided by the General Affairs Council on the 17th of July. Actually, the dialogue began being implemented even before the adoption of the aforementioned decision. Thus, the President of Cyprus, Mr. Glafkos Clerides, was invited by the French President and participated in the meeting of the leaders of the 15-member states with the leaders of the 11 associated countries. The meeting took place in Cannes on 26-27 June, 1995, on the occasion of the European Council. He was also invited and participated in a similar meeting which took place in Madrid on 15-16 December, 1995.

The Ministers of the Interior and Justice and Public Order had until now two meetings in the framework of the structured dialogue. The first time they met with their counterparts from the Troika (Luxembourg, 22-23 June) and the second time with their counterparts from the member states (...). At both meetings they discussed issues such as policy on visas and asylum, immigration, suppression of international crime including drug trafficking, money laundering, etc. Meetings at the level of officials also took place.

Meetings at ministerial level were also held on the issues of the Schengen Agreement, the Inter-governmental Conference (in Nicosia on 18.9.95 with Mr. C. Westendorp), the Internal Market (with Mr. C. Westendorp and Commissioner Monti, in Nicosia on 17.10.95), the Environment and Transportation (in Brussels on ...12.95 with Mr. ... and Commissioner Kinnock).

The Ministers of Foreign Affairs of Cyprus and Malta had a joint meeting with their counterparts from the member states on the 21st of November in Brussels. They discussed issues pertaining to the strategy in preparation for accession, the Euro-Mediterranean Partnership, international problems etc. In this connection, it is worth mentioning that the decision of the Council on the modalities of the structured dialogue provides that meetings at ministerial level on sectoral subjects of common interest may be held jointly with Malta.

In the meantime, the Director of Political Affairs in the Ministry of Foreign Affairs met twice with his counterparts from the member states and discussed with them issues of common interest. The Associate Cypriot European Correspondent meets regularly ... with his counterparts from the member states and the CCEEs. A number of meetings of experts on terrorism, human rights, terrorism ... has also taken place.

Consistent to its declared position to align its foreign policy with the CFSP, the government of Cyprus aligned itself with declarations of the Union and associated itself with the Union's demarches on a number of occasions (...).

The conclusion is that in the first six months of its application the structured dialogue has been conducted vigorously and constructively – the results have been more than satisfactory and there are encouraging prospects for making it even more productive and result oriented. The Italian Presidency is working on the meetings to be arranged during the first half of 1996. It seems that a meeting at the ministerial level on Agriculture will take place in the next few weeks. Other meetings will follow soon, including a meeting of the Ministers of Foreign Affairs which is scheduled to take place on the 13-14 of May.

The importance of the structured dialogue for Cyprus both from the point of view of substance as well as from the point of view of symbolism is so obvious that one does not need to analyse or underline it. Equally important is the involvement and the participation of Cyprus in meetings, processes, programmes, initiatives and actions of the European Union. As a result of this multiphaceded dialogue Cypriot officials will be better acquainted both with the substance of the issues and the procedures followed.

Small and Medium-Sized Enterprises in Malta and Cyprus

Leonard Mizzi

Introduction

The role of small and medium-sized enterprises (SMEs) within the economic development process of a country has been the subject of detailed empirical research. It has been recognised that the long-term evolution of industrial structures does not lead to the elimination of small firms and, in the case of Europe, SMEs continue to contribute substantially to economic growth and the creation of sustainable jobs. This has been largely due to the flexibility and innovative capacity which enable such firms to respond quickly to structural changes and adapt rapidly to changing consumer demand. At a European Union level, substantial structural changes are evident across all industrial sectors, largely as a result of the Single Market process.

This paper is sub-divided into two main sections. The first discusses the role and performance of SMEs in Malta and Cyprus¹³. This analysis is followed by an account of the current and future constraints and opportunities which will arise with further integration with the EU discussed. The final section provides the broad framework of an industrial strategy targeted to SMEs in the two countries. This becomes imperative prior to the commencement of formal accession negotiations with the European Commission. Although micro-enterprises, that is those engaging between 0-9 employees, have a very important role to play in a country's industrial network, this study mainly concentrates on those employing more than 10 and up to 50 employees.

The so-called Objective 1 regions of the European Union are recognised as economically weak relative to their trading partners. Their average Gross Domestic Product (GDP) per capita is 75 per cent or less than the EU average. Some of the peripheral regions of the European Union include Greece, the Canary Islands, Corsica, Sicily and Sardinia, Azores and Madeira. The European Commission notes that amongst the most important factors behind the disparities between Objective 1 regions and the rest of the EU are a lack of receptiveness to research and technological development activity (RTD) and relatively weak transport, energy and telecommunications infrastructure. In order to resolve these constraints, the EU launched the Structural, and more recently, the

Cohesion Funds. The report also discusses the problems confronted by small businesses in weaker regions of the EU. These are not solely related to size but are also the result of increasing competition from producers in less developed countries and difficulties in matching the demanding pace of product and process innovation set by firms in the most advanced EU member states, the US and Japan.

On a European-wide level, a 1994 survey by the European Commission indicates that the Single Market programme has enabled SMEs to penetrate markets, diversify sources of supply and upgrade quality. There has also been considerable savings in administrative costs and time and a reduction in transport costs. Progress still needs to be achieved in areas of public procurement, cross-border payments, mutual recognition and implementation/enforcement of legislation. Regarding SMEs located in peripheral areas of the EU, the main positive aspects are access to a larger market, lower export costs, less bureaucracy, upgrading in product quality, harmonisation in quality control, higher cash flow and improvements in banking and financing operations. The main negative aspects are transport costs, increased competition from EU and third countries, higher investments in specialised staff and infrastructure, and, in some sub-sectors, lack of harmonisation of standards.

SME Performance

Malta and Cyprus share several characteristics and confront similar constraints. These include the special problems that small, (mainly island) peripheral economies confront, such as (1) the inability to exploit economies of scale in the production of goods and services; (2) the vulnerability to external economic shocks and natural disasters; (3) their remoteness from markets of a reasonable size, (4) difficulties in obtaining private foreign capital and, (5) the tendency of often used exchange rate conversions to overstate real incomes. In the case of both Malta and Cyprus, the main constraint relates to lack of scale economies. Referring specifically to Malta, the main problems to be faced are high transport costs, the limited size of the territory, small size of the utilised agricultural area and limited possibilities for the diversification of the economy.

The economies of the two Mediterranean islands are increasingly becoming services-oriented. The main differences lie in the agriculture and industrial sectors. Cyprus still has an important agriculture-agro industrial component; in Malta, the contribution of agriculture and fisheries to gross domestic product is very small and the manufacturing industry is mainly dominated by the electrical machinery and textiles and clothing sectors. In

Cyprus are located in the agri-food, chemicals and plastics and textiles and clothing sectors in Malta, the larger firms operate in wearing apparel, beverages, miscellaneous and electrical machinery.

It has been acknowledged that SMEs need to become more export-oriented within an increasingly liberalised economic environment. Table 1 compares the export-orientation of SMEs in Cyprus since 1987 and of Maltese SMEs in 1994. The most important export sectors in Cyprus are textiles, although its share has been on the downward trend, agri-food, including tobacco, chemicals, plastics and rubber. In Malta, the textiles-wearing apparel sector features again as the most dominant, although the share is significantly lower than that in Cyprus. Other important export-oriented sectors are machinery and electrical equipment, miscellaneous, paper products and publishing. The agri-food sector in Malta is inward-oriented. Unlike the case in Cyprus, most basic raw materials have to be imported, the exception being in meat and tomato processing. In both islands, the furniture industry contributes only marginally to domestic exports.

Table 1 Domestic Exports / Sub Sector*

Sector	Cyprus			Malta	
	1987	1990	1993	1988	1994
	Percentage Share				
Food, beverages, tobacco	21.6	23.1	22.4	2.1	1.6
Textiles, wearing apparel, leather	54.2	49.4	42.2	26.7	14.6
Wood, furniture	0.7	1.1	1.7	0.1	0.2
Paper, paper products publishing	3.5	3.6	2.9	4.8	4.3
Chemicals, rubber, plastics	6.7	9.5	14.7	5.7	6.2
Non-metallics	4.2	5.1	4.7	0.2	0.2
Metals, machinery, equipment	8.6	7.4	9.9	53.0	65.7
Miscellaneous	0.5	0.8	1.5	7.4	7.2
Total Export Value (US\$ million)	349.7	415.9	337.5	692.1	1356.9

* Figures relate to all establishments. In both countries these are almost all SMEs
Sources: Department of Statistics and Research, Ministry of Finance, Cyprus
Economic Survey, Ministry of Finance, Malta
International Financial Statistics, IMF
(Export Values above are at current prices)

Few empirical research has been undertaken to analyse the impact of EU accession on SMEs in Malta and Cyprus. It may be argued that in joining the EU, there may a regrouping and consolidation process amongst some firms; but in all probability the size of the average firm in the two countries will remain small. The scope for survival lies in the identification of market niches and a firm's adaptability and flexibility to sudden changes.

As the Maltese economy undergoes further restructuring and the prospect of full membership into the EU becomes more impending, Maltese SMEs will confront new challenges. The main "problem" sectors are those which are inward-oriented, mainly food, some beverages, furniture and non-metallic sectors. The priorities for these sectors is to upgrade quality and innovate. Other SMEs, usually larger domestic-owned firms or subsidiaries, need to strengthen areas like technology – R & D, management and organisation and invest further in export marketing. Increased competitive pressures following EU entry should not deter Maltese SMEs, especially those operating within higher value-added and high-tech operations, to penetrate new markets. This possibility can be sustained with cheaper transport and telecommunications costs and new forms of finance, such as risk capital.

Information about SMEs in Cyprus is compiled from the Industrial Statistics, 1994. Details are available about value added, labour costs and expenditure on fixed assets by industry as well as the number of establishments, employment and output in the cottage industry. Of the main sectors, that having the highest value added per employee in 1993 was beverages, followed by non-metallic and chemicals, rubber and plastics. The sector having the lowest value added per employee was textiles and wearing apparel. Labour costs for operatives are highest in the beverages sector and lowest in the textiles-wearing apparel sector. The agri-food and other non-metallics sectors dominate expenditure on fixed assets.

The main challenges of EU entry confront Cypriot SMEs operating within the agri-food and textiles-wearing apparel sectors. Two of the main sensitive issues relate to the gradual dismantling of the grain and grape subsidies. The Cypriot wine industry is predominantly export-oriented, although in recent years it has been affected negatively by high labour costs, a contraction in trade with former USSR for bulk alcohol and changing tastes. Factors which are inhibiting competitiveness in the Cypriot beverages industry are access to distribution channels in foreign markets and lack of proximity of suppliers and final markets.

In 1994, the textiles-wearing apparel-leather sector in Cyprus engaged 31 per cent of the total manufacturing employment compared to 36 per cent in 1992. The industry is dominated by wearing apparel, in particular women's and men's wear and footwear. However, the industry seems to be confronting the same structural problems as in Malta. Indeed, the restructuring process of this sector is one of the top priorities of all the institutions involved with the island's industrial development process.

An industrial strategy for SMEs

This analysis has highlighted the heterogeneity of the industrial sector in the two small island states of Malta and Cyprus. Although the textiles-wearing apparel sector features dominantly both in terms of employment and, to a lesser extent, value added in both island states, there are some important differences across industrial sectors. A separate strategy for each sector/sub-sector (for example, food/beverages; meat processing/other food) is required prior to the development of an overall composite industrial strategy. This should feature as a priority in the agenda of policy makers, trade unions and representatives of industrial organisations.

The main issues which need to be taken into account in the design of an overall industrial strategy, specifically targeted towards SMEs in Malta and Cyprus are:

1. *Entrepreneurship*: Although subsidy schemes, infrastructural endowments and training programmes channelled from the Structural and Cohesion funds are still relevant to narrow existing gaps between peripheral and "core" regions, these should not be perceived as the ultimate solution to increased competitiveness. Entrepreneurship, rather than paternalism is the key to regional development and regeneration. The experiences of Sardinia, Greece and other regions in Southern Europe are sufficient evidence of the inappropriate targeting of such funds and the culture of dependency these have created.

The role of the State should be limited to the provision of the basic infrastructure in terms of road networks, telecommunications and all other measures which reduce transportation and data transmission costs;

2. *An export-oriented strategy and technology innovation*. SME success in export markets requires the presence of mechanisms which reduce the costs of search to SME suppliers and to their buyers. In the area of

technology, innovative practices – such as leasing contracts – need to be first channelled to the owner/manager and then tailored to the specific firm's requirements. Both operatives and entrepreneurs must improve their ability to absorb scientific and technological information.

The general recommendation is that a pre-condition for SME support policy is to ensure that the market place can work and that liberal rules govern the international flow of technical and marketing resources. Support schemes need to be targeted to specific sectors and group of firms. In general, support systems in Cyprus seem to be operating better than in Malta. Indeed in Malta, although export marketing falls under the aegis of the Malta Export Trade Corporation (METCO), there is still a severe lack of advice on new technologies and R & D schemes and new forms of financing.

3. *Financing.* The main forms of financing of capital procurement are either debt-financing or from own capital/retained earnings. In Malta, since 1991, firms have had the opportunity to access risk capital (2.5 million ecus) made available under the 3rd Malta-EU Financial Protocol, and since 1995, the Malta Development Fund. Until August 1995, only a proportion of the EIB loan had been availed of. Cypriot entrepreneurs seem to be more positively oriented towards this new method of financing and this is evidenced by the total amount made available by the EIB since 1991. In the case of Malta, the amount of risk capital under the 4th Financial Protocol has been reduced to two million ecus.

Conclusion

This paper has attempted to analyse some of the challenges confronted by SMEs in Malta and Cyprus. The main constraint in both countries remains the transition from a domestic-oriented to a more open economy. As both islands move further towards the final target of full membership into the EU, the macroeconomic objectives are that both islands seek to come in line with the Maastricht convergence criteria. Neither country confronts insurmountable problems within this context. The possibility of foreign direct investment (FDI) or the penetration of multinationals exists, but will remain limited unless the islands are used as a springboard for the penetration of markets in North Africa or the Near and Middle East.

The priorities of SMEs is to invest in human resources, technology and export marketing. In the area of management, whilst there are ongoing efforts towards the diffusion of ISO 9000 series of standards, there have been recent doubts about their true economic benefits. It is recommended

that certain criteria for successful implementation are set across all industrial sectors and the impact of SME performance evaluated. There also needs to be in place a strong support system co-funded by public and private organisations. SMEs could eventually either pursue a niche strategy or operate in sub-contracting arrangements. This latter option has been quite successful in Italy with the so-called industrial districts, although their emergence in Malta or Cyprus seems to be limited given the very small size of the market.

The experience of other Mediterranean countries has confirmed that translating an industrial strategy into a functional operating policy is a long, incremental process involving efforts on different fronts. First and foremost, there needs to be the political will to undertake the necessary changes, and subsequently, a strong infrastructural base and efficient support services, especially in the areas of export, finance and technology. The future competitiveness of SMEs in Malta and Cyprus will depend on their flexibility and adaptability to meet the technological changes and the changes in orientations of owners/managers. It would also be influenced by the accession of some Central and Eastern European countries, changes in regional and industrial policies at a EU level and world trade developments for industrial products.

The Full Membership of Cyprus in the European Union

Positive and Negative effects

D. Kittenis

Confederation of Cyprus Workers (SEK)

As it is well known, SEK has approved the agreement for the Customs Union (CU) between Cyprus and the EU in contrast to other Trade Union Organisations (PEO, DEOK) which considered it as totally destructive.

SEK is one of the Organisations that believed and still believe that the Customs Union of Cyprus with the Community was a wise decision.

The "enemies" of the CU mainly argued that there is a danger of serious negative effects on the socio-economic sector, such as unemployment and under-employment etc.

But how much were the enemies of the agreement for the CU between Cyprus and the EU verified? Facts speak for themselves.

After the CU, not only were no negative effects on the economy and no increase of unemployment observed, but we had a remarkable increase of the Gross National Product of around 4,5% annually, full employment, in fact lack of labour, and the mass introduction since 1992 of foreign workers, who are estimated to be over the 12% of the Cypriot workforce, today.

In 1990 Cyprus submitted an application for full membership in the European Union.

SEK played a positive role in the submission of the application and supported greatly the country's application to become a full member of the European Union.

Both for political and economic reasons, Cyprus needs United Europe.

At a time when the International Trade is liberalized, only in a large market can the economy of Cyprus deal with International competition.

Cyprus, as a small country at the end of the East Mediterranean, cannot survive without its natural ally, Europe.

At the same time, Europe itself needs Cyprus, if it really wishes and wants to continue to play an important role in the East Mediterranean region. Let us not forget that Cyprus is the gate of Europe's access to Asia and Africa.

After the "landmark" decision of the Council of Ministers of the "15", that

the beginning of the membership negotiations with Cyprus is set six months after the 1996 Inter - Governmental Conference, it seems that Cyprus, along with Malta, will be the next countries which will become members of the European Union.

This potential development constitutes a difficult attempt for the Cypriot economy with negative effects, but on the other hand an intense challenge for modernization and restructuring. The potential membership in the European Union will introduce the Cyprus Economy into a much more competitive environment than that created by the CU.

Regarding the negative effects, which are already visible and concern certain branches of the manufacturing sector (textile, clothing and leather industry), would be inevitable anyway due to the decrease of competitiveness and the existing conditions in the world trade. Besides, these developments are inevitable even today because of the liberalization of trade which is based on the provisions of the General Agreement of Taxes and Trade (GATT).

a. Primary Sector:

The agricultural sector employs about 10% of the economically active population and contributes 6% to the Gross National Product. Moreover, the agricultural products contribute around 30% of the total value of our exports. The implementation of the Common Agrarian Policy is expected to have positive effects on the producers of wheat, tobacco and oils. The production of fruit will be affected except for citrus fruit and grapes.

Some of the fruit, the production of which will be affected, will have to be funded for industrialization. The perspectives for the wine products seem to be favourable, according to the existing facts. Especially for the best quality wines, considering the support they get from the funds of the EU.

A positive element is that our basic agricultural products (potatoes, grapes, citrus fruits) are exported mainly to the countries of the EU, today. The sector which will face the most serious problems in the future is the stock-breeding one. The government has to consider now how to deal with the free access of cheaper and better quality stock-breeding products from the EU in the market of Cyprus.

b. Secondary Sector:

In addition to the already known problems that the EU has created in some manufacturing sectors (textile, clothing and leather industry), it is expected that some other branches of our industry will also face

problems, but not to such a great extent.

Such industries are those producing chemical products, plastics and paper. There will be great opportunities for the production of medicines. The production of cement and aluminium, which is protected today, is also expected to be affected to some extent. The sector of canned fruit, vegetables and juice will rise greatly due to the Fund for Supporting the Industrialization of Agricultural Products.

c. Tertiary Sector:

The services' sector is unlikely to deal with any particular problems. On the contrary, it is expected, that new prospects will be created for the tourist sector, along with the grants of the EU which favour or protect the environment.

Trade, banks, insurances and generally all services are not expected to confront any problems.

d. Free movement of workers:

With today's paces of economic development, the loss of jobs in the primary and secondary sectors is expected to be absorbed to a very satisfying extent by the creation of new jobs in services. Although there might be a flow of European workers in Cyprus, we believe that this will not affect the existing workforce.

e. Currency policy – Prices – Taxation:

Membership in the EU means liberalization of interest rates and free movement of capital.

The liberalization of interest rates has to be gradual in order to moderate all the negative effects. Furthermore, before moving on to this measure, in order to create all the necessary conditions, all foreign exchange restrictions have to be withdrawn.

This sector will definitely affect the credit sector of the Co-operative Organisation, also. The intensification of competition in the currency and credit sectors will make the Co-operative Organisation to proceed to full bank services in order to overcome this challenge. However, at the same time, the chance to strengthen their social role is given to the Co-operative Credit Institutions, since they will be able to balance the bank oligopoly.

As regard to the movement of capital, there is no high danger of capital flow outside the country. On the contrary, a substantial capital flow from abroad is expected, with positive as well as negative elements.

Concerning the prices of consumer products, the provisions of the community possession are very strict. The prices have to be determined in the frame work of the market and the competition. A consequence of this policy will be the abolition of the Prices Committee and the creation of real competitions, for the consumer's benefit.

There will have to be a taxation harmonization, mainly to the indirect taxes and the consumption tax. The harmonization is likely to increase the taxes, but at the same time other taxes have to be banned, the income tax has to decrease and the social benefits have to increase, in order to compensate for the decrease of the income's net value.

Additionally, in the framework of the unification with the EU, the various semi-governmental organisations will no longer be monopolistic. Of course, this should no be interpreted as a compulsory turn towards privatisation. What is required is the modernization and restructuring of these organisations in order to be able to face the competitive pressures of the private sector. Moreover, the function of councils for the trade of agrarian products clashes with the community possession and is expected to change.

It is a conviction of SEK that, despite the problems which will be created in the economy, there will be more advantages due to the full membership, some of which already exist since the Customs Union. Thus, the full membership is an imperative need.

Besides, the full membership means political advantages, as well. Additionally, there would be more disadvantages for Cyprus in case of no membership and isolation. No country has so far achieved economic and social development by being isolated, especially small economies, like those of Cyprus and Malta.

The long-term economic, social and political interest of Cyprus requires closer relations with Europe and obliges us to aim at our full membership in the European Union.

The position of the Pancyprian Federation of Labour (PEO) of the Subject of Customs Union, Cyprus and the European Union and Cyprus' course towards accession to the European Union

A. Koukoumas Pancyprian Federation of Labour (PEO)

The stance taken by the Pancyprian Federation of Labour (PEO) concerning the Customs Union of Cyprus and consequently its accession to the European Union was at first negative for the following reasons:- (a) the Customs Union and (b) becoming a member of the European Union would bring about great economic and social consequences for Cyprus and its people, as has already happened with the gradual Customs Union.

However, after the drastic political and economic changes in Eastern Europe, the dissolution of the Soviet Union and the Eastern Alliance and the attempts of these countries to become members of the European Union and last but not least, because of political reasons concerning the solution of the Cyprus problem, the 22nd Conference of PEO decided to support the idea of Cyprus' accession to the European Union, with certain conditions.

By the decision taken at the 22nd Conference the following points were emphasised.

The Conference realises it is doubtful, given the new conditions as they stand, whether Cyprus could deal successfully with problems relating to further economic development if she finds herself outside the European Union.

The main factor however which influences and determines Cyprus' choice in favour of the EU is whatever possibility may be offered which would help towards the solution of the Cyprus problem and above all the possibility which exists which would guarantee both the solution and the independence and sovereignty of the Cypriot State itself in order to avoid bisection and double union. The 22nd Conference of PEO believes that Cyprus' inclusion in the EU will have some advantages but most certainly will have some unfavourable consequences as well, particularly in the economic and social sectors.

For this reason it is imperative, throughout our course towards Europe, that a continuous and intense effort is maintained and in particular the workers must be activated in order to minimise all these undesirable consequences. Giving our full and undivided support to social and popular conquests throughout the EU introductory dealings is of maximum importance.

With the gradual abolishment of customs and quality restrictions on industrial and agricultural products, which came into force in 1987 in accordance with the agreement set out for customs union, survival problems in transitional industry has made their appearance and unfortunately these problems have become more acute year by year, particularly in the following sectors: Clothing, shoe and other leatherware industries.

The Cypriot products of the above mentioned industries are of lower quality than the corresponding products of countries in the European Union and their cost of production is higher than that of the countries in the EU.

The low productivity is directly related to the technological side of Cypriot industry which needs modernisation, and also it is related to the organisation and working atmosphere which both need to be improved enormously.

Hence, in its effort to secure accession to the EU, cypriot economy and cypriot society are faced with vital problems which will rapidly become more acute in the next five years which will mark Cyprus' inclusion in the EU.

Cyprus' course towards becoming a member of the EU is very complicated and difficult and it will become even more so because becoming a member of the EU is considered in the minds of the leaders of the EU as being directly linked with the Cyprus problem and the reunification of Cyprus in order that Cyprus can be accepted into the bosom of the EU.

Already the Greek-Cypriot side has been pressurised into accepting a confederal solution rather than a federal one which is in complete opposition to what was specified in the summit meetings and in accordance with UNO resolutions.

Within the framework of Cyprus' course towards the EU the Employers' Unions supported by the Government have taken the opportunity to make co-ordinated attacks against whatever the workers have rightfully gained for themselves and in particular against the Automatic Cost of Living Allowance in an attempt to free work force from protectiveness - protective workers' legislation and to convert it into an antagonistic product.

The Trade Unions together with PEO at the forefront have replied accordingly to the challenges by taking active measures.

The attack on the part of the Employers directly supported by the Government, continues however.

We believe that the Cypriot Trade Union Movement with its organising skills and fighting strength which define it will vigorously defend its rights and united will proceed to new conquests amidst the adverse conditions of working relations of the EU's free market.

General Workers' Union (Malta)

Angelo Fenech

It is with great pleasure that today I address this mixed seminar of trade unionists from Malta and Cyprus. This is a seminar that has achieved a certain importance thanks to the opportunities it has provided us to dedicate a closer look, from a trade unionistic point of view, to the effects – positive or otherwise – that full membership within the European Union can bring to bear on both our respective countries, Cyprus and Malta, the two being small islands in the Mediterranean region.

I would also like to thank the organisers of this seminar for its validity, our colleagues from Cyprus and you Mr. Chairman for hosting us in your beautiful island. Cyprus and Malta have much in common and their people share historical links. Both were colonised for long periods in their history and have had to struggle hard to obtain their freedom and to practise self-determination.

It is no wonder that today destiny has once again brought the two countries together, this time from a trade unionistic side, to search and explore the best ways and methods of collaboration to prepare ourselves for the inevitable implications of a closer association with the European Union, which includes the prospects of full membership.

I very much wished today to be equipped with all appropriate information to allow me the opportunity to invite you to analyse with me the impacts that full membership within the European Union might render. Unfortunately, this I cannot do since the General Workers' Union is being kept in complete darkness as to the nature and substance of the dialogue that is going between Malta and Brussels.

This situation is not so surprising since the whole population of Malta is ignorant of what future lies ahead and of what are the full implications of European Union membership.

From such a position I have therefore to attempt presenting in very simple terms my Union's views on this most delicate question. I also sincerely hope that my words will not be misjudged and taken to imply an anti European Union perspective.

I need to extend from the very beginning my congratulations to you my colleagues from Cyprus for being fortunate in having a government that respects the rights of trade unions and acknowledges its commitment to

keep you constantly informed of all the developments and the trends that surround your country with respect to the Cyprus – EU accession negotiations. My country is seeking the same pathways, but Maltese trade unions are concerned that the situation here is in sharp contrast to that prevailing in Cyprus.

While you are being constantly informed and consulted about progress on the European front, he cannot say the same. Our government is in the grip of an obsession to anchor Malta with and within the European Union as quick as possible. In the process, it has neglected its duty to duly inform its social partners of the advantages and disadvantages that are to be obtained from Malta's scale membership of the EU.

I would like to stress that we are not only kept in the dark but there were also instances when we were provoked and obliged to contradict governmental statements in this respect. A case in point was the recent statement by our Minister of Foreign Affairs (who is also the Minister responsible for negotiating full membership with the EU). He declared that presently the government is holding talks with both employer associations and trade union representatives with a view to assess options on how to assist Maltese industry to achieve competitiveness and viability. Such a statement is nothing than a mere government propaganda exercise.

On another occasion, thanks to media circles, the General Workers' Union came to know that Malta had been promised to start negotiations on accession to full membership six months after completion of the Inter-Governmental Conference of European Member States.

You may deem such a situation absurd but believe me it is precisely the way how the Maltese government is dealing with trade unions in relation to Malta's application for full membership in the European Union.

There are obviously other important sectors of the economy, particularly agriculture and manufacturing; we still do not know what the impact of full EU membership will have on them.

As representatives of the majority of the workers in the major contributing sectors of our economy, like AirMalta, the ship repair industry, energy and telecommunications corporations and the port works, there exists a situation where we are left to wonder about what could possibly happen. These are the sectors considered to be the backbone for our national economic growth and we therefore justly demand to be continuously informed by our government of the impact an eventual full membership of the EU would entail.

They are surely going to be effected, but whether this overall impact will either prove to be positive or negative we still do not know. We are waiting for our government to find the time to enlighten us in view of the structural dialogue that is going on between our country's authorities and the European Union on the details of the implications and on how this situation will effect various sectors of the economy.

It is from our own workings and discussions that we know of the great dangers that full European Union membership will present for most of our small and medium sized industries in particular for those with a local orientation, catering mainly for the domestic market. We have to keep in mind that these industries are still providing gainful employment to thousands of workers and income for their families, notwithstanding one recession after another which they have had to face.

We are therefore very eager to know if the event of full membership of Malta to the European Union will in itself help to create the right conditions for this fragile local industry to survive, or even to smooth out such difficulties as would inevitably arise from time to time.

I am also most interested to find out from your side how the Cypriot government is keeping you informed, or better still, involving you in the discussions concerning your own country's application for EU membership.

I thank you for your attention.

Confederation of Maltese Trade Unions (CMTU)

Charles Magro

Allow me, first of all, please, to convey to you, on behalf of the Confederation of Maltese Trade Unions and of Maltese workers, the feeling of satisfaction to be working and communicating with a friendly people of a country that is so similar to ours in history, in regional position, in culture, in climate, in environment and in most other things. Destiny seems to have wanted both our countries, Malta and Cyprus, to share almost every aspect of existence. Now both countries have also found themselves on the same path which leads to full Membership in the European Union, although perhaps, from what we have heard during our colloquiums both in Malta and here, we are not putting the same accent on your priorities for joining the Union. We are sure that you have your reasons and we respect them, and the Maltese Trade Union Movement pledges its support so that our common wish will be, finally, realised and we will both achieve what we are aiming for.

You may not be fully conversant with today's situation in Malta, although during your visit to our country you may have gathered useful information to put you in the picture. But when speaking about my country I cannot by-pass the fact that today, in Malta, we have practically no unemployment. Our economy is flourishing and getting stronger year by year. Our standard of living is the highest possible given the circumstances, and compares very well with the standard of living of the richest European countries.

Here one would be tempted to ask: Why get into Europe at all? With such an ideal situation, who needs to embark in the unknown? Both you and we know of the many problems that afflict the individual countries which belong to the European Union. So one might say, "Why shouldn't we learn from the mistakes of others and opt to steer clear from such problems?"

The beautiful picture that I gave about my country a few moments ago does not mean that we have no problems. Sustaining the progress we have achieved so far tops the list. On the other hand, the benefits that the countries which from the European Union availed of, far outweigh the problems and awkward situations that these same countries found themselves in. Besides, we firmly believe that these problems would have been much greater had each of these countries not belonged to the Union.

In spite of the problems that beleaguered the European Union since its

foundation, and other problems which still exist today, thousands of industries, banks and transport agencies got together to be able to compete. Investment has grown all over the Union. Direct foreign investment has grown enormously. Unemployment much of which was caused by circumstances as inevitable as unforeseen, is on the downward trend. Millions of new jobs were created all over the years, especially for women and young people. Finally, the internal trade between the Member countries reached astronomical heights. This constitutes much of what many people expected out of a United Europe. The world expects the realisation of a civilisation built on a life of distributive justice, more profound in employment and ownership. One look at the European Social Charter strengthens our belief that a truly United Europe, with the effort of everyone concerned, will be able to achieve all this.

The European Social Charter says that workers have a right to work everywhere, for a good income, and to achieve an even better standard of living. The Charter also envisages a good working environment, a period of rest every week, social benefits and protection, free association and equal opportunities for all. Workers have also a right for information and for consultation and participation on the place of work. Are these not the aims which all Trade Union Leaders strive to achieve for their workers?

This by itself is enticement enough for us to want to belong; to do our utmost so as not to be left out of a system which safeguards whatever workers have fought for throughout the years in every region of the world.

However, these are not the only reasons which prompted Malta to apply for accession into the European Union. Malta is a European Country. With Europe we share a common history, common culture and beliefs. Our best and most important commercial and economical ties have been with the continent to our north from time immemorial. We do not belong to any other family, except Europe, and that is why we believe that the European Union has no right to leave us out. We are convinced that Europe must unite, and in so doing it cannot exclude European countries that share the same ideals and objectives.

This conviction is shared by the larger part of Maltese constituted bodies. In the numerous meetings which the Island's administration had with these bodies, individually and collectively, preoccupations were aired, but each one showed that is shared Government belief that membership in the European Union will most certainly be beneficial to the Maltese society in all its elements. The industrial sector expects the strengthening of the manufacturing and services industries. They are certain that after accession we will have new investment opportunities. The introduction of new modern technology will most surely strengthen Malta's economy with

a larger market, a larger work volume and a larger export value.

What more can Europe give us? We will most certainly get stability for our political beliefs and ideals. Foreign investment from outside the Union will be more easily obtained. We will be able to avail of loans and other help from the European Investment Bank. Other help could be obtained from structural funds, and various other aid programmes which will constitute a very efficient source by which to sustain a continuous developing aid for Malta. The difficulties which small industries may encounter are very well known in Europe, and that is why a programme of specific help for such industries was created, together with various educational programmes, like ERASMUS and LEONARDO to help young people.

This is not to say that there are no problems, or that there will not be any difficulties to overcome, once we become full members of the European Union. From the dialogues mentioned before it transpired that our preoccupations comprise the free market. It is true that we will be able to export to any country in the Union, but it is also true that our products will have to overcome the fierce competition coming from countries who have traditionally better quality products and who can afford to sell these products at a cheapest price. We are also preoccupied by the inefficiency of the European Social Charter mentioned before, because it is limited to workers that can contribute by their productivity to the Union's economy, while it is not extended to the long-term unemployed and senior citizens. These problems are being tackled now, and the European Trade Union Confederation has offered solutions for the consideration of the European Parliament. We are also concerned with the resulting added pressure on Trade Unions with the choice of proprietors to invest in cheaper areas, with the emphasis to cut production costs, and with the workers' harsher fight to keep their employment. Trade Unions will also have to keep alert so that the workers will not lose any of the advantages which they have won with great sacrifices through the years. We are also apprehensive of the ecological problem, especially in the Mediterranean Region, which a greater economic progress might create.

However, we do not consider these problems to be insurmountable. We have a great faith in the Maltese worker, who is quite able to adapt to any kind of situation. His ability saw him through the adversities of war and the difficulties which he had to face in the lands where he emigrated to.

Besides, the Maltese Trade Union Movement found great help in the Government's foresight and preparation even before the thought of full membership in the European Union was given the serious importance it deserves. Government has prepared the country by promoting private investment, especially export-oriented. It did this by providing grants, and

soft loans to local entrepreneurs and foreign investors; and even by actually building factories.

To enhance a free market mentality, it curtailed the list of items previously imported by the Island's administration itself. It created an atmosphere in which tourism can expand unlimitedly. The infrastructure was modernised. The Government built a new air terminal, a new power station, new water supply plants, and overhauled radically our telecommunications system. It has also recently embarked upon an extensive programme of information technology. It has brought about pluralism, a very high respect of human rights and comprehensive social welfare.

It enrolled Malta as Member of various European organisations like EUROCONTROL, an organisation for the safety of civil aviation. Legislation was harmonised with that of the European Union; a task which was not that difficult to perform because our laws were always based on the Roman and the Napoleonic Code. Economically, we were already well integrated into the Union, but in recent years this integration has become stronger.

All this was projected into a foreign policy to define Malta as a forward-looking democratic Western European country in the Mediterranean Region. Our aim was, and remains, to depict Malta as a partner which can be relied upon in all circumstances; a country which seeks the path of reconciliation and peaceful settlement in all disputes, nationally an internationally, with conviction. Knowing fully well what lies ahead we are gradually changing the students' mentality towards trade and technical schools, where better teaching aids and apparatus are being installed. More courses which cover a wider variety of subjects are being offered, while educational and other reforms are being performed. Meanwhile, Malta is involved in various European educational programmes, as indicated above, and in that way the workers will be more equipped to avail themselves of the new opportunities which they will be presented with.

The protection of small industries is also a problem, and the creation of a cooperative mentality which Maltese society has lately started to advocate will, hopefully, present us with a lasting solution.

We know well, too, that Malta will have to become a Member of the European Union at a certain cost. We will have to give a free way to all the products of the Union, and also of other countries which have, or will have, an agreement of association with it. We may also lose some of our sovereignty. But the advantages outweigh by far these disadvantages.

When we will become Members we will be able to participate in all the

Institutions. We will benefit from the creation of an internal market, and from monetary union. We will participate in research programmes, and exchanges of teachers, students and workers. If we do not become members, Malta would be condemned politically, socially and also economically, to stay in the periphery of Europe, with all the disadvantages implied.

We believe so much in a United Europe that we wish to become Members not only for the benefits which are there to be availed of, but because we are convinced that we can contribute towards a greater unity. In spite of our small dimensions and many weaknesses we have already contributed towards the setting up and the development of many European programmes. When we will become full Members, apart from getting our share of the subsidies and help which Europe offer to small developing countries like ours, we will be able to participate in decision making. We will be in a position where everybody can hear us, and we will be able to contribute better towards a stronger and all-embracing European Union.

Cyprus, Malta and the European Union: Lessons for the Future

Dr Godfrey Baldacchino

Cyprus and Malta. Islands. Small Sovereign states. Mediterranean fortresses for much of their long colonial history. Achieved independence from Britain in the 1960s. With strong trade union movements, especially in the heavily unionised public sector. With booming economies registering high and steady rates of economic growth and with low rates of unemployment. Geared towards the provision of services, particularly tourism. No wonder that it seemed a matter of course for them to apply to join the European Union, just two weeks apart from each other in July 1990. Similarly, it seemed only natural for the E.U. to place the applications in the same basket and to nurture them together all along the tortuous route of deliberation.

In much of the same vein of spontaneity, this education project involving Cypriot and Maltese trade union leaders and worker educators was conceived. Visits to constituted bodies, discussions with political office holders, addresses by qualified University lecturers as well as various social events and casual encounters in both Cyprus and Malta were organised over a two week period in November 1995 and February 1996.

It is rather difficult to gather in a few words the main impressions and conclusions gleaned from these varied encounters. It is certain that different participants, Cypriot and Maltese, have their own set of self-determined opinions about the worthwhileness and benefits of the project. But, if I may hazard my own assessment, I would single out the following issues concerning Cyprus' and Malta's relationship to the European Union. These issues have struck home as being particularly critical and they carry a specific bearing to trade unions and workers in both countries.

1. Cyprus and Malta will be the first small island sovereign states to join the European Union. This obliges us to consider a host of administrative, economic, social and political effects. Possibly, and perhaps even definitely, the negotiations of both countries prior to accession will need to argue convincingly that the specific issues associated with smallness and insularity must be acknowledged. These would include the issue of protectionism as against a rampant rationalisation of indigenous manufacturing industry; the status of 'natural monopolies' as in the energy and telecommunication sectors;

and the vulnerability and openness of the two micro-economies to external shocks. On the other hand, from the EU perspective, the accession of Cyprus and Malta may be discreetly dismissed as petty in confrontation to much more serious issues. Such could result in a very broad range of negotiating process: from a 'take it or leave it' diplomatic strategy up to a very special, privileged deal for both Cyprus and Malta.

2. Cyprus and Malta will become the first ex-colonial territories to join the European Union. This condition means that they have inherited legislative, administrative and structural characteristics bestowed upon them by their former colonial power. This power also happens to be in both cases the United Kingdom which, even within the European Union, is most out of step in its views and policies with the status of a federated, continental Europe. Hence a larger programme of modification, social policy reorientation, legal reform and revision by the two small states is necessary to meet the requirements of accession. Such changes may be seen as potentially threatening to the solid gains in conditions of work obtained over the years by workers in both countries, not least thanks to trade union action and pressure.
3. Although they have a rather different economic make-up, the manufacturing sectors of both Cyprus and Malta can realistically expect a hard time when and if the two countries are obliged to conform to the liberalised and freely competitive market environment of the *acquis communautaire*. While the E.U.'s structural and cohesion funds, as well as programmes intended towards the promotion and consolidation of small and medium scale enterprises, will be extended to Cyprus and Malta, industries in these two countries must still brace themselves for the challenge of long-term, increased competitiveness. Particularly, a vigorous state-supported promotional drive and incentive package is necessary. This should include the promotion of local entrepreneurship, export penetration, niche marketing know-how, technological innovation, research capacity enhancement, capital financial sourcing and human resource development. Trade unions have a significant, constructive and critical role to play here, entering into agreements with local industrialists and entrepreneurs on the policies necessary to translate these support programmes into action, such that they deliver. This defends existing employment and creates opportunities for healthy economic growth. Otherwise, one undesirable scenario for both countries could consist in a closing down of most manufacturing capacity, with a substantial chunk of the productive economy lapsing into a dependence on EU transfer payments.

4. Given that there are gaps between the existing situation in our two countries and the requirements dictated by Brussels; and that there is a significant grey area of still-to-be determined benefits and costs to be hammered out in the process of accession negotiation, there is already a fair degree of uncertainty about what the price or benefits of eventual accession to the European Union will turn out to be. Insularity and smallness also come into play once again here by retarding the process and extent of knowledgability about what the European Union is, and what the full implications of accession are to Cyprus and Malta. Indeed, comments are often made about the insufficient levels of communication and information that Cypriots and Maltese express about anything concerning the European Union. In particular, trade unions complain about the paucity of hard facts concerning issues which concern them most: the implications of accession on the state of the local economy; on a whole range of issues regarding the conditions of work; on the opportunities for economic restructuring; on the deployment of European structure funds for economic competitiveness. Such burning questions assume an even greater salience when one remembers that we are talking about two booming micro-economies with labour shortage problems in relation to a European Union reeling from the sustained effects of long-term, mass unemployment. Cyprus and Malta must take those measures necessary to improve the transfer of information from the European Union to their respective small countries. This can be done by improving the presence of their representatives in European level events; as well as by ensuring that news of goings on in Brussels reaches trade unions rapidly and in unadulterated form, and then that this information filters further down to the rank and file, in understandable, non-legalistic terms, preferably translated into the local language.
5. There is also a clear understanding that worker education, in a variety of forms, constitutes a critical priority for trade union members and their leaders in both Cyprus and Malta. The investment in human resource development is one important priority for trade union organisations today, and one which definitely re-establishes the relevance of trade unionism even in a situation where basic worker rights and working conditions may be considered to be quite satisfactory. Indeed, were trade unions to renege on this responsibility, the option is bound to become the sole responsibility of the State and employers who would most likely re-tool the 'education' principle in more narrow directions which would benefit the productive enterprise. This is not to claim that technical and vocational training, the

inculcation of new skills and of the flexibility to learn others, is not an important policy issue. The creation of new jobs depends also on the adoption of new working capacities by workers and on the enhanced competitiveness of enterprises who boast of such skilled labour forces. But education is not only training. Trade unions most of all are quick to point out that educational initiatives need to be developed in the field of trade union education. In particular, strategic alliances entered into with other educational institutions – such as Ministries of Education, Tertiary Education Institutions and Universities – can expose the trade union official, the union enterprise representative and/or the rank and file union member to the privilege of a critical evaluation of economic and political developments; to a mastery of a working knowledge of accounts and financial management; to a facilitation of communication, public speaking and leadership skills; to an introduction to computer literacy, information technology, desktop publishing and their potential for trade union collaboration and communication. More importantly, there is an invitation to consider knowledge in a less dogmatic, more democratic light, bringing in workers' and trade union leaders' experiences as privileged contributors to the educational process. Such initiatives would also nudge centres of higher learning away from 'ivory tower' dispositions and oblige them to adopt a greater relevance to the real needs of workers beyond the campus and academe.

This recently concluded Cyprus-Malta trade union education project has been one clear demonstration of the synergetic relationship between trade unions and educational institutions. The Cyprus Adult Education Association and the Workers' Participation Development Centre of the University of Malta have joined forces in demonstrating how this synergy can actually work out and deliver in practice. The declaration of 1996 by the European Union as the European Year of Lifelong Learning is one other manifestation of the admission that post-formal, continuous, adult education – of which worker education is one important component – is here to stay.

What is past is prologue. The text of a strong resolution, agreed to by all the participants attending the final session of the project at Nicosia, is reproduced verbatim below as a clear indicator of the common standpoint adopted by different trade union organisations from the two participating countries. In itself, this resolution bears witness to the similar areas of concern shared by Cypriot and Maltese worker organisations. It also beckons towards the more urgent and promising directions for further bi-lateral cooperation.

*Cypriot and Maltese Trade
Unions in Relation to the
Challenge Posed by the
European Union*

A Resolution

Senior elected officials and representatives from Trade Union Organisations of the two Mediterranean island sovereign states of Cyprus and Malta.

Having gathered in Malta during November 1995 as guests of the Workers' Participation Development Centre (WPDC) of the University of Malta and having subsequently gathered in Cyprus in February 1996 as guests of the Cyprus Adult Education Association (CAEA).

Fully alerted to the issues raised after the application for accession to the European Union and aware of the various common characteristics which the two small island Mediterranean States share in relation to this common challenge.

Grateful to the Mediterranean Office of the Friedrich Ebert Foundation (FES), to the Industrial Training Authority of Cyprus (ITA) and to the European Commission which have generously sponsored two pioneering trade union education projects, making the exchange of views possible.

Have duly AGREED to submit the following resolution, to be disseminated and passed on to the various members of the press, national policy makers, European Union officials and other representatives:

Affirm that trade unions are recognised as legitimate actors in industrial relations at both national and transnational levels and therefore they are to be acknowledged as major contributors to the formulation of socio-economic policy.

Urge the European Union to recognize the existing benefits enjoyed by working people in Cyprus and Malta and call upon the European Union to promote a social policy agenda which protects workers and their hard won conditions of work from any adverse effects of economic deregulation and any other consequences of possible accession to the European Union by Cyprus and Malta.

Recognise the crucial importance of worker and trade union education for effective participation by labour and worker representatives in programmes which promote both enterprise efficiency and competitiveness as well as serve as opportunities for developing skills and knowledge for workers.

Acknowledge that more and better access to information about the European Union, the techniques available for influencing its policies and decisions, and the economic effects of the accession of the two island economies is a critical priority in both Cyprus and Malta. The Cypriot and Maltese Governments are therefore encouraged to adopt those measures necessary to improve such information access to trade union organisations.

Approve of the mutually beneficial relationship which results from the active collaboration of educational institutions (including Universities and Ministries of Education), with trade union organisations for the promotion and implementation of relevant educational programmes and augur that such collaboration will continue in the future.

Understand that Cyprus and Malta require assistance to further expand their experience in European level affairs. Such needs are likely to increase with the added responsibilities and demands of participation in European level fora in the event of accession.

Appreciate the need to develop opportunities for vocational training of employees as part of the upgrading and wider employability of the human resource base of Cyprus and Malta. This to enable workers to face the challenges posed by competition and rationalisation with the greater likelihood of a successful integration by Cypriot and Maltese workers into shifting and evolving labour markets.

We reaffirm the condemnation by the United Nations Security Council Resolutions of the breach of human rights and freedoms resulting from the continued Turkish occupation of sovereign Cypriot territory. It is fervently hoped that the accession of Cyprus to the European Union will realise the wishes of the Cypriot people towards a just and keenly awaited solution to this problem that will ultimately lead to the re-unification of Cyprus. We also insist that the issue of the Turkish occupation should not obstruct the safeguarding of fundamental human and trade union rights and, in particular, of free trade union dialogue and communication.

Agreed today, in Nicosia, the 22nd day of February 1996.

Cyprus - Malta Trade Union Seminar

Nicosia, 19 – 22 February 1996

Programme

Monday 19.2.96

- 8.30 - 8.45 Opening by Mr **Gills Anouil**, Representative of EC
Address by Mr **Ivor Roberts**, Principal Administrator EC
- 8.45 - 9.15 "Connection of the seminar in Malta with the seminar in Cyprus"
Dr **Godfrey Baldacchino**, Workers' Participation Development Centre, University of Malta
- 9.15 - 10.15 Clarifications – Discussion
- 10.30 - 12.00 "Labour relations – Problems"
Michalis Pilikos, Employees Federation
Emilios Michael, Cyprus Chamber of Commerce and Industry
- 12.00 - 13.00 Clarifications – Discussion
- 13.00 - 14.00 Panel Discussion including Trade Unionists

Tuesday 20.2.96

- 8.30 - 9.30 "Education for Trade Union Members for an effective negotiation and participation in EC"
Mr **S. Rizzo**, University of Malta
- 9.30 - 10.30 Visit to the University "The Universities of Malta and Cyprus and EC" - Discussion
- 10.45 - 12.45 Trade Unions problems after the admission to EC
Angelo Fenech, Secretary of GWU
Charles Magro, CMTU, Malta
- 13.00 - 14.00 Meeting with the Minister of Education and Culture

Wednesday 21.2.96

- 8.30 - 9.15 "Preparation towards accession to the EU"
Mr **Theophilou Th.**, of the EU Service of the Government of Cyprus
- 9.15 - 10.00 Clarifications – Discussion
- 10.15 - 11.00 "Economic relations Cyprus – EU and perspectives"
Mr **K. Iakovou**, Planning Bureau
- 11.00 - 11.45 Clarifications – Discussion – Outcomes
- 11.45 - 13.30 Panel Discussion
Co-ordinator Mr Ivor Roberts of EU

Thursday 22.2.96

- 8.30 - 9.30 "Social policy of the EU – Implications for Malta and Cyprus"
G. Charalambides, Ministry of Labour and Social Insurances
E. Kalava, Ministry of Labour and Social Insurances
- 9.30 - 10.30 Clarifications – Discussion
- 10.45 - 12.00 "Programmes of EU of Educational and Vocational Training"
A. Skotinos – G. Skotinou, Ministry of Education and Culture
G. Siekkeris, Cyprus Industrial Training Authority
- 12.00 - 13.00 Clarifications – Discussion
- 13.00 - 14.00 Announcement of the results of the seminar.
Conclusions of the seminar and adoption of seminar decisions.

Cyprus - Malta Trade Union Seminar

Malta, 4 – 8 November 1995

Programme

Saturday, 4.11.95 **Theme: The Impact of Accession to the EU on the social and economic welfare of Cyprus and Malta**

- 9.00 a.m. Visit GWU, Valletta
- Meet **Angelo Fenech**, GWU General Secretary & Members of Central Administration
- 11.30 a.m. Visit CMTU (At MUT Premises), Valletta
- Meet **Alfred Buhagiar**, CMTU President & Members of CMTU Council
- 3.00 p.m. Walking tour of Valletta

Sunday, 5.11.95

- free morning Visit Valletta Open Market; Malta experience...
- 3.00 p.m. Study Tour: European Culture in Malta: Mdina - Rabat - Hagar Oim - Vittoriosa

Monday, 6.11.95 **Theme: Impact of Company Legislation on Working Conditions in Cyprus & Malta**

- 9.15 a.m. Visit University, Msida
- Visit Euro Documentation & Research Centre (EDRC)
- * Prof. **Peter Xuereb** - Room 102 N.H. Block
- 10.45 a.m. * Mr **Leonardo Mizzi**: SMEs on the Euro - Periphery
- * Dr **Godfrey Baldacchino**: European Works Councils
- 3.00 p.m. Theme: The EU views on the Question of Membership of Malta and Cyprus
- Visit EU Commission to Malta (Ta' Xbiex)
- * The EU Ambassador Dr **Gunther Weiss**

6.30 p.m. Theme: Malta's relationship with the EU: Viewpoint of the Malta Labour Party

Visit Malta Labour Party HQ, Hamrun

* The Hon. Mr **Leo Brincat**, M.P.

Tuesday, 7.11.95 **Theme: Trade Union Education for effective EU participation and negotiation**

9.45 a.m. Visit University

Visit Workers' Participation Development Centre (WPDC) - FEMA Board Room

* Prof. Edward **L. Zammit**: Worker Participation, Trade Unions & University Collaboration in the EU

10.45 a.m. * Dr **Godfrey Baldacchino**: Trade Union Strategies for Small States: A peculiar Agenda?

11.30 a.m. * Mr **Saviour Rizzo**: Trade Unions for Social Change

12.30 p.m. Meet WPDC Board & Dr **Manfred Turlach**, FES Representative

3.00 p.m. Theme: Local Industry Perspective on Pros and Cons of EU Membership

Visit Malta Federation of Industry (FOI),

Wednesday, 8.11.95 **Theme: Accession strategy of small states into the EU**

9.15 a.m. Visit EU Directorate, Valletta

* Dr **Joe Borg**, Dr **Joanna Drake**,

Mr **Charles Mifsud**

11.30 a.m. Courtesy Call -

His Excellency, Dr **Ugo Mifsud Bonnici**

President of the Republic of Malta

12.00 noon Farewell Lunch at Bologna Restaurant, Valletta

Participants

The full list of participants of the two seminars is as follows:

From Cyprus:

- Klitos SYMEONIDES, President, Cyprus Adult Education Association (CAEA).
Panayiotis MALLIS, Vice-President, CAEA & Board Member, University of Cyprus.
Christakis IOANNOU, Secretary CAEA & 1st Administrative Officer, Ministry of Education and Culture.
Christakis ANDREOU, Council Member, Public Servants Association (PASYDY).
Thrasos ANDREOU, Council Member, Union of Bank Employees (ETYK)
Sofoklis CHARALAMBIDES, Vice - President, Teachers' Association (POED).
Demetris KITTENIS, Vice - President, Confederation of Cyprus Workers (SEK).
Alec KOURATOS, Council Member, Teachers' Association (POED).
Andreas LOIZIDES, President, School Inspectors Association (OEDE).
Andreas LOUCA, Council Member, Public Servants Association (PASYDY).
Nicos MOISEOS, Council Member, Confederation of Cyprus Workers (SEK).
Pavlos SEMELIDES, President, Teachers' Ass. for Secondary Educ. (OELMEK).
Alec TRINGIDES, Council Member, Democratic Labour Federation (DEOK).
Alec TASOURIS, Confederation of Cyprus Workers (SEK).
Maria TAPPA, Confederation of Cyprus Workers (SEK).
Michalis KALAFATIS, Confederation of Cyprus Workers (SEK).
Pantelis STAVROU, Confederation of Cyprus Workers (SEK).
Andreas POULLIS, Confederation of Cyprus Workers (SEK).
Andreas KOUKOUMAS, (MP) Pancyprian Federation of Labour (PEO).
Athos ELEFThERIOU, Pancyprian Federation of Labour (PEO).
Andreas PAVLIKAS, Pancyprian Federation of Labour (PEO).
Pambos KYRITSIS, Pancyprian Federation of Labour (PEO).
Vasos VASILIOU, Pancyprian Federation of Labour (PEO).
Charalambos SAVVA, Public Servants Association (PASYDY).
Kyriakos ANDREOU, Public Servants Association (PASYDY).
Diomidis DIOMIDOUS, Democratic Labour Federation (DEOK).

Adonis CONSTANTINOU, Democratic Labour Federation (DEOK).

Andreas LOUCA, Teachers' Association (POED).

Maro SOFOCLEOUS, Teachers' Association (POED).

Maria PAPATHEODOROU, Teachers' Association for Secondary
Education (OELMEK)

From Malta:

Angelo FENECH, Secretary General of GWU.

Alfred BUHAGIAR, President, Confederation of Malta Trade Unions (CMTU).

Charles CASSAR, Secretary, Supervisory, Technical & Professional Staff
Association, General Workers' Union (GWU).

Michael CASSAR, Council Member, Malta Union of Teachers (MUT) - CMTU.

Anthony COLEIRO, Secretary, Drydocks Section, General Workers' Union (GWU).

Mario CUTAJAR, Secretary, Public Service Section, General Workers'
Union (GWU).

Mario DARMENIA, Council Member, Union of United Workers (UHM) - CMTU.

Joseph DEGIOVANNI, Secretary, Malta Union of Teachers (MUT) - CMTU.

Joseph GERADA, President, Union of United Workers (UHM) - CMTU.

Charles MAGRO, Secretary, Confederation of Malta Trade Unions (CMTU).

Alphonse MELI, Deputy General Secretary, General Workers' Union (GWU).

James PEARSALL, Vice-President, General Workers' Union (GWU).

Marily SCIORTINO, Vice-President, Malta Union of Teachers (MUT) - CMTU.

Toni ZARB, Secretary, Port and Transport.

Godfrey BALDACCHINO, University of Malta.

Saviour RIZZO, University of Malta.

Manfred TURLACH, Friedrich Ebert Foundation.

Ignatius ABELA, Ministry of Education, Malta.

