

Brussels, 29 May 2002

OPINION
of the
Economic and Social Committee
on the
Future strategy for the outermost regions of the European Union

On 31 May 2001, acting under Rule 23(3) of its Rules of Procedure, the Economic and Social Committee decided to draw up an own-initiative opinion on the

Future strategy for the outermost regions of the European Union.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 7 May 2002. The rapporteur was **Mrs López Almendáriz**.

At its 391st plenary session of 29 and 30 May 2002 (meeting of 29 May), the Economic and Social Committee adopted the following opinion with 103 votes in favour and 3 abstentions.

1. Introduction

1.1 The outermost regions - i.e. the French overseas departments, the Azores, Madeira and the Canary Islands - are full members of the European Union, but at the same time present their own unique characteristics.

1.2 Each of these regions is characterised by a series of geographical, physical and historical factors that handicap its economic and social development.

1.3 As recognised under Community Law in Article 299(2)¹ of the Treaty, these regions are characterised by the permanence and combination of a series of factors, such as remoteness, insularity and small size (except Guiana), their topography, population density and economic dependence on a small number of economic activities.

1.4 The outermost regions therefore bear additional costs compared to the rest of the EU and this, in turn, prevents them from participating fully in the internal market. It is to be hoped, though, that the success of the euro will contribute to the integration of these regions, both among themselves and with the rest of Europe.

¹

Article 299(2)

The provisions of this Treaty shall apply to the French overseas departments, the Azores, Madeira and the Canary Islands.

However, taking account of the structural social and economic situation of the French overseas departments, the Azores, Madeira and the Canary Islands, which is compounded by their remoteness, insularity, small size, difficult topography and climate, economic dependence on a few products, the permanence and combination of which severely restrain their development, the Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament, shall adopt specific measures aimed, in particular, at laying down the conditions of application of the present Treaty to those regions, including common policies.

The Council shall, when adopting the relevant measures referred to in the second subparagraph, take into account areas such as customs and trade policies, fiscal policy, free zones, agriculture and fisheries policies, conditions for supply of raw materials and essential consumer goods, State aids and conditions of access to Structural Funds and to horizontal Community programmes.

The Council shall adopt the measures referred to in the second subparagraph taking into account the special characteristics and constraints of the outermost regions without undermining the integrity and the coherence of the Community legal order, including the internal market and common policies.

1.5 The outermost regions suffer from major underdevelopment compared to other regions in the EU. Despite improvements in certain areas over the years, thanks largely to Community aid, the degree of underdevelopment is still significant due to the structural, permanent and severe handicaps imposed by their remoteness.

1.6 Owing to their strategic geographical location near other continents, the outermost regions are also the EU's outermost external border; this brings many opportunities, but many uncertainties.

2. **Legal and administrative framework of Community action in the outermost regions**

2.1 The particular situation of the outermost regions, which has always been recognised by the EU, is covered by Article 299(2) of the Treaty of Amsterdam.

2.2 In 1986 the European Commission set up an interdepartmental group for the outermost regions composed of representatives from several Directorates-General. This group, which is attached to the European Commission's Secretariat General and falls under the authority of the Commission President, is responsible for coordinating Community action to help these regions and for acting as an intermediary with the national and regional authorities concerned.

2.3 In due course, the European Commission decided to adopt a joint approach to these regions through its programmes of options specific to the remote and insular nature of the outermost regions (POSEI): POSEIDOM for the French overseas departments (Martinique, Guadeloupe, Guiana and Réunion); POSEICAN for the Canary Islands and POSEIMA for Madeira and the Azores.

2.3.1 The POSEI programmes are based on the dual principle that the outermost regions are part of the European Community but have their own specific regional features. They have led to greater flexibility in certain common policies and the adoption of specific measures for these regions, without undermining the principle of the coherence and unity of Community law; their objective is economic and social cohesion.

2.4 However, in its March 2000 report², the European Commission itself recognised that this approach is insufficient and partial and needs to be reinforced.

2.5 The European Commission recognises that, in light of the major changes that enlargement and globalisation will bring, Community action to help the outermost regions needs to be better targeted, more flexible and more effective.

2.5.1 The accession of new Member States with a per capita GDP much lower than the Community average will effectively mean that the underdevelopment of the outermost regions within

² COM(2000) 147 final: Commission report on the measures to implement Article 299(2). The outermost regions of the European Union.

the EU will appear to fall in relative terms. This could result in Community aid being redirected towards the future new Member States of Eastern Europe.

2.6 In the aforementioned report, the European Commission points out that Article 299(2) marks the beginning of a new phase in the Community's approach to the outermost regions. It is a quantum leap forward compared with the previous approach and must be followed by a strategy of sustainable development for these regions.

The conclusions of the Lisbon, Feira, Nice, Göteborg and Laeken Councils urged the Council of Ministers to begin discussing concrete proposals for implementing specific policies concerning the outermost regions.

2.7 In addition to the European Commission, the European Parliament and the Committee of the Regions also wished to express their views on how to implement Article 299(2) in such a way that it meets its objective, helps reduce discrepancies between the outermost regions and the rest of the EU, and ensures that the outermost regions can benefit from the single market under the same conditions.

2.8 Similarly, the European Economic and Social Committee hopes to help define measures to implement Article 299(2), so that they are part of a genuine strategy of sustainable development for the outermost regions and help these regions become fully integrated into the European Union.

3. Grounds for adopting specific measures

3.1 The situation of the outermost regions is acknowledged in Article 299(2) of the Treaty. In its March 2000 report, the European Commission recognises that this article provides a single common legal basis for specific measures to help the outermost regions.

3.1.1 In the aforementioned report, the European Commission clarifies that the list of areas in which the Council may adopt specific measures for the outermost regions is not exhaustive. The various areas mentioned are therefore subject to future changes in Community policies.

3.2 Article 299(2) is a new phase in the Community approach towards the outermost regions. This new approach, which has nothing to do with the transitional period towards full European integration which some of these regions are undergoing, will lead to the adoption of specific measures in the future. This new phase is an authentic quantum leap in the Community approach to the outermost regions insofar as in the future this approach must be based on a global strategy for the outermost regions.

3.3 Common policies must be adapted to the structural and permanent nature of the factors characterising outermost regions, and Article 299(2) is the appropriate legal basis for achieving this objective. This must be the legal basis for drawing up a specific regime without jeopardising the coherence of Community law and the internal market.

3.3.1 It should be pointed out that under the POSEI programmes common policies were made more flexible and specific measures for the outermost regions were adopted, without ever jeopardising the coherence of Community law and the internal market.

3.3.2 The outermost regions are fragile and suffer from specific difficulties of a permanent nature, in particular major underdevelopment, very high rates of unemployment and a high degree of insecurity according to type of work. Consequently, far from having a negative impact on the functioning of the internal market, the specific measures adopted for these regions aim to put them on an equal footing with the rest of the EU and to achieve cohesion.

3.4 The European Commission itself recognised in its March 2000 report that rather than simply answering the specific requests submitted by these regions, it will assess which aspects of the outermost regions require attention before drawing up any Community legislation.

3.4.1 In the future - and in the context of enlargement in particular - Community action to help the outermost regions must therefore continue and increase, as the outermost regions will still be at a disadvantage owing to their remoteness.

4. **Specific comments**

4.1 The Committee regrets that the new regulations governing the Structural Funds for the period 2000-2006 do not take account of the remoteness criterion for the inclusion of these regions in Objective 1.

4.2 Regarding Structural Fund eligibility beyond 2006, the Committee believes that Article 299(2) is a sufficiently solid legal basis for using criteria that are a better reflection of the situation of the outermost regions than a merely statistical criterion such as per capita GDP.

4.3 The Committee is concerned that the European Commission, despite the intentions expressed in its March 2000 report, in practice is not developing all the operational possibilities implicit in Article 299(2), in particular in some areas of Community policy, as the scale of the development challenge facing the outermost regions demands.

4.4 The Committee is concerned because the European Commission seems reluctant to use this article when submitting specific proposals to the Council to help these regions. In doing so, it considerably limits the scope of this article, using it instead as a residual provision.

4.5 The Committee believes that, far from being a residual provision, Article 299(2) is a specific legal basis for the outermost regions, the main objective of which is to promote development in these regions.

5. Proposals and recommendations

5.1 The Committee believes that the European Commission must honour the commitments it made in its March 2000 report and give Article 299(2) the weight it merits as an appropriate legal basis for drawing up exemptions from general Community law so as to offset the disadvantages suffered by outermost regions on account of their remoteness and thereby promote their development.

5.2 The Committee believes that:

- there is an urgent need for the EU to develop a **comprehensive strategy for the outermost regions**, specifying the guiding principles, the objectives sought and the resources available, and laying down a timetable for the measures to be adopted;
- this need is even more pressing against the backdrop of globalisation and enlargement, which will move the EU's centre of attention eastwards;
- there must be a new phase in the Community approach to the outermost regions - a quantum leap from its traditional approach and an appropriate legal basis for allowing exemptions from and adjustments to general Community law to help the outermost regions, and for drawing up a genuine Community policy for these regions;
- the remoteness criterion must be included at all stages of implementation of Community policy.

5.3 The Committee thus considers it essential to draw up a non-exhaustive list of measures – set out below – to serve as guidelines for action. It thus urges the European Commission:

5.3.1 To propose specific measures to help the outermost regions based on Article 299(2). Given that the factors affecting outermost regions are permanent and structural, no time-limits should be put on these specific measures, though they may be subject to regular checks.

5.3.2 To take account of the specific characteristics and needs of the outermost regions when drawing up all Community legislation and to assess the impact of the legislation concerned on these regions; likewise, to take account of the criterion of remoteness at all stages of implementation of Community policies.

5.3.3 To consider remoteness as sufficient grounds for including the outermost regions in the sphere of application of Article 87(3)(a) of the EC Treaty, particularly with regard to the implementation arrangements for state aid for regional purposes.

5.3.4 To promote access for the outermost regions to Community programmes and to give preferential treatment to projects involving them.

5.3.5 To begin studying the role of the outermost regions in the new regional context in preparation for post-2006 regional policy reform, taking into account the provisions of Article 299(2). In its second report on Cohesion, the European Commission recognises that the outermost regions are particularly fragile and therefore a priority for Community action. The Committee calls on the Commission also to take account of criteria more suited to the situation of the outermost regions than per capita GDP, both in this study and when drawing up eligibility criteria for the Structural Funds under the new regional policy.

5.3.6 To implement specific measures for the outermost regions as part of the reform of the Common Fisheries Policy, e.g. indefinitely maintain regimes intended to offset the increased cost of marketing certain fishery products, with periodic updates with regard to species, imports and quotas; introduce specific arrangements for the fleet in these regions under the Financial Instrument for Fisheries Guidance (FIFG); implement a policy of conserving, managing and researching fisheries resources in these regions; broaden and extend the special arrangements for importing fishery products not found in these regions; and earmark funds for regular assessment of fisheries resources, recognition of new species of fish at Community level and specific aids, such as those relating to private storage, carry over and trade organisations.

5.3.7 With regard to agriculture, to adapt the common market organisations (CMO) to the specific characteristics of farm products in the outermost regions, in particular those CMOs which have the most direct impact on these products (e.g. bananas, fruit and vegetables, flowers and plants, dairy products, beef, goat/sheep meat, sugar, wine, rice, etc.), either in the framework of the POSEI programmes or through specific recognition within the CMOs themselves. Also, so as not to jeopardise the survival of traditional agricultural products in the outermost regions, to ensure that the blueprint for future reform of the CAP takes due account of the special features of agriculture in these regions, the most salient of which are their dependence on a small number of products and the lack of real possibilities for diversification.

5.3.8 To ensure a level playing field for imported and local products and to consider, among other measures, consolidating and strengthening the agriculture chapter of the POSEI to guarantee that sufficient funds are available, improving conditions for re-export and dispatch of processed products produced from raw materials, and ensuring the stability of aids by setting a minimum level of aid.

5.3.9 To reinforce and consolidate the CMO for bananas so as to ensure continued income guarantees for Community producers. Likewise, to maintain the quota system, abandon the introduction of the flat tariff system from 2006 and, prior to any significant change to the current system, to carry out an in-depth analysis of the likely impact on producers in the outermost regions.

5.3.10 In view of the highly specialised nature of agriculture in the outermost regions, to adopt new measures to promote the competitiveness of agricultural products from these regions, such as tomatoes, flowers, plants and fruit, which have to compete with similar products from nearby areas which have association agreements with the EU, such as Morocco, or which have their own preferential systems, such as the ACP countries; also, in this connection, to establish the customs

measures necessary to guarantee strict compliance with the quotas established under these bilateral agreements in order to safeguard the balance provided for with regard to the levels of third-country production that may enter the European Union without causing market dysfunction.

5.3.11 To promote the establishment of safeguard clauses providing for the possibility of measures to protect the markets of the outermost regions where the development of their economies is threatened by imports of certain products benefiting from tariff preferences or cooperation agreements with third countries.

5.3.12 With regard to taxation, to allow the outermost regions to continue to enjoy differentiated tax arrangements, which are necessary for the economic development of these regions.

5.3.13 With regard to customs, to maintain tariff exemptions on the import of certain products that are important for the economies of the outermost regions, and to introduce exemption and free circulation status for all products produced in the outermost regions through sufficient processing of raw materials originating from third countries as a means of compensating for the EU's policy of tariff preferences for third countries, the absence of economies of scale and the remoteness of the outermost regions from centres of industrial activity.

5.3.14 With regard to transport, to draw up appropriate mechanisms and procedures to ensure that the outermost regions are properly integrated into all aspects of the common transport policy which affect development in these regions; to start assessing the potential impact of the liberalisation of the transport markets on the outermost regions, and to continue its efforts to include projects in these regions in trans-European transport networks. Likewise, the Committee calls on the European Commission to discuss in depth the possibility of a specific framework for state aid and services of general economic interest with regard to transport to and within the outermost regions.

5.3.15 With particular regard to the transport sector, to speed up promulgation of the directive on the liberalisation of port services, which is necessary to reduce the cost of supplying these regions, considering, in turn, the need to integrate remoteness into all aspects of the common transport policy which affect their development, in accordance with the commitments entered into by the Commission in its March 2000 report.

5.3.16 To consider introducing mechanisms to guarantee public funding for transport infrastructure in the outermost regions, adopting specific public transport programmes and making the public service obligation more flexible in these regions to enable them to tackle problems connected with routes, frequency, quality of service, timetables and the costs of sea and air transport, in order to alleviate the problem of their dual insularity.

5.3.17 With regard to energy, to bear in mind that exploiting the potential of renewable energy and setting up energy transport networks in the outermost regions improves economic stability and energy efficiency and helps achieve the objectives of sustainable development; but that, owing to the volume of financial resources needed by projects in such areas, the outermost regions should be allowed to apply for multiple European sources of funding.

5.3.18 To drive forward liberalisation of the energy markets, adopt safeguards to guarantee tariffs equal to or lower than those in mainland Europe and to promote priority access for the outermost regions to horizontal energy programmes.

5.3.19 Concerning the environment, to facilitate access to European funding for environmental management infrastructure and introduce adjustments and derogations to horizontal environmental rules, whilst bearing in mind the position of the outermost regions as part of the natural environment.

5.3.20 In relation to SMEs and the development of new productive activities and services, to consider the following measures: promoting the development of measures conducive to a climate of initiative and entrepreneurship in the outermost regions; bolstering financial resources through the use of financial initiatives and programmes (risk capital, mutual guarantee schemes, etc.); helping SMEs to access these sources of funding with a view to removing obstacles to their creation and growth; promoting knowledge and use of EIB loans and risk capital operations; improving the exchange of experience and good practice regarding measures to support SMEs.

5.3.21 To take account of Article 299(2) when drawing up eligibility criteria for Community horizontal programmes. The outermost regions have frequently been unable to benefit from these programmes as they are tailored to the characteristics and needs of mainland regions, which are very different to those of the outermost regions.

5.3.22 To help develop the potential of human resources in the outermost regions, in particular by supporting measures in the spheres of education and vocational training for businesspeople and workers and ensuring implementation of the Structural Funds in the sphere of employment.

5.3.23 To consider introducing a range of measures to help alleviate the effects of illegal immigration in the outermost regions, given their situation on the outermost borders of the Community.

5.3.24 Given that the information society and technological innovation are a real opportunity to alleviate some of the disadvantages suffered in outermost regions, to give these regions priority when taking initiatives in these fields; thus, to establish in the outermost regions a series of regional integrated R&D and innovation strategies aimed at increasing significantly the participation of these regions in Community framework R&D programmes, to promote research in the main economic sectors in the outermost regions through technology transfer initiatives and projects taking account of the particular characteristics of these regions, and to promote the availability of specific R&D infrastructure, for example in relation to the exploitation of natural resources and astronomical research, taking advantage of the specific geographical and climatic features of the outermost regions.

5.3.25 With regard to telecommunications, to apply the new regulatory framework fully to the outermost regions, in particular access to infrastructure (the international, national and local networks), liberalisation of the local loop and application of a non-discriminatory tariff policy.

5.3.26 To take the necessary action to help the outermost regions cooperate with neighbouring third countries. Such cooperation is practically impossible under the INTERREG III Community initiative owing to a lack of coordination between the Community financial instrument (ERDF) and the financial instruments for cooperation with third countries (MEDA, EDF). Such action must also cover aspects related to trade, which will require the development of strategies for breaking into the markets of neighbouring third countries. Action of this kind could help to alleviate some of the difficulties derived from the lack of economies of scale in these very small regional markets.

5.3.27 To draw up, each year, a precise timetable of actions it intends to take to implement Article 299(2) and a biannual report evaluating the results obtained in the previous six-month period.

5.3.28 To reinforce the European Commission's interdepartmental group and give it sufficient human and operational resources to be able to continue developing, under optimum conditions, its work of coordination, follow-up and initiative. This would give the interdepartmental

group in general, and its president in particular, greater room for manoeuvre between different units within the Commission that might be involved in matters connected with the outermost regions.

Brussels, 29 May 2002.

The President
of the
Economic and Social Committee

The Secretary-General
of the
Economic and Social Committee

Göke Frerichs

Patrick Venturini

*

* *

N.B. Appendix overleaf.

APPENDIX* : Statistical information on the outermost regions of the European Union

| Number of islands | Capital (distance from national capital) | Surface area | Number of inhabitants as at 1 January (in thousands) | | Per capita GDP | | Unemployment rate | | Gross migration per 1000 inhabitants | Number of passengers ('000s) | | | | | | | | |
|-------------------|--|---|--|-----------------|----------------|------|-------------------|------|--------------------------------------|------------------------------|------|---------------|-------|---------------|--------|------------------|------|-----------------------|
| | | | Km | Km ² | 1985 | 1999 | 1986 | 1996 | | 1996 | 2000 | Sea transport | | Air transport | | Secondary | | Tertiary (University) |
| | | | | | | | | | | | | 1987 | 1997 | 1987 | 1997 | 1987 | 1997 | |
| AZORES | 9 | Ponta Delgada 1500 | 2333 | 250.7 | 246.1 | 40% | 50% | 7.2 | 3.4 | 1.97 | 42 | 66 | 770 | 1077 | 10300 | 2700 (2200) | | |
| MADEIRA | 2 | Funchal 1040 | 795 | 264.8 | 261.8 | 40% | 54% | 5.5 | 2.3 | 2.58 | 171 | 336 | 945 | 1701 | 9100 | 2300 (1800) | | |
| CANARY ISLANDS | 7 | Santa Cruz de Tenerife/Las Palmas 2000 | 7447 | 1415.9 | 1630.0 | 72% | 74% | 22.0 | 14.5 | 4.97 | 2551 | 4987 | 14258 | 24647 | 123576 | 54124 (50694) | | |
| GUADELOUPE | 8 | Basse-Terre 6756 | 1710 | 342.2 | 422.3 | 37% | 40% | 29.3 | 26.1 | 1.43 | 147 | 1337 | 1421 | 2046 | 21641 | 7633 | | |
| MARTINIQUE | 1 | Fort de France 6830 | 1080 | 336.1 | 381.4 | 49% | 54% | 27.3 | 27.7 | 0.93 | 609 | 1039 | 1066 | 1425 | 20357 | 7397 | | |
| GUIANA | 0 | Gayenne 7500 | 84000 | 83.1 | 157.2 | 37% | 48% | 22.4 | 22.0 | 9.46 | 0 | 0.535 | 222 | 384 | 4860 | 1068 | | |
| REUNION | 1 | Saint-Denis 9370 | 2510 | 250.7 | 706.3 | 40% | 46% | 36.0 | 33.1 | 11.97 | 0 | 24 | 597 | 1320 | 39167 | 13338 | | |

* Produced by Eurostat.