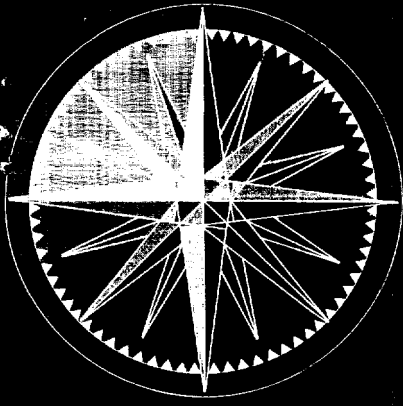


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# SPECIAL REPORT

THE OUTLOOK FOR AN INDEPENDENT MALTA

State Dept. review completed.

CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

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30 October 1964

**THE OUTLOOK FOR AN INDEPENDENT MALTA**

Malta on 21 September became the eighteenth British territory to gain independence since World War II. Its prospects for political stability and economic well-being, however, are not auspicious. Malta's most difficult, and perhaps insoluble, problem is its lack of economic viability. Its relatively high standard of living is dependent not only on continued foreign aid, but also on skillful planning to make its limited export commodities and services competitive. Maltese politics are complicated by the powerful influence of an unusually conservative Catholic episcopate. The Malta Labor Party (MLP) opposition, led by an erratic neutralist who is given to flirting with Moscow and Cairo is not only determined to change the constitution but is more dynamic than the ruling Nationalist Party. The MLP has a good chance of coming to power in the elections due sometime before March 1966. The new state contains NATO's Mediterranean command headquarters, but NATO is undecided on what terms it will offer Malta for continued participation in the alliance. This, together with the prospects of an MLP government, raises the specter of a Soviet toe-hold in the middle of NATO's present defense perimeter.

Background

Malta's constitutional evolution has been a stormy one. In 1957, the then Prime Minister Dom Mintoff (who as head of the Malta Labor Party is now the opposition leader) sought full political integration with the United Kingdom but failed to obtain it because of excessive demands for economic aid. The disturbances he fomented after resigning in April 1958 culminated in a general strike which prompted Britain to suspend the constitution and rule directly for the next four years. The Maltese

were eventually persuaded, with considerable difficulty, to agree on terms for internal self-government, and elections were held in February 1962.

Dr. Georgio Borg-Olivier's Nationalist Party (NP) won 25 of the 50 seats in the legislature; the MLP took 16, and the remaining 9 went to the three minor parties. Mintoff's defeat was largely attributed to the influence of the Catholic Church. The MLP's subsequent drive to eliminate the privileged position of the church, including its immunity from

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legal prosecution, led to a protracted hagggle over the constitution which caused a four-months' postponement of independence.

In the negotiations London sought, in order to accommodate the MLP, to eliminate from the NP draft constitution certain discriminatory provisions against non-Catholics in personal religious matters. There is, for example, no provision for civil marriage or divorce, but Borg-Olivier finally agreed to make arrangements for civil marriage for non-Catholics and those Catholics willing to leave the church. Also, sections placing church above the law on human rights were deleted.

Agreements initialed earlier this year on defense and economic aid came into force on 21 September. The price for a 10-year defense agreement was a British commitment to give Malta \$142.8 million over that period. For the first five years, disbursements will be 75 percent in loans and the rest in grants; subsequent apportionment has been left unsettled. About \$52 million is to be paid out "without strings" before March 1967; the remainder will be contingent on the military base agreement's remaining in force.

The defense agreement puts Malta under a British security umbrella by providing for mutual defense, Maltese acceptance of British advice and military assistance, and the right of the UK to station forces in Malta for ten years in peace or war. As an

**BORG-OLIVIER**

attempt to block Soviet or other intrusions, no other forces except Maltese and NATO will be allowed this privilege. In case of emergency, the UK would also have sole use of the large Luqa airport.

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**SECRET**Current Political Situation

In addition to the Nationalists and the MLP, there are three minor parties--all of which may disappear by the next election. The Christian Workers Party (CWP), led by Anthony Pelligrini, splintered from the MLP in 1961 over Mintoff's hostility to the church. With a church-MLP reconciliation in the offing, the CWP may rejoin the MLP or at least form a postelectoral coalition with it. The Democratic Nationalist Party (DNP), controlled by Hubert Ganado, is a breakaway from the Nationalists who had wanted to delay independence until economic viability was achieved. The DNP finally supported the Nationalists on independence terms, however, and is now considered likely to merge with them or disappear. Having opposed independence in favor of continued ties with Britain, Mabel Strickland's small Progressive Constitutional Party is also slated to vanish.

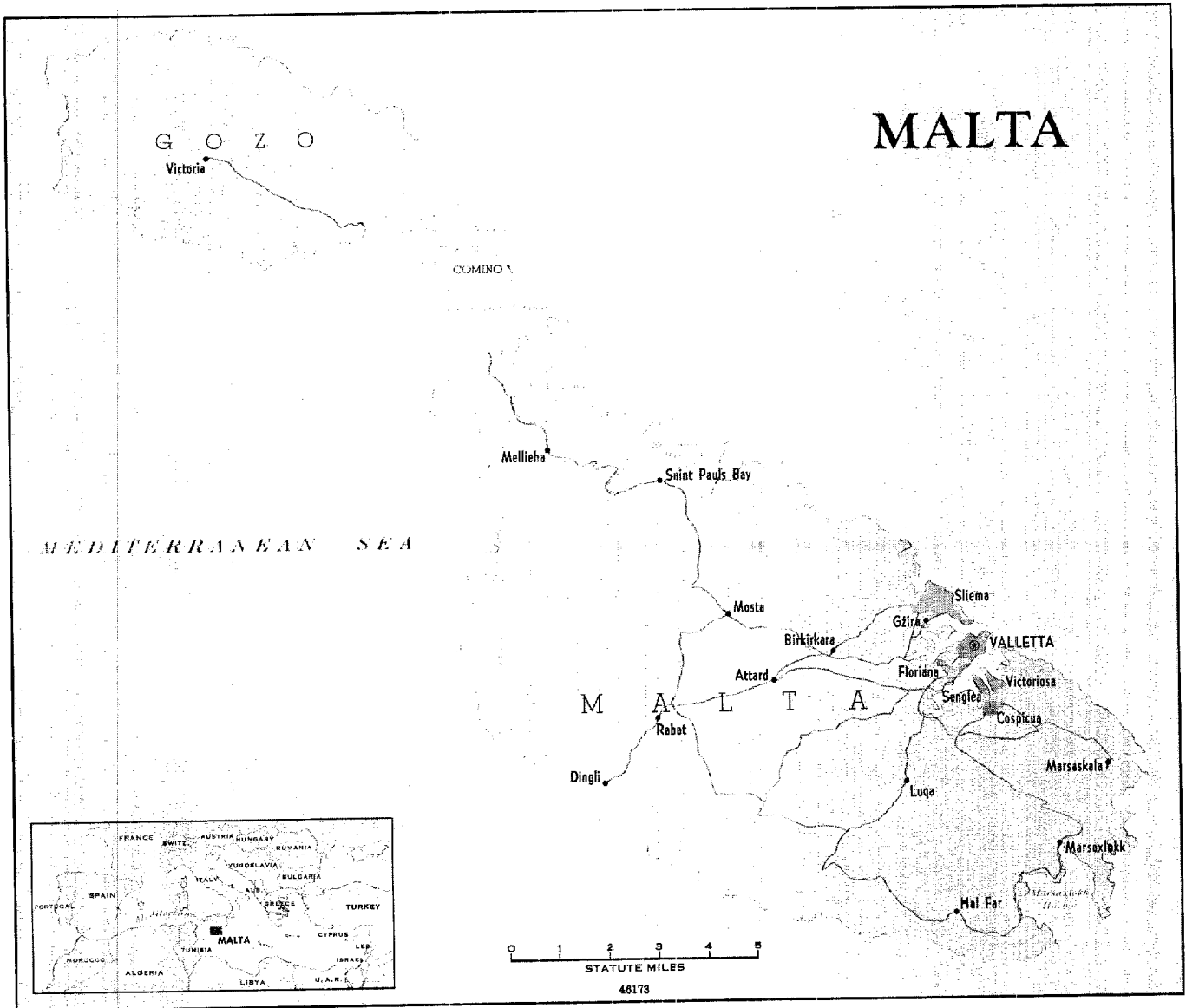
The government Nationalist Party is basically conservative and has always stood for independence within the Commonwealth, a special position for the church, and alignment with the West. Indeed, Borg-Olivier not only has promised to retain NATO's Mediterranean headquarters on Malta, but also wants to establish some sort of formal association with NATO. He will be visiting the US from

5 to 20 November to arrange for Malta's entry into the UN and will presumably take the opportunity to make another pitch for US aid.

In contrast, the outlook of the Socialist-oriented MLP is increasingly antichurch, anti-West, neutralist, and anti-NATO. Party leader Mintoff is opposed both to the present constitution and to the defense agreement with the UK and has gone on record as saying he would try to change both if he came to power. With a claimed membership of 60,000, the MLP has long been the most powerful party, partly because of its control of the largest labor confederation.

In the last few years, Mintoff has visited the UAR, Algeria, Italy, Greece, Yugoslavia and Moscow, soliciting support for independence. He seems to have acquired only moral support and vague promises, but this may change. The only concrete evidence of UAR support is the commencement of Radio Cairo broadcasts in Maltese in May, but clandestine arms aid is always a possibility. In fact, a Maltese minister recently requested two fast patrol boats from the US for surveillance use because he feared that Mintoff-supporting fishermen might rendezvous with foreign vessels off the coast and bring contraband weapons into Malta.

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In Moscow last June, Mintoff was promised Soviet backing at the UN and elsewhere but was informed that his request for arms would have to be "studied." Mintoff left somewhat disillusioned. An earlier Soviet offer, however, to give Malta economic aid should Mintoff become prime minister and declare Malta a neutral country, presumably stands.

On the domestic front, the MLP's fortunes hinge on a combination of economic factors and on the final outcome of the recent efforts of both the church and Mintoff to reconcile their differences. Archbishop Gonzi took the first step in late September by lifting an interdict laid on the MLP executive in 1961. Immediately thereafter, Gonzi and Mintoff met in a secret rendezvous to consider further steps. One of them was the lifting of another interdict on a newspaper editor. According to Mintoff, all this is "just a beginning."

The Nationalists have the credit for winning independence and are currently favored to win the next elections. These are due by February 1966 but could be held sooner. With a 90 percent Catholic population, Mintoff's prospects will be greatly enhanced if he makes his peace with the church and if he skillfully exploits the roadblocks to economic development which the prime minister is likely to encounter.

Economic Prospects

With an area of only 122 square miles populated by 330,000 people, and possessing almost no resources beyond skilled labor, Malta has been kept economically viable only by generous British aid and military spending. Changing strategic interests have produced such a drastic decline in military expenditures that the resultant loss of income may cause unemployment to rise from its present estimated 7 percent to about 25 percent by 1967. The government's development plan aims to create new jobs, but the rate is hopelessly slow in comparison to the need.

None of the various surveys to date has held much hope for Malta's achieving economic viability. The British have hoped--somewhat optimistically--that the situation can be controlled by a combination of UK assistance, more energetic development of the tourist trade, increased emigration, and further development of light industry. The dockyard, Malta's most important economic asset, will have to cut back further on redundant workers to remain competitive with other Mediterranean yards.

In any event, Malta will require more foreign assistance than that which the UK has agreed to provide if it is to retain the kind of living standards to which it is accustomed. Exports are essential

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because of the tiny domestic market, but shortages of both water and electricity discourage investment. Horticultural exports are doing well, but the tourist potential has probably been overestimated.

NATO and Malta's Military Role

NATO is anxious that Malta does not become a security threat to Western interests in the Mediterranean but is uncertain how to fit the island into the alliance's structure. Malta has agreed to honor existing agreements regarding the NATO headquarters of the commander in chief of the allied forces in the Mediterranean, at least until new arrangements have been discussed. In the meantime, the question has been fuzzed over on whether Malta-- which is also the site of an important British naval and air base--is legally within NATO's defense perimeter.

NATO members are sharply divided over what Malta's connection with the organization ought to be. Although there has been some thought of transferring the NATO command to Naples, this would be expensive. The UK considers full or even associate NATO membership for Malta to be unrealistic. London is nonetheless anxious for the command to be retained on Malta and for the island to

be linked to NATO, possibly by an exchange of letters between NATO's secretary general and the Maltese Government. The Belgians want to offer full membership; the French would prefer no dealings with Malta at all.

Although Borg-Olivier has publicly said he hopes that discussion with the NATO Council will establish a new and closer relationship, sentiment in NATO seems to be growing in favor of putting off a final settlement. One motivating factor appears to be the chance that the anti-NATO MLP will come to power before long. In the meantime, there is some thought of enmeshing Malta with Europe via membership in such bodies as the Council of Europe and the OECD.

Britain's position in Malta was in a state of flux well before the new Labor defense minister took over. On the one hand, the British had been gradually reducing their forces on Malta, even before independence, because changes in weaponry and strategic priorities have made the island's facilities much less important than in the past. On the other, London wants to maintain enough facilities for a forward operating base, and recognizes that Malta's military importance could rise in the future. The British are acutely conscious that if they are pushed totally

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out of both Libya and Cyprus, Malta could become an indispensable link in their strategic air transport system to both the Middle and Far East.

Outlook

For the time being, the Maltese Government is unlikely to make any moves that will jeopardize its existing ties with the West and its prospects for getting aid. Prime Minister Borg-Olivier recently told the US chargé, for example, that he sympathized with the US position both on recognizing Taipei and keeping Peiping out of the UN. Although he said he could not yet commit his government, he is likely to go along with Washington on Chinese policy.

Should Mintoff again come to power--and his present chances

are not bad--the outlook would be more bleak. There are already some Communists in the MLP, and there is no reason to believe that Mintoff will give up either his anti-Western proclivities or his authoritarian inclinations. Even though he has a good prospect of coming to power legally, there has been concern in the past that he would try a coup, and this can by no means be discounted now. In any case, he may well try another series of harassing demonstrations, particularly after he has had time to build up current low morale in the MLP. He might be willing to permit NATO and British facilities to remain on Malta if the price were right. He is more likely to try to obtain Soviet and Egyptian aid by offering to eliminate the vestiges of a Western military presence on the island.

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