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## **REPORT**

on the islands and natural and economic constraints in the context of the  
regional policy  
(2006/2106(INI))

Committee on Regional Development

Rapporteur: Francesco Musotto

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the islands and natural and economic constraints in the context of the regional policy (2006/2106(INI))

*The European Parliament,*

- having regard to the regulations governing the Structural Funds for the Period 2007-2013,
  - having regard to the Council Decision 2006/702/EC of 6 October 2006 on Community strategic guidelines on cohesion<sup>1</sup>,
  - having regard to the conclusions of the European Council held in Seville on 21-22 June 2002,
  - having regard to the conclusions of the European Council held in Brussels on 14-15 December 2006,
  - having regard to its resolution of 2 September 2003 on structurally disadvantaged regions (islands, mountain regions, regions with low population density) in the context of cohesion policy, and their institutional prospects<sup>2</sup>,
  - having regard to the opinion of the Committee of the Regions of 13 March 2002 on the problems of island regions in the European Union in the context of enlargement<sup>3</sup>,
  - having regard to the opinion of the Committee of the Regions of 7 July 2005 on the revision of the guidelines for regional State aids<sup>4</sup>,
  - having regard to Rule 45 of its Rules of Procedure,
  - having regard to the report of the Committee on Regional Development (A6-0044/2007),
- A. Whereas the European Parliament has frequently drawn attention to the plight of islands suffering from an accumulation of disadvantages and has stressed the need to help them to overcome these difficulties and to reduce regional disparities,
- B. Whereas the concepts of ultraperipherality and insularity should not be confused with one another, even if many ultraperipheral regions are also islands; whereas the specific provisions of Article 299 of the EC Treaty, which have provided a sound legal basis for measures to be taken to provide effective compensation to assist the ultraperipheral regions, are to be distinguished from the provisions of Article 158 of the EC Treaty and from the Declaration on islands regions contained in the Treaty of Amsterdam, which have never been the subject of implementing provisions as a result of which there have

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<sup>1</sup> OJ L 291, 21.10.2006, p. 11.

<sup>2</sup> OJ C 76 E, 25.3.2004, p. 39.

<sup>3</sup> OJ C 192, 12.8.2002, p. 42.

<sup>4</sup> OJ C 31, 7.2.2006, p. 25.

been imbalances in economic development between the core of the EU, on the one hand, and the islands on its periphery on the other,

- C. Whereas cohesion, as one of the EU's key objectives, aims to ensure multi-centred and harmonious development by reducing regional disparities and removing obstacles to development, including obstacles which are linked to natural and geographical handicaps,
- D. Whereas the principle of territorial cohesion has been further consolidated in the regulations on the Structural Funds 2007-2013, and whereas that principle constitutes an integral part of cohesion policy which should be preserved and strengthened in the future and which has as its objective the multi-centred integration of the EU's territory so as to secure equal opportunities for all the regions and their populations,
- E. Whereas illegal immigration by sea is one of the main problems facing the EU and whereas, within the last year, migratory pressure has been particularly intense on the EU's external maritime frontiers, and particularly on the islands in the Mediterranean, which are called upon to carry a wholly disproportionate burden, simply because of their geographical location,
- F. Whereas the European Council held in Brussels on 14-15 December 2006 emphasised the need for immigration to be tackled globally, and that the efforts made so far need to be redoubled, particularly in some of the EU's island regions, since they constitute the EU's maritime frontiers and migration routes,
  - 1. Believes that insularity is both a geocultural characteristic that is open to potential exploitation by a development strategy, and a permanent handicap which renders the situation even more difficult as regards the competitiveness of these regions;
  - 2. Acknowledges that a number of concrete provisions in favour of structurally disadvantaged regions have been incorporated in the regulations on the Structural Funds 2007-2013; regrets, however, that the Council did not take on board other important proposals from the Parliament, such as the possibility of increasing the co-financing rate for areas affected by more than one geographical or natural handicap;
  - 3. Calls on the Commission, with regard to the programming period 2007-2013 concerning the operational programmes of island regions, including those of objective 2, to exhaust all avenues giving them the possibility to carry-out measures related to infrastructure works that are very much needed;
  - 4. Welcomes the emphasis given to the territorial dimension of cohesion policy in the Commission strategic guidelines on cohesion 2007-2013; notes, in particular, that supporting the economic diversification of areas with natural handicaps figures among the priorities for the next programming period; urges, therefore, the managing authorities of the Member States concerned to take full account of this priority in the preparation of their national strategic reference frameworks and operational programmes;
  - 5. Calls on the Commission to pay special attention to and address the situation of islands and other structurally disadvantaged regions in the Fourth Cohesion Report;

6. Calls on the Commission, in the context of the European Spatial Planning Observation Network (ESPON) work programme, to pay special attention to the situation of regions, and islands in particular, that are beset by natural handicaps; considers that a sound and thorough knowledge of the situation on the islands is essential if their special characteristics are to be taken satisfactorily into account; urges the Member States to establish specific mechanisms permitting the gathering of relevant data concerning the islands at local level, which will subsequently be forwarded to ESPON;
7. Calls on the Commission to update the statistical information it obtained during all the 2003 studies concerning the islands; believes that further work should be oriented towards defining more pertinent statistical indicators that are more amenable to providing a distinct statistical picture of the development level, and a satisfactory understanding of the regions with geographical and natural handicaps, and particularly where there are accumulated difficulties, such as mountain ranges, groupings of islands, and cases of double insularity; stresses that these indicators should also permit an improved assessment of the differences between these regions and the rest of the EU as well as an assessment of the disparities existing within those regions; calls on the Commission to record and report on those indicators on a regular basis, together with examples of best practice;
8. Acknowledges the fact that the Commission highlights the special situation of islands and peripheral regions in the guidelines on national regional aid for 2007-2013 and in the guidelines on state aid and risk capital for small and medium-sized undertakings; considers, however, that in order to deal more satisfactorily with the permanent disadvantage of such territories there should be increased flexibility in the implementation of existing and future state aid policies, without such flexibility causing unacceptable market distortions within the EU; asks the Commission to review its approach so as to take better account of the need of islands to enjoy access to the single market on equal terms with mainland regions; considers in this respect, that improved transport links should constitute a priority action in this field, especially in the case of ports and airports;
9. Calls on the Commission to study the possibility of permitting state aid to be granted to islands regions where fuel and energy costs clearly adversely affect the competitiveness of the communities living on them; notes, in particular, that significant fluctuations in the cost of fuel can make transportation between island regions and mainland Europe significantly more burdensome; believes that, in its next regional state aid guidelines, a regime allowing operating aids should be extended to all island regions which are not island states or inland islands;
10. Calls on the Commission to undertake and to present to the Parliament, on a regular basis, a “special needs assessment” study of island regions taking into account issues of specific concern to islands and proposing measures to address them; considers that such an assessment should focus in particular on the impact of the implementation of regional policy on islands, including on levels of investment, the spread of economic activity, unemployment, transport infrastructure (notably, ports and airports), environmental pressures and the overall level of economic and social integration of islands within the single market;

11. Calls on the Member States to ensure that the special environmental, cultural and social characteristics of the island regions are effectively protected using measures, such as the drawing up of appropriate regional development plans and the controlling of building and construction activity, and, in addition, to adopt, in cooperation with the Commission, integrated programmes to safeguard cultural heritage and environmental resources;
12. Approves of the trans-sectoral approach to the implementation of Community policies, as reflected in the Commission's green paper entitled "Towards a future Maritime Policy for the Union: A European vision for the oceans and seas", and insists that this approach be applied primarily to islands which constitute a fundamental part of Europe's maritime dimension; calls on the Commission to extend the trans-sectoral approach to other policies so that they take into account the specific circumstances of island regions, thereby boosting their ability to integrate fully and to reap the benefits of the internal market and the Lisbon Strategy;
13. Draws special attention to islands far from large centres of population which, accordingly, experience difficulties of access and in providing services and bear higher costs, particularly in relation to transport, which place them at a competitive disadvantage;
14. Encourages the efforts made towards a holistic Community maritime policy, which will be extended beyond the legal borders of the EU, and will therefore establish, through the advantageous geopolitical location of the Community islands, strong commercial, economic and political relations and technical cooperation (exchange of knowledge and expertise) with neighbouring countries on the basis of international maritime law, mutual respect and benefit;
15. Considers that islands face higher than average per capita costs in respect of transport and environmental infrastructure as well as in relation to their energy needs and often find it harder to implement certain parts of the acquis which may not have taken fully into account their specificities; calls, therefore, on the Commission to adopt a more flexible approach towards islands in policy formulation and in legislation the implementation of which may be particularly burdensome to islands;
16. Requests the Commission to set up, within the Directorate-General for Regional Policy, an administrative unit for the islands, along the lines of the existing administrative unit for the outermost regions, to ensure that the special characteristics and the needs of island, and their permanent and seasonal populations, are systematically taken into account in policy development which aims to achieve social, economic and territorial cohesion, and in implementing measures, particularly in the fields of transport, energy, the securing of adequate water resources, the surveillance of regional border areas and the protection of the fragile island environment;
17. Wishes to see the Commission further exploiting the possibility offered by the EC Treaty of adapting Community policies likely to have negative repercussions on the economic, social and territorial development of these regions, with the view to remedying, as far as possible, the major problems which specifically affect each region or group of island regions;

18. Considers that special attention should be given to those areas of economic activity which are more prevalent in islands, notably agriculture, fisheries, tourism and crafts; calls, therefore, on the Commission to ensure that its policy initiatives increasingly take into account the specific needs of islands in these areas;
19. Calls on the Commission to consider what adjustments are needed to the "market investor" test for state aid in order to reflect the realities of life in islands and other remote regions where it can be impossible to find or evaluate a market investor as there may be none in the area; the average level of return for a given sector is also very unlikely to be met due to the small size and remote nature of the markets, thus making this test impossible to satisfy for remote islands;
20. Calls on the Commission particularly to examine the impact of climate change on island regions and, especially, the exacerbation of existing problems, such as drought, and to promote, in cooperation with the Member States, the development and application of appropriate technologies or other measures to tackle these problems;
21. Calls on the Commission to re-examine the conditions relating to public contracts concerning transport in order to eliminate any obstacles in respect of obligations to provide a public service so as to facilitate transport links with island regions;
22. Calls on the Commission to give priority to the energy security of the islands and to funding for the development and implementation of projects for the production of energy using new technologies and renewable energy sources and to promote efficient use of energy, whilst protecting the environment and preserving its natural beauty;
23. Encourages island communities to make use of Euroregions or similar European networks for the management of inter-regional cooperation, the exchange of good practice as well as for developing cross border projects and better integration of the island communities into their surrounding economic areas;
24. Encourages island communities to make use of the JASPERS (Joint Assistance in Supporting Projects in European Regions) and JEREMIE (Joint European Resources for Micro to Medium Enterprises) financial and management facilities, in order to exploit the available regional development resources and to foster the growth of micro, small and medium-sized enterprises encouraging diversification of island economies and promoting core growth through sustainable development; further encourages the implementation, at local, regional, national and European levels, of the "better legislation" initiative with a view to, inter alia, simplifying administrative requirements, notably as far as the submission and the evaluation of applications for financial aid are concerned;
25. Acknowledges the positive result achieved as regards the implementation, for the first time, of European Resources for Border Controls and welcomes the recent Commission proposal for a Regulation of the European Parliament and of the Council establishing a mechanism for the creation of Rapid Border Intervention Teams (COM(2006)0401), with the purpose of providing swift operational and technical assistance to any Member State requesting it; believes, however, that the activities of such teams will only be effective if they have a remit defined with due reference to the remit of a European Agency for the Management of Operational Cooperation at the External Borders of the Member States of

the European Union (FRONTEX); urges the Commission to examine the need for the creation of a European coastguard body to assist, in parallel, these regions and the Member States in monitoring the EU's external borders;

26. Reiterates its support for the initiatives and activities undertaken by FRONTEX and requests that it monitor, on an ongoing basis, the impact of illegal immigration on island communities; calls on the Commission and on FRONTEX to take prompt action in support of islands so as to alleviate the immediate pressure to deal with this problem whilst ensuring due respect for human rights; calls on the Council and the Commission to ensure that the requisite resources are made available for fast and effective action; emphasises, further, the importance of stronger and closer coordination and cooperation between the islands, and the need for greater involvement on the part of these regions in combating illegal immigration;
27. Calls on the Commission to place particular emphasis on the development of broadband and to promote measures for solving the specific difficulties of providing services in island regions, such as health care and online medical services, electronic governance and citizens' services;
28. Considers that tourism represents for most islands a primary source of wealth creation, having a direct influence on the growth of other sectors (agriculture, commerce, services, fisheries), and that it is imperative to put in place an integrated policy capable of ensuring the sustainability of island tourism; believes that this policy needs to be accompanied by a well-organised European information campaign directed at European citizens through the creation of a quality and island origin label, and the emergence or further development of other activity sectors within islands; calls on the Commission, with this in view, to carry out a cross-sectoral analysis paying special attention to opportunities to support sustainable tourism within the regional strategies of islands that are far from centres of population;
29. Proposes that the Commission and the other Institutions designate the year 2010 as the European year for the islands;
30. Instructs its President to forward this resolution to the Council and the Commission



## EXPLANATORY STATEMENT

### 1. INTRODUCTION:

As the Union gets bigger, expanding its external frontiers to stretch from the Barents Sea through to the Mediterranean and from the Indian Ocean to the Atlantic, the importance of islands in all major community policies becomes clear. Yet despite the front-line position islands occupy in terms of territorial cohesion, external relations, trans-frontier cooperation, tourism and culture, the Union has, until now made scarce effort to adapt its policies to take into account the singular difficulties that many, if not all islands must face, in order to compete successfully with their counterparts on the mainland.

These difficulties fall into two distinct categories: Firstly, those which differentiate the islands between themselves:

Thus five island regions<sup>1</sup> have populations exceeding 500.000 (Sicily, Sardinia, Canary Islands, Balearic Islands and Reunion and account for 75% of the European Island population<sup>2</sup> of the remaining islands seven are at NUTs 3 level and six have populations of less than 100.000. Relative size and geographical position will then clearly affect both the real possibilities for economic development and the kinds of products and activities that can be undertaken. Equally age distribution in the local society has a direct effect on social charges and unemployment statistics. For example in Réunion the population is growing and under 15 year olds account for 35% of the population, in the northern Aegean 25% of the population is over 60. Again whilst in some islands the population is on the increase, others such as the Western Isles of Scotland suffer from a high level of migration. Climate differences due to geographical position stimulate vastly different agricultural products

So how can Islands with such different characteristics pretend to be treated as a separate class of regions deserving particular consideration? The answer is to be found in the second category of difficulties that are shared by most if not all islands:

A non-exhaustive list of these might be:

- Higher prices due to the interplay of captive markets and extra transport costs,
- Low salaries due to the interplay of demand outstripping opportunities,
- Difficulty of access to the Single Market,
- Scarcity of raw materials (often imported),
- Increased energy costs,
- Often difficult terrain (mountains),
- Deficiency in infrastructure,
- migration and immigration,
- Limited variety of activities (often limited to agriculture, fishing, tourism),
- Vulnerability to environmental hazards liable to affect tourism (Tsunamis, Cyclones, earthquakes, oil spillages, regional conflicts).

Economic shocks will generally hit island economies harder than it would mainland regions suffering the same problem. This is because their economies are characterised by a dependency on a limited number of activities which reflect the scarcity of their resources. The result is that their ability to react positively to economic change is severely limited and the solution often catastrophic. Thus on the mainland a decline of a particular sector of activity

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<sup>1</sup> not including Island States.

<sup>2</sup> Source Eurisles .

can often be easily offset by the jobs market in a neighbouring region. On an island any severe crisis in the predominant activity will be reflected in the unemployment statistics or by emigration.

Again many islands, even those suffering from a high level of unemployment, may need to recruit for services that the local population is unable to supply. Doctors, nurses, engineers will have to offset the disadvantages of insular life, including lower salaries, poorer health services, education facilities, with intangible benefits such as climate, environment, and lifestyle. In weighing up pros and cons, mainland companies may be reluctant to invest despite lower wages or cheaper land when this is put into balance with the extra costs incurred in accessing the Single market, or access to research institutes, universities, or again contacts with similar or related industries.

## 2. THE OUTERMOST REGIONS AND THE REST:

A distinction must be made between measures to deal with islands in general and those dealing with the outermost regions. In 2002 the European Council of Seville<sup>1</sup> invited the European Commission to propose a coherent and global approach to deal with the specific problems of the outermost regions, (which incidentally had come to the fore upon the accession of Spain and Portugal)<sup>2</sup>. In the context of its revision of Structural policy following enlargement, the Commission retained three priority areas for action. These were competitiveness, accessibility and compensation for other constraints. Thus, with the support of the European Parliament, the new regulations provide for an increase the intervention rates in favour of these regions. With the adoption of the new Article 299(2) there is now a distinct legal framework for islands and for the outermost regions 6 of which are islands. In the case of islands as distinct from the outermost regions, it should be noted that the provisions adopted in Amsterdam have never been applied. Following protests, the Treaty of Nice reaffirmed the need for specific measures in favour of Island regions,"within the limits of the budget resources available."

Despite the efforts made through regional policy, the relative position of island regions in the classification of regional GDP has hardly moved during the past twenty years. Member States have generally recognised the specific nature of these territories and this is reflected in the political/administrative statuses granted to them. Thus 15 island regions have a specific status. In the first instance some Island regions, because of their particular situation within the constitution of their mother countries were able to negotiate particular conditions on the accession of their country to the union. This is the case of a number of French, Danish, Dutch Spanish, Portuguese, Finish or British Islands. Others, which did not possess the necessary legal instruments, were not able to influence negotiations. The result is a wide degree of heterogeneity with, in some cases totally different situations arising in the same Member State.

As regards the Guidelines on National Regional Aid for 2007-2013, the existence of a number of references to islands must be welcomed, and especially the provisions granted to small islands (under 5000h). However, the lack of flexibility in the field of operating aids, and

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<sup>1</sup> 21-22 June 2002.

<sup>2</sup> Programme of options Specific to the Remote and Insular nature ( POSEI)  
POSEIDON (1989) POSEICAN (1991)  
Maastricht Treaty Declaration on Outermost regions  
Article 299(2) Treaty of Amsterdam.

especially the operating aids to offset the over costs related to transport, must be very much regretted, especially since it is accepted in the case of sparsely populated areas.

### 3. OTHER EU POLICIES:

**A. Transport and energy:** The liberalisation of air and sea transport undertaken in the 1990's is a crucial point for islands. The relevant legislation specifically recognises the specificities of islands in particular concerning public service obligations and where applicable, providing for a call for tender procedure at EU level. The open call for tender is somewhat criticised by island organisations as being too open and not allowing for a degree of protectionism of local industries.<sup>1</sup> A more serious criticism is that levelled at the 5 year limit imposed on public service contracts. This is considered too short to allow for companies to recuperate their investment (but again the same applies elsewhere). Seasonal fluctuations in population which are on the increase in many island regions necessitate a vast improvement in transport related infrastructure. This is recognised in the Commission's Green paper on Maritime policy, and was the principal consideration when proposing investment in for example, the airport in Palermo.

Fluctuations in energy costs directly effect islands. This is not only true of transport costs, which can have a limiting effect on the number of tourists tempted to visit in any given year, but also on production costs of SMEs attempting to compete with similar companies on the mainland. Whilst these latter may also be effected by the same fluctuations the overall negative effect will be less. This is demonstrated by the fact that in general, mainland power generating facilities will be functioning at near full capacity over 12 months whereas Island installations, may only function at full capacity during the tourist season. However, these apparent disadvantages can sometimes be outweighed by inherent advantages. Thus in recent years energy resources situated close to islands, an example being North Sea oil has been a considerable bonus to the islands of the Orkneys and Shetland.

The possibility of exploiting the natural advantages of islands in the generation of renewable energy is also a factor of their relative wind exposure, the swell of the sea, sun exposure and the relative ease and low cost of supplying energy produced to the mainland. When evaluating the advantages of developing this type of installation, regard must be had to the environmental effects any installation may have on the natural beauty of the area envisaged for its installation and the concomitant effect on the tourist trade.

**B. Tourism and culture:** Tourism is the dominant activity in most European Islands. Whilst tourism has both direct and indirect effects on the local economy, (construction industry, infrastructure programmes as well as tourist resorts, hotels, restaurants etc), it also has a direct and indirect negative effect on the environment's natural resources<sup>2</sup>, or again services.<sup>3</sup> Recent trends in tourism show a tendency for shorter stays in any given area. The result is that transport costs become a major element in the choice of destination. A reduction in transport costs is therefore key element in setting the conditions for island destinations to remain competitive. One of the major attributes attracting tourism to Europe's Islands is the variety of their cultures. This is not only reflected in the historic monuments and unique architectural masterpieces they may have to offer the visitor but also in the way of life and the way of thinking or communicating which inhabitants have developed to deal with the particular

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<sup>1</sup> This criticism can be raised by any region irrespective of its specific nature.

<sup>2</sup> such as fresh water .

<sup>3</sup> Hospitals, particularly for the elderly, electricity generation, telecommunications, increased urbanisation, waste disposal.

difficulties and advantages imposed on them by their island habitat. Of course these specific cultural aspects exist also in many mainland regions, but on islands these differences with the mainland culture are often more pronounced precisely because of the distance between them and the mainland. It is important that these differences be safeguarded against the, sometimes overwhelming influence of seasonal visitors.

With the general ageing of the European population, there is a second tendency which aggravates the cost of services. This is the multiplication of secondary residences. Whilst these are often beneficial to the local community in so far as their construction and maintenance creates jobs, they are often owned by retired persons. The increase in the numbers of older people in a small community increases the number and the quality of the health services that must be made available. In the case of islands this extra cost cannot be easily shared with other neighbouring communities.

**C. Climate change:** Climate change is a major threat to the whole planet; however Because of their relative size, geographical position and often relief, islands are at the forefront of threats of rising sea levels, tsunamis, loss of marine ecosystems, flooding, shipping, aquaculture and marine engineering projects such as wave and tidal devices. Half of Europe's wetlands are expected to disappear before 2020. The past ten years has seen expenditure on coastal protection increase by 33%.<sup>1</sup> In 2006 the Commission proposed a directive on the assessment and management of floods<sup>2</sup> on which our committee gave an opinion.

**D. Security home affairs and external relations:** It would be to ignore history to pretend that islands do not have a central role to play in defending Europe's external frontiers. Islands by their physical position offer indispensable services to their home states and to the Union as a whole. Thus they undertake monitoring of maritime and air space extending far beyond the confines of mainland Europe this is particularly important in the case of the outermost territories which give the Union openings towards other continents and seas, and the possibility of exploiting major potential natural resources such as fishing, oil or again renewable energies.

As external borders of the Union, many islands play a significant role in combating the illegal traffic in drugs, human beings, money laundering. Any weakening of the fundamental economic, social or political base of the most exposed regions would inevitably be felt by the mainland.

**E. Illegal immigration:** Illegal immigration is one of the major difficulties that the Union has to face and of course, as has recently been seen, islands are in the front line of defence against this problem. Lampedusa, Malta, the Canary Islands the Cape Verde Islands, all are suffering under the weight of illegal immigration. Spain's Canary Islands have received 10.000 migrants this year alone that is double the number for 2005. Of course the Union is addressing the problem with joint sea patrols and it must be said that significant progress has been made in developing an integrated EU border management system including the establishment of FRONTEX<sup>3</sup> and the establishment of a community code on the rules governing the movement of persons across borders. The Finish presidency has recently proposed the adoption of the EU border management strategy.

However alleviating the immediate pressure of dealing with this problem whilst ensuring due respect for the principles of human rights and personal dignity is a huge charge on the limited

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<sup>1</sup> Green paper on Maritime policy expenditure has increased from Euro 2.5 billion in 1986 to 3.2 billion in 2006.

<sup>2</sup> COM(2006)0015.

<sup>3</sup> Frontex (the EU external Borders Agency).

resources of the islands concerned. Clearly at an initial level the responsibility is one of the Member States. However, as has now been recognised, certain Member States should not carry an excessive burden only because of their geographical position. The Spanish, Italian, Greek problem is a European one requiring an answer at the Community level. It requires, as Commission vice-president Franco Frattini has stressed, 'solidarity in action' and this will require substantial resources. In this context I welcome the Commission's decision to set up four substantially funded funds<sup>1</sup> giving the concept of 'solidarity in action' a visible reality.

#### **4. AVAILABILITY OF DATA AND THE USE OF INDICATORS OTHER THAN GDP:**

Per capita GDP and unemployment are considered insufficient to measure the socio-economic situation of island regions. This is because GDP is broken down on the basis of NUTs categories leading to significant distortions. It is not based on homogenous territories and discriminates against the smallest regions. Furthermore it penalises territories which experience significant migration, public transfers and transfers of private funds.

Islands suffer from a heavy dependency on the Public sector/ In over half the islands the public sector accounts for over 25% of jobs. Consequently the per capita cost of essential services (health, education, transport infrastructure services) is significantly higher. Whilst this situation effectively ensures a distribution of salaries and wealth it tends to hinder the development of the private sector.

Its limits have however, at last been recognised by the Commission in its Green Paper on Maritime policy<sup>2</sup> in which it states:

***"Although GDP is traditionally used as an indicator of economic output, it is now widely recognised that its growth in itself does not reflect social wellbeing."*** It goes on to say ***"The Commission believes that a comprehensive study should be undertaken to make such estimates<sup>3</sup> available"***

Until very recently, the inadequacy of the indicators used to evaluate island economies has been masked by the fact that a large majority of them have been receiving maximum assistance as Objective 1 regions. However the ongoing enlargement with its concomitant statistical effect have highlighted the need for more targeted statistical indicators to measure the needs of island regions. The European Commission has been aware of the problem for some time and in 2003 commissioned a number of studies on the situation of regions beset with natural handicaps. Unfortunately since that date no further effort has been made to either update or exploit the statistical information. Bearing this in mind, your rapporteur would strongly recommend that the ESPON work programme pay special attention to the situation of regions suffering from natural constraints and islands in particular. Work could be oriented in the following directions:

- ❖ The definition of statistical indicators better suited to providing a satisfactory understanding of the realities of the regions concerned particularly in cases of cumulated difficulties such as mountain ranges, archipelagos;
- ❖ The assessment of the differences between these regions and the rest of the Community;

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<sup>1</sup> The European integration fund, the European return fund, the European Refugee fund, the European external Border Management fund.

<sup>2</sup> COM(2006)0275.

<sup>3</sup> Environmental and socio-economic statistics in a coastal format. see also Commission coastal zone Policy.

- ❖ The monitoring of the effects of community policies on the local economies and societies.

## **5. GOVERNANCE:**

Many issues affecting all EU regions require a response from many tiers of government from the national through the regional and down to the local. Because of their isolation and size limited territory the island's response capacity must be particularly fast and effective. In this respect your rapporteur appreciates the recognition by the European Commission of the fact that the sectoral approach which has long prevailed in the implementation of Community policies is not satisfactory and welcomes the trans-sectoral approach adopted in the Commission's Green paper on maritime policy.

In this context I would propose the setting up of a parliamentary inter-group with responsibility for islands. The group would deal with such questions as:

- the improvement of existing policies as they are implemented in island regions;
- co-ordinating actions to present amendments to legislation ensuring that the specificities of islands are taken into account.

## **6. STATE AIDS:**

As a general rule State Aids are incompatible with the single market. However, as we have seen above certain regions with permanent structural characteristics which hinder development can and should benefit from assistance in order to allow them to compete successfully with the most successful mainland regions. If the handicaps are permanent, (rugged terrain, distance from the mainland, additional transport costs) financial assistance granted through the structural funds should also be permanent, not temporary and phased out over a given period. Indeed the example is given in the case of the ultra peripheral regions.<sup>1</sup> The particular difficulties that each island, group of islands, or indeed all islands viewed as a group, must be considered case by case and, even more importantly, policy by policy. In this context it would be conducive to stimulating island economies to study the possibility of granting state aids in the transport and energy sectors, as the recent fluctuations in energy prices have adversely affected the competitiveness of island produce. The guidelines for the period 2007-2013 recognise the important role State aids can play in assisting regions to overcome the constraints of immutable disadvantages, with the proviso that they do not distort competition. In this context the position of islands is underlined and their conditional eligibility, strengthened. However, state aids for large infrastructure projects are still ineligible despite Parliament's expressed wish to the contrary. In the island context, the necessity to permit such assistance to improve transport and connectivity is self evident.

## **7. CROSS BORDER CO-OPERATION:**

As was pointed out in the recent report by this committee on Euro-regions, the majority of European islands, because of their geographic position occupy a front line position in EU external relations. For once this plays in their favour in so far as it allows them to fully participate in cross border projects both within and without the Union. In the view of your rapporteur Euro-regions play an important role in both local best practice exchange projects and cross-border cooperation and are particularly useful in the island context.

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<sup>1</sup> See §30 of the Guidelines.

## PROCEDURE

<b>Title</b>	The islands and natural and economic constraints in the context of the regional policy
<b>Procedure number</b>	2006/2106(INI)
<b>Committee responsible</b> Date authorisation announced in plenary	REGI 18.5.2006
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	
<b>Not delivering opinion(s)</b> Date of decision	
<b>Enhanced cooperation</b> Date announced in plenary	
<b>Rapporteur(s)</b> Date appointed	Francesco Musotto 2.5.2006
<b>Previous rapporteur(s)</b>	
<b>Discussed in committee</b>	6.11.2006 19.12.2006
<b>Date adopted</b>	27.2.2007
<b>Result of final vote</b>	+ 41 - 1 0 1
<b>Members present for the final vote</b>	Stavros Arnaoutakis, Elspeth Attwooll, Tiberiu Bărbulețiu, Jean Marie Beaupuy, Antonio De Blasio, Gerardo Galeote, Eugenijus Gentvilas, Ambroise Guellec, Pedro Guerreiro, Zita Gurmai, Marian Harkin, Jim Higgins, Filiz Husmenova, Alain Hutchinson, Mieczysław Edmund Janowski, Gisela Kallenbach, Tunne Kelam, Evgeni Kirilov, Constanze Angela Krehl, Jamila Madeira, Mario Mantovani, Sérgio Marques, Miguel Angel Martínez Martínez, Lambert van Nistelrooij, Jan Olbrycht, Maria Petre, Markus Pieper, Bernard Poignant, Elisabeth Schroedter, Stefan Sofianski, Catherine Stihler, Margie Sudre, Oldřich Vlasák
<b>Substitute(s) present for the final vote</b>	Brigitte Douay, Den Dover, Emanuel Jardim Fernandes, Lidia Joanna Geringer de Oedenberg, Francesco Musotto, Ljudmila Novak, Francisca Pleguezuelos Aguilar
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Simon Busuttil, Wolf Klinz, Thomas Wise
<b>Date tabled</b>	2.3.2007
<b>Comments</b> (available in one language only)	