Outermost Regions (ORs) are defined in Article 349 TFEU. They benefit from specific EU measures, justified by their natural handicaps. These include derogations on EU law, as well as special funding mechanisms.

The Structural Funds and the POSEI programme have helped these regions tackle their disadvantages and try to close the cohesion gap with the rest of the EU.

ORs have used these provisions differently and have had varying development performances. Two are already very close to the EU average GDP per capita, while the majority are still lagging.

Education and R&D indicators are in general very weak in these regions, which might indicate low prospects for competitiveness in the future.

While the European Parliament has always supported special provisions for ORs, the current European Commission approach is to continue defending these provisions but at the same time focus more on what the ORs can give to the EU.

The opportunities and assets of the ORs are to be explored in the coming years and include environmental aspects, climate change and energy research and geostrategic maritime positions.

In this briefing:

- Issue definition
- The Outermost Regions
- EU provisions for Outermost Regions
- Development achievements
- In the European Parliament
- Representation of Outermost Regions
- Main references

Issue definition

The concept of Outermost Region (OR) first appeared in a Declaration annexed to the Maastricht Treaty. The status of OR was then recognised in the Amsterdam Treaty, in Article 299.

According to Article 349 TFEU, ORs are considered to have special structural, social and economic handicaps due to their remoteness, insularity, small size, difficult topography and climate, and economic dependence on a few products. The permanence and combination of these factors severely restrain their development.

Portugal, Spain and France are the only Member States with ORs. There are nine, clearly identified in the TFEU: the Azores and Madeira (autonomous regions of Portugal), the Canary Islands (an autonomous community of Spain), Guadeloupe, Martinique, French Guiana, and Réunion (French "Départements d’Outre-mer" or DOM) and Saint-Barthélemy and Saint-Martin (French "Collectivités d’Outre-mer").

As ORs are an integral part of the EU, EU treaties and laws are fully applicable.

However, ORs benefit in EU law from a specific integration status. Article 349 enables the Council to take specific
measures necessary for ORs, without any limits in time, deciding by qualified majority on a Commission (EC) proposal, after consulting the European Parliament.

These specific measures have, however, to be justified and cannot harm the integrity and coherence of EU law, including the single market and common policies.

Measures adopted concern, in particular, areas such as customs and trade policies, fiscal policy, free zones, agriculture and fisheries, conditions for supply of raw materials and essential consumer goods, state aid and conditions of access to Structural Funds.

It is against this background that ORs have benefited, for example, from special provisions in the Structural Funds and special financing mechanisms such as the POSEI, in an attempt to tackle their handicaps and close the cohesion gap with the rest of the EU.

The Outermost Regions

Challenges

The most obvious feature confirming the specific situation of ORs is their distance to economic or administrative centres and/or the mainland. Distances to the capital of their Member State vary from 1 000km (Madeira) to 9 400km (Réunion).

Apart from such remoteness, ORs suffer from other constraints such as geomorphological conditions (most of them are mountainous, some are dispersed as archipelagos), seismic and volcanic activity, and extreme climatic conditions (such as hurricanes and storms).

The small dimension of local markets, the dependency of their economies on a few products and their location in less developed parts of the world are also key constraints.

Their economies generally underperform compared to the EU average, only Madeira and the Canary Islands are close to average EU GDP per capita (96.3% and 92.8% respectively). The unemployment rate is especially high in the French DOM (above 20%).

Educational levels are generally lower in ORs, especially in the Azores and in Madeira.

Vulnerability to globalisation is particularly high in the Azores, according to the EC study "Regions 2020".

Opportunities and assets

ORs occupy a geostrategic position, giving the EU more extensive territorial waters and broader prospects for the EU’s maritime and neighbourhood policies.

They also diversify the EU's economy, providing rum, tea, sugar cane, bananas and other tropical fruit and vegetables, as well as wines and cheeses.

In terms of environment, ORs have a high index of proximity to natural areas (239 compared to the EU average of 100). ORs are also very rich in biodiversity.

They can be a laboratory for studying and combating the effects of climate change, and for research on renewable energies and energy efficiency.

Top R&D centers in ORs include the Canary Islands Astrophysics Institute, the European Space Agency’s centre in French Guiana, and the University of the Azores' Oceanography and Fisheries Department.

An evolving group of regions

Saint-Barthélemy and Saint-Martin became ORs in their own right on 1 December 2009 and are identified as such in the TFEU. They were formerly attached to Guadeloupe but became separate overseas "collectivités" under French legislation in 2007. In relation to the EU, Saint-Barthélemy hopes to leave the group of ORs to become an OCT.

The Lisbon Treaty has introduced a “passerelle clause” (Article 355(6) TFEU), enabling OCTs and ORs to pass from one status to the other, but only for Danish, French and Dutch territories. This possibility, allows ORs and OCTs to decide for themselves which status is more advantageous.
Outermost Regions (ORs) and Overseas Countries and Territories (OCTs)

While ORs are integrated into the EU (primary and secondary EU laws are therefore applicable), the OCTs are just associated to the EU (EU laws are not applicable).

The association status of OCTs is defined by Article 355 TFEU. Annex II TFEU lists 12 British, 6 French, 2 Dutch and 1 Danish OCT. These include Greenland, French Polynesia, New Caledonia, Falkland Islands, Cayman Islands, and Aruba.

OCTs' nationals are in principle EU citizens. While not benefiting from Structural Funds or other provisions for ORs, OCTs have an advantageous trade statute and can receive development aid from the European Development Fund.

Changing the internal status in the Member State, however, does not automatically give an OCT OR status. It must be taken, on the initiative of the concerned Member State, to the European Council which decides unanimously. No ratification by Member States is necessary.

Mayotte, formerly one of the French OCTs, approved its change of status to French Overseas Department with a referendum in March 2009. This is due to come into effect in 2011. It is therefore possible that Mayotte will join the group of ORs.

The islands formerly grouped as the Netherlands Antilles, as well as Aruba, have expressed an interest in acquiring OR status.

EU provisions for Outermost Regions

The EU Strategy for the ORs

In 2004, the European Commission (EC) presented a strategy for a stronger partnership for the ORs. Three priority axes were then defined:

1) to reduce the accessibility deficit (transport, information technologies);
2) to strengthen the competitiveness of ORs’ economies;
3) to strengthen their regional insertion by reinforcing bonds with neighbouring third countries.

Subsequently, the EC proposed complementary measures in a 2007 communication “Strategy for the Outermost Regions: Achievements and future prospects”, in which positive results of the 2004 strategy were noted.

In October 2008, the EC adopted a communication “The Outermost Regions: an asset for Europe”, proposing a renewed approach for ORs. They are not considered only from a solidarity point of view from the EU but also, and mainly, as a privileged laboratory for the EU, with much potential to develop.

Cohesion policy: the current framework

Total EU funding for ORs during 2007-2013 is €7.8 billion, including the Structural Funds, as well as the European Agriculture Fund for Rural Development (EAFRD), the European Fisheries Fund (EFF) and the POSEI (Programme of Options Specifically relating to Remoteness and Insularity).

During this period, the Azores, Guadeloupe, Martinique and Réunion are convergence regions, while the Canary Islands and Madeira are phasing-in to the regional competitiveness and employment objective.

From the Structural Funds, ORs will get more than €5.8 billion (4.5 ERDF and 1.3 ESF), plus a specific allocation for ORs of €979 million to compensate them for the additional costs of their permanent handicaps. The total amount for the ORs of this special compensation was calculated at a rate of €35 per inhabitant per year.

This compensation is integrated in ORs' operational programmes for assistance from the ERDF. It accounts for 21% of the EU contribution in Madeira, 7% in the Azores, 60% in the Canary Islands, 20% in Reunion, 22% in Guadeloupe, 19% in Martinique, and 16% in French Guiana.

Apart from this special allocation, and according to the regulation laying down general provisions of the Structural Funds (Regulation (EC) No 1083/2006), co-financing rates of ERDF and ESF are higher in ORs (85%).
The ORs also benefit from various financial instruments and mechanisms implemented in the areas of fishing (the EFF has a total of €101.4 million distributed to the ORs through the Member States) and agriculture (EAFRD, in particular, has a higher co-financing rate).\(^9\)

ORs are also closely involved in territorial cooperation programmes. These aim to strengthen cross-border, transnational and interregional cooperation. They are based on the Interreg initiative and are financed under the ERDF.

Four transnational and cross-border cooperation programmes have been dedicated to ORs for the 2007-2013 period: the Macaronesia programme; the Caribbean programme; the Indian Ocean programme; and the Amazonia programme.

Finally, concerning the Cohesion Fund, only Portuguese (85% co-financing rate) and Spanish ORs (transitionally eligible with a ceiling of 80% co-financing for convergence and phasing-in regions) are eligible.\(^{10}\) This Fund assists environmental and transport infrastructure projects of common interest.

**POSEI**

Socio-economic difficulties relating to ORs’ supply of raw materials and the competitiveness of agriculture, due to their structural handicaps, have justified the implementation of specific measures.

The support programmes POSEI (Programmes of Options Specifically Relating to the Remoteness and Insularity) with specific measures for agriculture in ORs, was launched in 1991 for the French DOM (POSEIDOM) and in 1992 for the Canary Islands (POSEICAN), the Azores and Madeira (POSEIMA).

In 2006 the support system was reformed (Regulation EC No 247/2006).

It includes a Specific Supply Arrangement aimed at mitigating costs for the supply of products used as inputs for everyday consumption or manufacture of certain essential foodstuffs, by providing for the exemption of duties on products imported directly from third countries or aid for products originating in the rest of the EU.

The Canary Islands (with 790,500 tonnes), followed by Réunion, are the main users of the SSA.

The scheme also foresees measures to assist local agricultural products, by supporting the production, processing and/or marketing of these products or the structuring of the sectors involved. Products include bananas in the Canary Islands, Madeira, Guadeloupe, Martinique and Réunion; sugar and rum in the Azores, Guadeloupe, Martinique and Réunion; bovine meat in all the ORs; dairy products in the Azores, Madeira and the Canary Islands.

The total amount of EU funds for the POSEI Programme since 1992 is as follows (including duty exemptions):

**Table 1: POSEI expenditure 1992-2007 in € million**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Azores</td>
<td>111.84</td>
<td>185.06</td>
<td>296.90</td>
</tr>
<tr>
<td>Madeira</td>
<td>92.32</td>
<td>90.05</td>
<td>182.37</td>
</tr>
<tr>
<td>Canary Islands</td>
<td>608.20</td>
<td>846.34</td>
<td>1454.54</td>
</tr>
<tr>
<td>Guadeloupe</td>
<td>41.81</td>
<td>120.76</td>
<td>162.57</td>
</tr>
<tr>
<td>Martinique</td>
<td>39.09</td>
<td>206.16</td>
<td>245.25</td>
</tr>
<tr>
<td>Réunion</td>
<td>116.65</td>
<td>265.03</td>
<td>381.68</td>
</tr>
<tr>
<td>French Guiana</td>
<td>8.70</td>
<td>10.92</td>
<td>19.62</td>
</tr>
</tbody>
</table>

Source: European Commission

*Note: as no separate data was available for each of the French DOM from 1997 to 2001, these years are not taken into consideration.*

A scheme to compensate for the additional costs incurred in the marketing of certain fishery products from the ORs (the so-called POSEI-fisheries) was also set up in 1992 and is now regulated by Regulation (EC) No 791/2007.

**Historical allocations**

During the programming periods 1994-1999 and 2000-2006, ORs received a significant amount of Structural Funds (ERDF, ESF, EAGGF and FIFG) support, the Canary Islands receiving the highest absolute amount.
Under the POSEI 1992-2007, the Canary Islands were again the OR with the highest allocation.

**Table 2: Structural Funds’ (SF) historical allocations and total EU funds (includes POSEI), in € million**

<table>
<thead>
<tr>
<th></th>
<th>SF 94-99</th>
<th>SF 00-06</th>
<th>Total EU funds</th>
<th>€ per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azores</td>
<td>697</td>
<td>854</td>
<td>1 847.90</td>
<td>7 617.07</td>
</tr>
<tr>
<td>Madeira</td>
<td>433</td>
<td>705</td>
<td>1 320.37</td>
<td>5 378.29</td>
</tr>
<tr>
<td>Canary Islands</td>
<td>1 853</td>
<td>1 846</td>
<td>5 153.54</td>
<td>2 609.12</td>
</tr>
<tr>
<td>Guadeloupe</td>
<td>422.5</td>
<td>809</td>
<td>1 394.07</td>
<td>3 182.80</td>
</tr>
<tr>
<td>Martinique</td>
<td>406.5</td>
<td>674</td>
<td>1 325.75</td>
<td>3 323.51</td>
</tr>
<tr>
<td>Réunion</td>
<td>807</td>
<td>1 516</td>
<td>2 704.68</td>
<td>3 440.20</td>
</tr>
<tr>
<td>French Guiana</td>
<td>201</td>
<td>370</td>
<td>590.62</td>
<td>2 816.48</td>
</tr>
</tbody>
</table>

Source: European Commission

However, if population is taken in consideration, the region that received the most per capita was, by far, the Azores with a total of €7 617 of EU funds per inhabitant, followed by Madeira with €5 378.

**Development achievements**

**Lukewarm GDP per capita evolution**

Since 1995, most of the ORs have grown faster than the EU 27 average, in terms of GDP per inhabitant in purchasing power standard (PPS). Two specific regions, however, stand out from the rest, one growing much more than the others and faster than the EU average (Madeira) and another growing much less than the others and slower than the EU average (Guyana). The group formed by the Azores, the Canary Islands, Guadeloupe, Martinique and Reunion has grown slightly faster than the EU 27 average.

Compared to the Member State of which they are part, ORs have lower GDP in PPS per inhabitant, again with the exception of Madeira, which surpassed Portugal in 1998. The other ORs continue to have a lower GDP PPS per capita than their respective Member States.

The Azores have grown more than Portugal, as well as most of the DOM, with the exception of Guyana, in comparison to France. The Canary Islands have grown less than Spain.

Compared to other non-OR EU regions that in 1995 had similar GDP PPS per capita (but without benefiting from the advantageous provisions for ORs), only Madeira stands out as an OR that has grown more.

For instance, regions such as Strední Cechy (CZ), Extremadura (ES), Mazowieckie (PL), Comunidad Valenciana (ES), Castilla y León (ES), Zahodna Slovenija (SI), Ipeiros (GR), Kozép-Magyarország (HU), and Cornwall and the Isles of Scilly (UK) have had better performances than ORs with similar GDP per capita, with the exception of Madeira.

**Weak competitiveness prospects**

Low education levels are one of the major obstacles for ORs’ competitiveness and growth potential in the future.

Most of the ORs had a low percentage of youngsters (15 to 24 years old) in upper and post-secondary education, in 1998, compared to the EU 27 average.

In 2007, the situation was static or had got worse in the Azores, Madeira and the Canary islands, with slight improvements in Guyana, Reunion and Guadeloupe.

Only Guadeloupe and Martinique had in 2007 a higher percentage than the EU average, the other ORs being much farther, with Azores and the Canary islands being below 25%.
In terms of technology and R&D expenditure, and although no data exists for the DOM, the Azores and Madeira have stagnated since 1994, while the Canary Islands have experienced a steady progression.

**1995-2007: results**

Most of the ORs did not stand out by significantly closing the gap with the rest of the EU, including the Azores, the region that has received most EU support per capita.

In addition, weak education levels and little progress in technology and R&D give a negative outlook for these region's prospects in the future and their relative competitiveness. The EU 2020 agenda (for a smart, productive and sustainable economy), is therefore lagging in these regions.

Furthermore, a recent study on the implementation of POSEI suggests that the structural handicaps of ORs mean a great number of sectors would not be profitable without POSEI assistance, and that Member States should consider both the long-term viability of these sectors and also the relevance of their support level.

**In the European Parliament**

The European Parliament (EP) adopted on 28 September 2005 an own initiative resolution on the EC communication “A Stronger Partnership for the Outermost Regions”. The EP stated that the ORs should be treated as a special case as regards access to the Structural Funds. The EP has also called for more attention and financial resources for environment in ORs.

On 20 May 2008, the EP adopted an own initiative resolution on the “Strategy for the Outermost Regions: achievements and future prospects”, acknowledging that the Structural Funds, as well as the POSEI, played a major role in the development of the ORs. The EP has also called for special treatment for ORs in the inclusion of civil aviation in the European Emission Trading Scheme.

Concerning the POSEI-agriculture programme, its last revision was the subject of an EP legislative report adopted on 7 July 2005. Among several amendments, the EP suggested rural development programmes be implemented taking account of the specific features of the outermost regions. Apart from specific proposals for the different ORs, the EP also called for an effective policy to promote SMEs in the agri-foodstuffs sector in the ORs.

The reform of the POSEI-fisheries programme was the subject of an EP legislative report adopted on 26 April 2007. The EP proposed an increase of €2 million per year, to compensate for the additional costs incurred in the marketing of certain fisheries products, due to increases in energy and transport costs.

**Representation of Outermost Regions**

A cooperation protocol between the administrations of ORs was first established in 1995. A committee under this protocol meets frequently in Brussels.

ORs’ main issues and positions are generally defended at Member State level in the Council; a specific single entity arguing for ORs’ interests does not exist.

Portugal, France and Spain produced a Memorandum "A renewed vision of the European Strategy for Outermost Regions" in May 2010, identifying ORs' challenges and calling for the preservation of compensation mechanisms and the specific instruments for
ORs. It has also highlighted ORs' assets and their contribution to the EU as a whole.

Also in May 2010, the first "Forum for Outermost Europe", organised by the EC, was held in Brussels. One of its main conclusions was that a specific EU policy in the ORs needs to be maintained or even strengthened after 2013.

The Foreign Affairs Council meeting of 14 June 2010, underlined the important role of ORs and called for the development of the assets of the ORs for the benefit of the EU.

Most ORs are part of the Islands Commission one of the geographical commissions of the Conference of Peripheral Maritime Regions.

At this stage, moves have been undertaken by island regions in order to press for specific arrangements for islands in the EU, following the new provisions for territorial cohesion on Article 174 TFEU. Currently it is not possible for insular regions to have the same possibilities for differentiated implementation of EU law foreseen by Article 349 for ORs.

ORs have not, however, directly rejected, or strongly defended these moves.

Main references


Endnotes

1 Although special provisions for the Azores, Madeira and the Canary Islands already existed in a declaration annexed to the adhesion acts of Portugal and Spain in 1986. The French DOM, for their part, then being considered part of the EU, had seen ECJ rulings acknowledging their specificities.

2 An extensive list of areas with special measures for ORs can be found in the Strategy for Outermost Regions: achievements and future prospects: annex, SEC(2007) 1112, 12 September 2007.

3 The same study shows that the Azores, Madeira and the Canary Islands have relatively low climate change, energy and demography vulnerabilities.

4 This indicator is based on the proximity to bodies of water, Natura 2000 areas and natural areas as defined by Corine land cover, which includes green urban, leisure and sports facilities, forest, semi-natural areas and wetlands. It does not include agricultural areas.

5 Biological diversity - or biodiversity - is the variability among living organisms from all sources; this includes diversity within species, between species and of ecosystems.

6 A declaration annexed to the TFEU (number 43) foresees the acquisition of OR statute by Mayotte, after notification by France to the European Council and Commission on the evolution of the internal status of this territory.

7 Convergence regions are regions where per capita GDP is below 75% of the EU average. Regional competitiveness and employment regions are all regions not covered by the convergence objective and those regions which fell under Objective 1 during the period 2000-2006, which no longer meet the regional eligibility criteria of the convergence objective - the phasing-in regions.

8 For instance, in the Canary Islands, this special funding will be channelled towards transport and communications infrastructures. In the Azores, part of this allocation will finance the transportation of the sick from the six islands of the archipelago without a hospital to the three which have a hospital.

9 Regulation (EC) No 1698/2005 states that the EAFRD contribution may be increased to 85% for the rural development programmes of the ORs.

10 The Cohesion Fund is available for regions of countries whose per capita Gross National Income is below 90% of the EU's average and which are running economic convergence programmes. A list of eligible countries was set by Commission Decision 2006/596/EC, 6 September 2006.

11 The Lisbon Treaty introduces the concept of "territorial cohesion" and recognises it as an objective of the Union. Under Article 174, particular attention must be given to regions which suffer from severe and permanent natural or demographic handicaps such as islands, the northernmost regions with very low population density, cross-border and mountain regions.
## Table 3 - Summary of Outermost Regions

<table>
<thead>
<tr>
<th>Outermost Region</th>
<th>Population</th>
<th>Surface area (km²)</th>
<th>GDP per capita (PPP) in % of EU-27 average (2007)</th>
<th>Cohesion Policy objectives</th>
<th>Unemployment rate (2008)</th>
<th>Distance from mainland (km)</th>
<th>Particularities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azores, PT</td>
<td>237 900</td>
<td>2 333</td>
<td>67.6</td>
<td>convergence</td>
<td>5.5</td>
<td>1 450</td>
<td>Importance of dairy production</td>
</tr>
<tr>
<td>Madeira, PT</td>
<td>244 800</td>
<td>795</td>
<td>96.3</td>
<td>competitiveness</td>
<td>6.0</td>
<td>660</td>
<td>Greatest GDP per capita growth since 1995</td>
</tr>
<tr>
<td>Canary Islands, ES</td>
<td>1 715 700</td>
<td>7 447</td>
<td>92.8</td>
<td>competitiveness</td>
<td>17.4</td>
<td>250</td>
<td>not in the EU VAT area</td>
</tr>
<tr>
<td>Guadeloupe, FR</td>
<td>425 700</td>
<td>1 710</td>
<td>76.3</td>
<td>convergence</td>
<td>23.3</td>
<td>560</td>
<td>not in Schengen Area nor in the EU VAT area</td>
</tr>
<tr>
<td>Martinique, FR</td>
<td>383 300</td>
<td>1 080</td>
<td>75.1</td>
<td>convergence</td>
<td>22.9</td>
<td>410</td>
<td>not in Schengen Area nor in the EU VAT area</td>
</tr>
<tr>
<td>Réunion, FR</td>
<td>715 900</td>
<td>2 510</td>
<td>62.5</td>
<td>convergence</td>
<td>24.8</td>
<td>1 700</td>
<td>not in Schengen Area nor in the EU VAT area</td>
</tr>
<tr>
<td>French Guiana, FR</td>
<td>161 100</td>
<td>84 000</td>
<td>48.7</td>
<td>convergence</td>
<td>22.5</td>
<td>-</td>
<td>not in Schengen Area nor in the EU VAT area</td>
</tr>
<tr>
<td>Saint-Martin, FR</td>
<td>35 000</td>
<td>53</td>
<td>61.9</td>
<td>-</td>
<td>no data</td>
<td>no data</td>
<td>not in Schengen Area nor in the EU VAT area</td>
</tr>
<tr>
<td>Saint-Barthélemy, FR</td>
<td>8 300</td>
<td>25</td>
<td>111</td>
<td>-</td>
<td>no data</td>
<td>no data</td>
<td>not in Schengen Area nor in the EU VAT area</td>
</tr>
</tbody>
</table>

Source: Eurostat, DG Regio