

Opinion of the European Economic and Social Committee on 'A better integration in the internal market as key factor for cohesion and growth for islands'

(2009/C 27/26)

On 27 September 2007 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

A better integration in the internal market as key factor for cohesion and growth for islands.

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 3 June 2008. The rapporteur was Ms Gauci.

At its 446th plenary session, held on 9 and 10 July 2008 (meeting of 10 July 2008), the European Economic and Social Committee adopted the following opinion by 118 votes to one with one abstention.

1. Conclusions and recommendations

1.1 The EESC calls on the EU to adopt an integrated approach for a better integration of islands in the Internal Market as a key factor to enhance cohesion and growth of the Union, and thereby to fully achieve the objectives of the revised Lisbon Agenda. Such an integrated approach is justified insofar as, despite their differences (particularly as regards their sizes), islands face common key problems.

1.2 The EESC recommends establishing an integrated framework of Community policies covering all the relevant problems of European islands in a coherent way.

1.3 The EESC underlines the need for sound governance to cope with problems such as: information and communication; quantification and qualification of data; a common strategic vision; networking and clustering; or, civil society participation. Thus, in order to reach such a goal, it is important to create the good conditions necessary to allow island local institutions to assess insularity cost. That is why, there is a need to have in the islands both local statistical services and price indexes. At the end, a common assessment methodology should emerge between all the local statistical services in the European islands.

1.4 At the implementation level, the EESC calls for carrying out an impact assessment on islands for any EU initiative for the internal market; including an 'Island touch' in all EU policies; and implementing simplification of administrative tasks, especially for SMEs.

1.5 Because accessibility is a key issue for islands, the EESC would like to stress the quality of Territorial Continuity. Such a tool should be more developed in the EU. Its use must be operated from the islands to the continent and not the contrary.

1.6 The EESC insists that the Commission present an Annual Report to the European Parliament, the Council, the Committee

of Regions and to itself, monitoring and evaluating the effectiveness of relevant measures taken to solve the European islands problems. In this respect, proposals of actions by the Commission should also be included in this Annual Report. Thus, it can be said that the current opinion is launching a long-term dynamic process.

2. Introduction

2.1 According to the Eurostat definition, an island must:

- have an area of at least one square kilometre;
- be situated at least one kilometre from the continent;
- have a permanent resident population of at least 50 people;
- have no permanent link with the continent; and
- not house an EU capital.

2.2 However, such a definition should be reviewed and refreshed, starting from the simple fact that an island is a territory which cannot be reached on foot. Furthermore the definition of 2.1 does not have a legal basis and is being used only as a reference and in the absence of a better definition which takes into account the new realities of an enlarged European Union which includes Island Member States.

2.2.1 When defining Islands one should also bear in mind Declaration 33 of the Treaty of Lisbon, which states that: 'The [Intergovernmental] Conference considers that the reference in Article 174 to island regions can include island States in their entirety, subject to the necessary criteria being met'.

2.3 Currently, EU island territories belong to fourteen countries of the European Union. About 21 million islanders live in the EU's islands. These island territories offer the EU an economic and geopolitical presence in nearly all the world's oceans, and form an active border with many continents.

2.4 Islands, like Member States, are diverse. That is why the EESC would like to propose the following typologies.

2.4.1 They are diverse from a structural point of view, because some are peripheral islands, whilst others are outermost islands, whose specificities are laid down in the EU Treaty (Article 299, Para. 2) and some are small (a number of them have a population which is less than 50) whilst others are big.

2.4.2 They are also diverse, from an institutional point of view, because some are insular states; some have a regional status and some which are coastal islands, are part of a continental regional authority.

2.5 However, despite all these differences, islands possess characteristics which can differentiate them profoundly from mainland regions, as regards culture, education, transport, environment, etc. These aspects should be studied in greater depth so that a policy for islands may be framed, taking into account both common characteristics and specific features which can have an influence on the opportunities and challenges of individual islands. The EESC proposes to return to this subject at a later date.

2.6 They share common characteristics as regards for instance culture, education, transport (problems of additional costs) and environment.

2.7 The European Commission launched the debate on the future Internal Market with its new Communication 'A Single Market for 21st Century Europe' (20 November 2007) ⁽¹⁾; it is necessary to consider the place of islands in this reflection.

3. Background

3.1 Since a new governance methodology which is characterised by an integrated approach, has been used (particularly with the Green Paper and the Blue Papers on future EU maritime policy), Internal Market issues must not be dealt with separately from Regional ones. The Internal Market is not an end in itself: it is a tool in the service of territories and people.

3.2 Islands have always been looking at how to develop in Internal Market and as such, they have to anticipate the future changes.

3.3 Regional policy is a useful tool for islands. Nevertheless it is a tool which must be developed and improved in an integrated EU framework in order to allow them to be not only legally part of the Internal Market, but also to play a fuller role in it, both economically, socially. In view of the future policy on Territorial cohesion which the Commission is to develop after the Lisbon Treaty, this aspect should to be included in its considerations as well.

⁽¹⁾ The Single Market Observatory (SMO) of the European Economic and Social Committee is currently drafting an opinion on this package (INT/409, rapporteur Mr Cassidy, co-rapporteurs Mr Hencks and Mr Cappellini) and on the 'Social and Environmental Dimension of the Single Market' (INT/416, rapporteur Mr Adamczyk) as a complement to the first. Not yet published in the OJ (adopted in September 2008).

3.4 This integrated framework of Community policies covers not only regional and cohesion policies, but also more particularly the following policy areas: transport; energy and water; education and labour; research, technological development and innovation; competition; industrial policy; the environment; and agriculture and fisheries.

3.5 In the current context, islands must be first examined in the light of the 4th Cohesion Report.

3.5.1 Although the European Institutions support an integrated approach of their policies, it is surprising to note that the Commission does not seem to have an integrated analysis for island difficulties.

3.5.2 In the eyes of the Commission, accessibility is 'a particular problem' that islands have to cope with.

3.5.3 The Commission is right to stress the small size of their population as another problem. Consequently, islands have small local markets, which restricts the growth capacity of island SMEs through the absence of economies of scale. In particular, this restricts their ability to conquer European markets.

3.5.4 Another consequence is that most islands cannot rely on their domestic market ⁽²⁾ which are mostly too small to sustain a 'full-scale' and efficient economy. This simple fact obliges local SMEs to export: it is their sole solution.

3.5.5 Furthermore, one has to take into account the next set of difficulties in view of an island's natural handicap, namely all difficulties related to its insularity. The significant additional cost of transport substantially reduces their competitiveness. Paradoxically, the situation in which transport costs can 'protect' insular markets by restricting competition from the continent may in fact result in monopoly situations developing on the islands.

3.5.6 Insularity is also characterised by the following issue (problems which also determine their long-term development prospects):

- Essential Resources (such as drinking water, energy, raw materials, living space and arable land) are limited, leading to a phenomenon of scarcity and lack of economic diversification. This also causes the problem of mono-activity. This was highlighted in the *Analysis of the island regions and outermost regions of the European Union* ⁽³⁾, which particularly emphasised the lack of drinking water causing acute problems in summer in Mediterranean islands when many tourists are present. Desalination plants have been created but traditional ones consume important quantities of electricity. Many islands lack a sufficient energy supply and must import fossil fuel or electricity via submarine cables.

⁽²⁾ It must be stressed that this point is fortunately recognised by the 4th Cohesion Report as regard Ultra peripheral Regions (COM(2007) 273 final, p. 50).

⁽³⁾ Analysis of the island regions and outermost regions of the European Union, Planistat, March 2003.

— Natural risks have aggravated consequences: islands are ecologically fragile.

3.5.7 Concerning more in particular the question of accessibility:

— Firstly, a remark. The Commission is right when saying that accessibility constraints can be translated into the fact that 'travel time by car or train [are] increased by the sea crossing'. Consequently, islanders and their SMEs face high transportation costs, difficult connection frequencies, social and climatic hazards as a result of their insular location ⁽⁴⁾.

— Secondly, the Commission is also right when it places 'Transport' and 'Communication' at the heart of the competitiveness of the regions. Thus, if the development of urban centres passes by the triple accessibility (Road/Railway/Air) ⁽⁵⁾, such an analysis is all the more true for islands, many of which have also HDSL ⁽⁶⁾ accessibility problems. It takes a special dimension as regard the fact that 'international links and connections to other major economic centres' are top criteria for determining the location of investment ⁽⁷⁾.

— Finally, islands have great difficulties to gain access to the big European Market. As already said, they face high transportation costs and consequently, island SMEs are not attractive. They also suffer from the impossibility of having the same modes of production as continental ones. Because of supplying costs, they cannot work just-in-time. Therefore, production costs are higher.

3.6 All these elements highlight the weaknesses of islands to be integrated in the Internal Market: they do not have all the conditions necessary to take advantage of all the benefits offered by this market of some 500 million consumers.

3.6.1 The EU should avoid a one size fits all policy, and promote the integrated approach mentioned above. The problem for islands is a complex one as they accumulate several handicaps. But they also have to play on their assets which exist and could be the basis of an integrated socio-economic development. For instance: fishery resources, renewable energy sources, economic activities linked to tourism, strong cultural identity, natural and cultural heritage.

3.6.2 Furthermore, it must be stressed that in a document accompanying the afore-mentioned Communication on 'A single market for 21st century Europe', the Commission promotes the idea of access to services of general interest (SGI) throughout the territory of the European Union. As the Commission says, it 'is essential for the promotion of territorial cohesion in the EU'. It adds: 'Territories with a geographical or natural handicap such as outermost regions, islands, mountains, sparsely populated areas and external borders, often face chal-

lenges in terms of access to SGI, due to their remoteness from major markets or the increased cost for connections. These specific needs must be taken into account'. The Commission therefore seems to be very aware of the problem: initiatives in this field are therefore conceivable.

3.7 That is why the question of the integration of islands in the Internal Market has remained problematical since the Single European Act. Islands remain vulnerable territories. As described above, most of them cannot rely on their domestic market; island SMEs need to sell their products and services on European mainland. However, accessibility and single-activity difficulties are obstacles for their competitiveness.

3.8 With all this in mind, the EESC calls for the need to include in future legislation a specific assessment of all relevant proposals for islands. The EESC underlines the need of an integrated approach to island problems to particularly take into account the fundamental principle of proportionality and subsidiarity required by islands.

4. An integrated approach based on European islands assets

4.1 As already stated, the EESC calls for an integrated approach to Europe's island problems accompanied by an integrated framework of Community policies as stated before.

4.2 Islands must find their place in the revision of the Internal Market ⁽⁸⁾. The Communication of 20 November 2007 confirms SME-friendly guidelines as mentioned in the intermediary report of February 2007.

4.3 SMEs must be encouraged to engage in cross-border activities. Such an idea implies the existence of a mechanism of territorial continuity able to help European islanders to go to markets both via their mainland (Member) State, or via a neighbouring (Member) State. Concrete and efficient examples exist. Thus, Bornholm, a Danish island, takes advantage of a publicly subsidised maritime link with Ystad, in Sweden. Territorial continuity also exists between mainland France and Corsica.

4.3.1 This tool of a subsidised maritime link has improved the quality of transport conditions between these two French territories, and would certainly deserve to be developed with Italy (knowing that it is easier for a Corsican to reach the European mainland through Italy than through France). That is why the EESC believes it would be interesting to study the possibility to extend such a practice to all European islands and to 'Europeanise' its use. Also, the experience shows that the implementation of such a tool must be operated from the islands to the continent, and not the contrary.

⁽⁴⁾ The Single European Payment Area (SEPA), launched on 28.1.2008, will however make cross-border payments as easy as domestic ones.

⁽⁵⁾ 4th Cohesion Report (COM(2007) 273 final, p. 65).

⁽⁶⁾ High bit-rate digital subscriber line.

⁽⁷⁾ 4th Cohesion Report (COM(2007) 273 final, p. 60).

⁽⁸⁾ See opinion on the 'Review of the Single Market' (OJ C 93/25, 27.4.2007).

4.3.2 Such 'Europeanisation' of the territorial continuity tool would be a concretisation of cross-border integration as emphasised by the Commission in its Communication 'A single market for 21st century Europe'.

4.4 Having an Internal Market focused on a knowledge-based society which can be translated among others into the spreading of the new information and communication technologies in the EU. Such an idea could really be an opportunity for the diversification of island economies.

4.5 It must be remembered that islands have a natural environment which is favourable to innovation (for instance: renewable energies, blue biotechnologies ...). Knowing that according to the above-mentioned 4th Cohesion Report economic performance and innovation performance are linked, islands have much room to manoeuvre.

4.6 Bearing in mind that most islands are concerned with fisheries activities, bio-energy can be of interest to fish-farmers or fishermen-sailors. Public policies must provide the means to develop such initiatives. Public policies must help islands to develop renewable maritime resources (such as sea swell energy, marine current energy, or again more specifically for outermost regions, ocean thermal energy).

4.7 In the case of agriculture, flexibility in the implementation of the 2 CAP pillars must be allowed to give increased benefit to island farmers.

4.8 Such energies are essential to islands which suffer from a high pressure on their land-use and whose geographical dependence on fossil fuels acts as a brake on their development. Thus, alternatives to such dependence should be found in renewable energies which can constitute other sources for these territories. In this context, islands constitute remarkable places for experimentation and development and in this way can be of service to Europe. As such, Réunion recently announced its wish to commit itself towards a policy of 'all renewable resources'; considerable renewable marine resources have already been identified. Wind power is another good example. El Hierro in the Canaries' Archipelago will be entirely supplied by a combination of wind turbines and hydroelectricity between now and 2009.

4.9 To have an Internal Market based on good European regulation⁽⁹⁾ implies that it is necessary to study how current European laws are implemented and to check if they have the effects that were initially foreseen. Regarding the regulatory problems discussed above, such an initiative would certainly have a positive impact for islands. Maybe, the following pilot project could be undertaken in this respect: according to the Services Directive, the Commission shall, by 28 December 2011 and every three years thereafter, present to the European Parliament and the Council a comprehensive report on the application of this Directive. In this respect, a territorial approach could be taken and the situation in the islands could be assessed in comparison with other regions.

4.10 All these elements contribute toward finding possible solutions for a better integration of islands in the Internal Market in the future. And such integration relies on the achievement of two objectives: attractiveness and diversification.

⁽⁹⁾ See opinions on 'Better Lawmaking' (OJ C 24/39, 31.1.2006) and 'Better Implementation of EU Legislation' (OJ C 24/52, 31.1.2006).

5. An appropriate implementation of policies in the European Islands

5.1 In order to reach the two objectives mentioned above, the EESC believes that an appropriate implementation of policies depends on the following initiatives.

5.1.1 Ensuring better links between islands and the mainland, thanks to transport and innovation policies.

5.1.1.1 Many island entrepreneurs complain about the extra-cost when their products arrive in a mainland port (because of the transport). Some studies arrive at a 20 % additional cost. However, given that products differ from one to another, precise studies (whose methodology could be based on the one used for Outermost regions) should be carried out. Thus, in order to reach such a goal, it is important to create the good conditions necessary to allow island local institutions to assess insularity cost. That is why, there is a need to have in the islands both local statistical services and price indexes. At the end of this process, a common assessment methodology should emerge between all the local statistical services in the European islands.

5.1.1.2 More generally, islands need efficient services of general interest.

5.1.2 A geographical approach to the Better Regulation Initiative should be adopted, implying:

- Impact assessment of any EU initiative on Internal Market on islands. Not only cross sectoral but also geographic; Including an 'Island touch' in all EU policies.
- Flexibility when applying EU regulations.
- Simplification of administrative tasks, more particularly regarding access to finances for SMEs.
- Public authorities at national, regional and local levels must also adopt such behaviour.
- Therefore, beyond the sole simplification aspect, the necessity of having strategies in place which are coherent from one political level to another must be stressed.

5.1.3 European Civil Servants should be encouraged to follow training in islands in order for them to understand the reality of such particular territories. Thus EESC strongly supports the 'Enterprise Experience Program' and calls on island SMEs to apply for hosting European Civil Servants. This is also the opportunity for them to communicate on the ground, directly, with islanders on European issues. The study group meeting organised in Ajaccio on 7-8 April 2008 has proved this. When meeting EU citizens in member states, the EU and its policies are much more understood and debated.

5.1.4 The importance of regional state aid policies in the future should be emphasised. On this precise point, the EESC strongly supported the proposals of Musotto report, notably:

- 'flexibility in the implementation of existing and future state aid policies, without such flexibility causing unacceptable market distortions within the EU';

— studying the possibility of extending the regime allowing operating aids to all island regions which are not island states or inland islands, in the next regional state aid guidelines.

5.1.5 The capacities of island SMEs should be strengthened:

5.1.5.1 To ease the access of SMEs to research & innovation, for instance thanks to tools like JEREMIE. In fact, islands suffer from strong researchers, laboratories and patents shortages. Private research is so weak that public research should be enhanced. The idea of free zones should also be explored. Compared to the situation on the continent, islands are in a backward position, except in cases where there is a voluntarist policy from public authorities, or in others where a sector is so economically important that it allows to reach a threshold likely to create or support research activities. Moreover, such approach goes through the preservation of ancestral know-how, a dimension of innovation which must not be forgotten.

5.1.5.2 To export to Third States. It must be remembered that the Commission in its intermediary report on the revision of Internal Market (February 2007), calls for a future Internal Market to be open to all the world. Such an attitude is confirmed in the Communication 'A single market for 21st century Europe'. In it the Commission calls for 'expanding the regulatory space of the Single market'. This idea could find a concretisation through cooperation programmes between the EU and its Member States with neighbouring countries.

5.1.5.3 To benefit from a highly educated workforce. Islands suffer from the outward migration of young people who prefer to look for university education and high incomes in mainland regions. Even if GDP is not a perfect indicator or criterion, the 4th Cohesion Report stresses that its increase depends on productivity and working population. The EESC strongly believes that initiatives must be encouraged with regard to the development of universities and other high level educational institutions in islands. They are a condition for training of islander inhabitants. For instance: since its reopening in 1981, Corsica University, thanks to an increasing number of its students, has been able to enhance quantitatively and qualitatively the regional human capital. Such an improvement has reduced some labour market imbalances and has supported the expansion of economic sectors (like food-processing, tourism, ICT ...) and enterprises.

5.1.5.4 To rely on their characteristics in order to find the most relevant development. In this respect, the European Commission is right to underline, in its Green Paper on Maritime policy, the fact that 'the diversification of tourist products and services can favour the competitiveness of coastal and Island destinations'. This diversification, because it is in keeping with a (non) technological dimension of innovation, and because it also fits in with the necessity of a global diversification of island economic activities (many islands suffer from mono-activity in tourism), is conditioned by the following prerequisites:

- carrying out a complete inventory of the situation of each European Island;
- listing the full range of island handicaps encountered in the field of tourism;

— determining the level of infrastructures on each of the Islands;

— favouring exchanges and contributing to the development of hotel and transport infrastructure services through the signing of special contracts between the island regions and the European Union;

— studying the possibilities of support and structuring which could be envisaged in order to allow a diversification of tourism (cultural, rural, archaeological, youth, sports, fishing, business tourism ...);

— studying the proposal to implement regional Island tourist development perspective plans which could precede European actions and be made compulsory in order to benefit from specific European financing intended for the EU Island regions registered for the 2007-2013 programming of the structural funds of the 'Regional Competitiveness and Employment' objective;

— determining the methods which would enable the Islands to make the environment a source of economic activities (with notably the development of tourist welcoming strategies based on eco-hotels, bio-restaurants, open air activities, bio-discovery trips ...). And such initiatives more particularly apply to cottage industries.

6. Sound Governance in order to take into account properly the situation of European islands

6.1 The EESC proposes implementing the following proposals in the legislative process:

6.1.1 Having the best information on the situation of islands. The importance of updating and collating further statistics on islands cannot be stressed enough. These are the necessary tools for accurate public policies (at European, national, and regional levels). Such an approach should be first based on a case by case assessment which takes into consideration among other things the specific socio-economic situation of islands. It would also be the opportunity to think about the relevance of the GDP criteria in the appraisal of regional difficulties.

6.1.1.1 Thus, a prerequisite to the conception and implementation of any Community policy regarding islands is the existence of sufficient and reliable statistical data and of relevant indicators. The GDP criteria, as well as unemployment rates, is notoriously inappropriate, at least taken on its own, to provide a satisfactory understanding of the realities of island territories, and of the intricate mechanisms which make them different from the rest of the Community.

6.1.1.2 This situation is not new, but it has long been overshadowed by the fact that, since the large majority of the EU island population was receiving the maximum level (Objective 1) of assistance anyhow, there was little practical point in addressing such a complex issue. However, the enlargement process, and its ensuing 'statistical effect' (i.e. the relative enrichment of erstwhile less-favoured territories) have highlighted the need to describe the situation and needs, of island territories by better and more targeted statistical indicators.

6.1.1.3 As suggested by the Musotto report: '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 [...] 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.'

6.1.2 Having an inter-service group for islands within the Commission in order to ensure an integrated approach when dealing with their difficulties.

6.1.3 The EESC invites local public authorities and civil society to work together (and for those which have been already doing it, to keep on) in order to elaborate common development strategies. It is necessary that island communities have a project approach in the framework of a positive partnership.

6.2 The EESC believes that in the interest of good governance a regular review of the island situation should be undertaken and requests that the Commission present an Annual Report to the European Parliament, the Council, the Committee of Regions and to itself, monitoring and evaluating the effectiveness of relevant measures taken to solve the European islands problems. In this respect, proposals of actions by the Commission should also be included in this Annual Report. Thus, it can be said that the current opinion is launching a long-term dynamic process.

7. Final remarks

7.1 In conclusion, the question of the better integration of islands in the Internal Market could maybe lead interested parties to explore two different ways compared to the ones evoked above.

7.2 The use of enhanced cooperation between Member States having islands or insular Member States (Portugal, Spain, France, Italy, Greece, Malta, Cyprus, UK, Ireland, the Netherlands, Denmark, Estonia, Finland, Sweden). As regard the conditions to be gathered to reach such a goal for having a European Island Policy, this solution can seem to be impossible to implement. Therefore, as far as the proposal must come from States, a bottom-up approach should be chosen. That is why, as said

before, development strategies at the local level are necessary. In this prospect, the Operational programmes (in the framework of the Structural Funds 2007-2013 could be considered as a good basis for the future period 2014-2020).

7.3 The future European legal framework can improve the current solutions, thanks to the Lisbon Treaty and the rewriting of Article 158 EC Treaty.

7.3.1 The future new Article 158 amended by the Lisbon Treaty reads as follows:

- a) in the first paragraph, the words 'economic and social cohesion' shall be replaced by 'economic, social and territorial cohesion';
- b) in the second paragraph, the words 'or islands, including rural areas' shall be deleted;
- c) the following new paragraph shall be added: '**Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.**'

7.3.2 Such rewriting is in line with the fact that, thanks to the Lisbon Treaty (which needs to be firstly ratified), the territorial dimension is the new element of the European cohesion. This recognition highlights the EU's intention to take into account all the realities of its territory. Thus, the future new Article 158 is a concretisation of such a will.

7.3.3 Defining territorial cohesion is not an easy task. Certainly, the future Green Paper will be an interesting opportunity to be informed of the different existing approaches. In this prospect, the EESC believes that thinking about territorial cohesion is looking beyond mere pure economic statistics to consider also the apparent geographic realities of the territory and the resulting vulnerabilities which have the potential — for some territories — to seriously threaten socio-economic cohesion. Working on territorial cohesion is looking for the means to enhance cooperation *within the island territory as well as* between all territories (certainly, an increase of the Structural Funds dedicated to this Objective should be supported for the next program after 2013), and to enhance partnership between all interested parties (Public authorities, and Civil Society) in the elaboration and implementation of relevant policies.

Brussels, 10 July 2008.

The President
of the European Economic and Social Committee
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