

Submission by Secretary, Ministry of Commonwealth
and Foreign Affairs on relations with Britain

The studies which preceded negotiations with the Common Market in October 1968 and negotiations with the British Government in December 1968 have highlighted the crucial nature of the Third Five-Year Plan and the importance that this plan should be fulfilled in order to ensure that by 1974 Malta should be economically viable. Apart from the acquisition of markets for Malta's exports, one ingredient which is essential for the success of the Plan is infrastructure and other aid on terms which are as soft as possible and in volume sufficient to attain the objectives.

2. The most important single source of aid continues to be the British Government in terms of the Financial Assistance Agreement of 1964. However, it is clear that the British Government is now making offers in relation to the £23m. due to Malta under the above agreement and other arrangements which are inadequate and unrealistic. The offers are inadequate in the sense that, out of the total aid, they are offering only 25% in grant and 75% in hard exchequer loans. In the 25% there are included £3m. for the development of the Dockyard and approximately £1m. for rehabilitation of historic buildings leaving a ratio for the balance of 8.2% in grants and 91.8% in loans.

3. The proposals by the British Government are unrealistic because of the very real changes that have occurred since 1964:

- (i) When the Financial Assistance Agreement was signed in 1964 it was postulated that the British would continue to spend money on the stationing of troops in Malta of an order which would level out to about £14m. p.a. This has now dropped to £12m. and is planned to drop to £4m. by 1972;
- (ii) The value of land occupied by the British (which is now Maltese property) has risen approximately 500% since 1964 and its potential for development is now incalculable;
- (iii) The British Government, as the manager of the sterling area, must take prime responsibility for the need and decision to devalue sterling;
- (iv) Aid given by Britain to Malta under the 1964 agreement is now being administered in a very strict manner and is subject to scrutiny to ensure that the maximum amount of this aid goes back to Britain;
- (v) The Defence Agreement in so far as Malta is concerned lapsed in 1967 and no action has been taken to bring it back into force;

/(vi) Malta's

- (vi) Malta's strategic importance dropped up to 1967 but seems now to have increased again with the presence of the Russians in the Mediterranean;
- (vii) There are plans afoot within NATO to utilize the facilities in Malta in connexion with the creation of a multi-national "on call" fleet and feelers have been made to find out whether Malta would be willing to apply for NATO membership;
- (viii) Members of NATO as such are unable juridically to enter into an agreement with Malta on any basis other than membership;
- (ix) NATO can only use facilities in Malta with the consent of the Government of Malta;
- (x) Even given such consent, NATO forces cannot use the facilities in Malta unless they are fully provisioned either by Malta, which is inconceivable, or by Britain;
- (xi) Malta is no longer defensible by Britain alone. The defence of Malta lies within the context of NATO intentions and dispositions in the Mediterranean. Britain retains her forces in Malta at the request of NATO and because they are now available in Europe having been withdrawn from Aden and other bases;
- (xii) British interests in the Mediterranean are otherwise negligible and to this extent Malta's contribution to the defence of British interests in the Mediterranean is also negligible, except in so far as British interests coincide with the interests of NATO as an organization.

4. For the above and other reasons which may not have occurred to me, it is now necessary for a careful re-appraisal to be made of Anglo/Maltese relations with a view to:


- (i) Considering whether the Defence Agreement and the Financial Assistance Agreement of 1964 should be formally abrogated and replaced by a new agreement;
- (ii) Considering whether such new arrangement:
 - (a) should be framed in such a way as to allow the British to continue to use certain listed facilities;
 - (b) should revise the facilities to be so retained;

/(c) should

- (c) should provide for an annual rent to be paid by the British for such facilities; and
 - (d) should fix a maximum and minimum level of employment by the British Government in Malta;
- (iii) Considering how such facilities should be used and whether use should be limited to purposes connected with NATO defence plans; and
- (iv) Laying down that facilities can only be used by NATO forces, other than British forces, subject to the consent of the Malta Government.

5. It is suggested that studies along the above lines should be instituted forthwith and that formal notice to the effect that a review of the two agreements should now be undertaken should be given immediately to the British Government. In the meantime it is felt that negotiations on the second tranche of British aid under the 1964 agreement should not be resumed.

6. In order to ensure continuity, it is suggested that Mr G. Curmi should be recalled from Brussels for consultations and given the task of representing the Ministry of Commonwealth and Foreign Affairs on any studies which may be authorized.


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