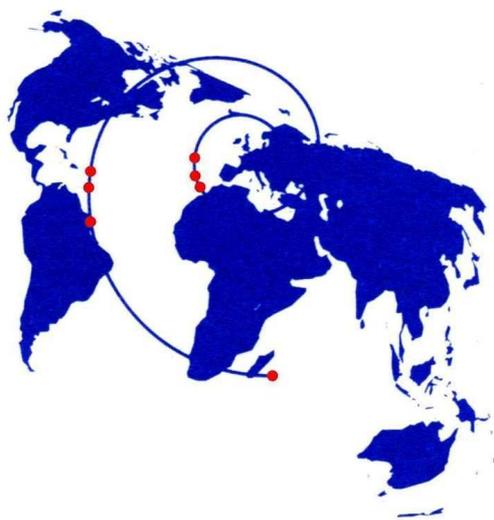


**JOINT MEMORANDUM OF THE  
OUTERMOST REGIONS  
FROM NOW UNTIL 2020**



**Las Palmas de Gran Canaria  
14<sup>th</sup> October 2009**

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## **Introduction**

The Conference of Presidents of the Outermost Regions met for the first time in 1995, in Guadeloupe, two years before the signing of the Treaty of Amsterdam, which gave the Azores, the Canary Islands, Guadeloupe, French Guiana, Madeira, Martinique and Réunion, the legal foundation for the European policies to be implemented in relation to them.

In March 1999, the Presidents of these regions adopted their first Memorandum in Cayenne. The Memorandum identified the pertinent principles of action for creating a strategy to favour the development of the Outermost Regions (ORS) on the foundation of Article 299(2) of the EC Treaty: equal opportunities, partnership and potential exploitation.

In 2003, on the eve of the enlargement of the EU and in a context of accelerated globalisation, the Conference drafted a second Memorandum of the OR that was to act as a foundation for the first joint Memorandum of Spain, France, Portugal and the seven Regions, which, in turn, led to the drafting of the first of the European Commission Communications on a global development strategy for the Outermost Regions in 2004<sup>1</sup>. Reinforcing the proposed strategy, this text put forward an integral strategy based on 3 basic priorities: accessibility, competitiveness and regional integration. Since then, the European Commission presented new Communications that updated this approach in 2007 and 2008.

Now, in a context of financial, economic and social crisis, and in view of the new world-wide challenges, the Presidents of the OR strongly reaffirm the need for a distinct approach for their territories concerning the implementation of European policies in line with Article 299(2) of the EC Treaty, and articles 349 and 355 of the Treaty on the Functioning of the European Union (TFEU).

In 2009, ten years after the declaration of the principles of Cayenne, this document provides an updated view of the reality of the OR. Starting with a statement of the actions carried out in favour of the OR since 1999 that takes into account the evolution of the OR in an ever-changing European and worldwide context, the Memorandum addresses the perspective of a coherent, global strategy for the sustainable economic and social development of these regions from now until 2020.

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<sup>1</sup> COM (2004) 343 final; COM (2007) 507 final; COM (2008) 642 final.



## **Part I: THE OUTERMOST REGIONS FROM NOW UNTIL 2020**

### **A. - Context and assessment**

#### **A.1. A progressive evolution of the European treatment concerning the outermost regions since 1999**

##### **A.1.1. The OR, a unique dimension of the European area.**

The OR consist of a group of four groups of islands, two separate islands and a mainland region set in the Amazonian jungle. Although they do not form a single geo-morphological entity, they do however have a series of specific features due to their specific geo-economic situation and their natural conditions. From the point of view of their common specific constraints, the OR share:

- A great distance from mainland Europe, accentuated either by the insularity or territorial isolation (in the case of French Guiana). As they are isolated both in their geographical environments and with regard to trade flows, the OR are faced with the impossibility of making good use of the advantages arising from the EU internal market.
- The integration in a double space formed, on the one hand, either by a geographical area in the proximity of EU third countries, the development level of which is lower than that of the OR, or they are surrounded by a totally isolated space and, on the other hand, by an economic-political area, which they belong to.
- The small size of the local market and economic dependence on a few products.
- Particular geographical and climate conditions that hold back their home-grown development in the primary and secondary sectors.

The concept of 'outermost region' is completely different from that of other EU regions having particular geographical characteristics (islands, mountain regions and low-population-density regions). There is de facto and de jure a difference from these regions.

It is the recognition of an OR status by the European primary law what makes possible to confer a specific treatment to these seven regions. This notion, consecrated by the EC Treaty in Article 299(2), enables the EU to safeguard the special features of the outermost regions and reduce their limitations. The renewal of this recognition in the future Lisbon Treaty highlights as well the permanent nature of these special characteristics and the will of the common legislator to continue to distinguish the situation of the OR from other particular regional situations of the Union. What also distinguishes the OR from other European regions is their isolation, not just from mainland Europe, but even from their own geographical environment. This isolation relates first and foremost to



their location and has inherent consequences on economic, social and territorial cohesion. It also has an effect on the main flows of worldwide exchanges, mainly trade flows.

The conceptual matrix of the outermost regions details all these characteristics and the fact that they are permanent over time constrains the possibilities of development. In addition, this definition brings the OR closer to the internationally developed concept of “small, vulnerable economies”.

From the point of view of an economic assessment, those who support the new economic geography study the causes of the concentration of development and estimate that geographical conditions continue to play an important role, even at a time in which improved connections and media help exchanges considerably.

### **A.1.2. The evolution of the European policy in favour of the OR.**

In 1989, a decision of the Council of the European Union established a programme of specific options to the remote and insular nature (POSEI). This was the first expression of a global and specific treatment concerning these regions, based on the principle of “reality of the territory”. At that time, any European action in favour of the OR was based on a dual perception that considered both the principle of belonging to the internal market and that of recognising a regional situation requiring integration in particular geographical locations. This double dimension highlighted the need for synergy between the different European instruments.

This initial conceptualization has led to a specific adaptation of policies, particularly those concerning agriculture and structural funds, but also concerning taxes, customs, competition and fisheries. The same approach has been taken in the areas of transport, energy, regional cooperation, environment, information society and technological research and development, but far less audaciously.

From the POSEI to the latest Communications from the Commission, the strategy for the outermost regions has always had constant support at the highest level from the European Council<sup>2</sup> as well as from the European Parliament, the Committee of the Regions, the European Economic and Social Committee and, of course, from the Member States directly concerned.

Thus, the conclusions of the European Council of Seville in June 2002, which invited the Commission to present a report on the specific characteristics of the situation of the OR based on a coherent and global assessment, led the European Commission to adopt the communication

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<sup>2</sup> Conclusions of the European Council meetings: Cologne, 3-4- June 1999; Lisbon, 23-24 March 2000; Santa María de Feira, 19-20 June 2000; Nice, 7-9 December 2000; Seville 21-22 June 2002; Brussels, 17-18 June 2004; 21-22 June 2007; Brussels, 14 December 2007.



“A stronger partnership strengthened for the outermost regions” in May 2004.

The guidelines defined by the Commission have represented the common thread of a development strategy for the OR designed around three priorities:

- Accessibility: reducing accessibility problems and counterbalancing other characteristic constraints of the OR;
- Competitiveness: improving the general conditions of economic and social development;
- Integration in their respective geographical locations they belong to, with a view to extending the natural area of socio-economic and cultural influence of the OR. In this context, the European Commission launched the idea of Wider Neighbourhood Action Plan.

In September 2007, the Commission published a new communication<sup>3</sup> in which two objectives were laid out: on the one hand, to draw up a balance of the European Union strategy for the OR three years after it was first implemented and, on the other hand, launch a debate on the long term future of this strategy (up until 2013), with a view to updating and improving it. The Commission decided to focus this debate on climate change, maritime policy, demographic trends, migration currents and agriculture.

More recently, in 2008, the Commission<sup>4</sup> proposed a change of focus based on making the most of the potential of the outermost regions, one of the principles established in Cayenne by the OR themselves in 1999. At the same time, the European Parliament<sup>5</sup>, the Committee of the Regions<sup>6</sup> and the European Economic and Social Committee<sup>7</sup> came down in favour of a coherent, global policy for the outermost regions, hence supporting the demands of the OR.

<sup>3</sup> COM (2007) 507 final.

<sup>4</sup> COM (2008) 642 final.

<sup>5</sup> Resolution on development problems in the outermost regions of the European Union, 24 April 1997 (OJ C 150, 19/05/1997, p. 62); European Parliament resolution on the measures to implement Article 299(2): the outermost regions of the European Union, 25 October 2000 (OJ C 197, 12/07/2001, p. 197); European Parliament resolution on a stronger partnership for the outermost regions, 28 September 2005 (OJ C 227, 21/09/2006, p. 512E; European Parliament resolution on the strategy for the outermost regions: achievements and future prospects, 20 May 2008 (2008/2010(INI)).

<sup>6</sup> Opinion of the Committee of the Regions on "The outermost regions of the EU and implementation of article 299", 13 December 2000 (OJ C 144, 16/05/2001, p. 11); Opinion of the Committee of the Regions on the Communication from the Commission – A stronger partnership for the outermost regions, 18 November 2004 (OJ C 71, 22/03/2005, p. 40); Opinion of the Committee of the Regions on "Strategy for the outermost regions: achievements and future prospects, 9 April 2008 ( OJ C 172, 05/07/2008, p. 7).

<sup>7</sup> Opinion of the Economic and Social Committee on the "Future strategy for the outermost regions of the European Union", 29 May 2002 (OJ C 221, 17/09/2002, p. 73); Opinion of the European Economic and Social Committee on the Communication from the Commission — A stronger partnership for the outermost regions, 13 July 2005 (OJ C 294, 25/11/2005, p. 21); Opinion of the European Economic and Social Committee on "Strategy for the outermost regions: achievements and future prospects, 22 April 2008 (OJ C 211, 19/08/2008, p. 72).



In general terms, one can thus deduce that the European strategy could make progress even further and that the forms of intervention in favour of the outermost regions are far from being exhausted. The OR status is a changing situation, which must be adapted to the European and worldwide context of the moment whenever necessary, based on Article 299(2) of the Treaty and within the framework of a well defined and distinct strategy.

## **A.2. European action in favour of the principle of the OR reality: Insufficient results**

The recognition of the OR situation has been articulated by a specific development strategy. The unavoidable conclusion, however, is that results show light and shade. Hence, advances can be observed in the implementation of certain specific measures, particularly concerning agricultural, fiscal and customs, competition and cohesion policies, as well as other areas, which help to enhance professional capacity due to training.

Nevertheless, results remain insufficient in certain aspects. Not all the specific characteristics of the OR have been taken into account in the implementation of EU policies. This has led on occasions to inconsistencies and inequitable impacts from the established instruments.

- With regard to the principle of equal opportunities, the analysis of the OR social indicators compared to mainland Europe shows that serious inequalities persist in terms of unemployment, literacy, school drop-out rates and poverty. The particular vulnerability of the OR regarding economic, trade and social changes has brought about a certain lag in their processes of convergence. Thus, concerning some important indicators, they are now at a level, which actually has hardly increased over the last ten years.
- Concerning the principle of enhancing coherence: many EU policies continue to fail to take into account the situation of the outermost regions even today, or they do it only so partially. For example, this is the case of the cohesion policy 2007 – 2013, which has not given a coherent treatment to the OR in mainstream policies. This leads to the regions to be divided into two groups, one with the convergence objective and the other with competitiveness objective, taking only as dominant sharing criterion the average GDP per inhabitant given in purchasing power parity. This is also the case of other policies, such as transport, environment, research and fisheries (where sustainability problems persist with the opening of these maritime areas to other European fleets, and conformity problems between internal and external aspects of the Common Fisheries Policy (CFP)).



Some EU policies have automatically transposed obligations for the OR, which are often disproportionate in comparison with the objectives sought. For example, in the application of environmental regulations to these regions, particularly concerning the EU system of greenhouse gas emission rights relating to air transport.

Besides, the space approach of the European territory has repeatedly ignored the OR (frequently due to a lack of statistical data, or through a selection of indicators that do not reflect their actual situation). Thus, these regions are given insufficient consideration (sometimes none) in the assessment of European policies<sup>8</sup>.

- As for the principle of making the most of their potential: although the OR identified this principle as one of the major ways of improving their competitiveness, EU policy, however, has not taken this concept into consideration until the communication in 2008. This has led to the OR potential to be barely exploited in the various EU policies, especially in areas such as research and innovation, cooperation on external borders... as well as EU policies to be scarcely adapted over the last ten years.
- Concerning the principle of strengthening the partnership: the principle of a continuous dialogue with the European Commission should be made even more dynamic and efficient in the context of enlarged Europe which process has not been yet completed.

The gap between the declaration of the four principles established in Cayenne in 1999 and their effective implementation in the European framework continues to generate inconsistencies, what makes the OR development strategy, advocated by the Commission in 2004, to be partially inefficient:

- With regard to reducing the accessibility deficit: the measures proposed by the EU are clearly insufficient. In many cases, they merely provide guidelines for a more efficient use of general measures by the OR in the field of transport policy, digital accessibility, or even energy efficiency, which should be actually adapted to the different local situations.
- Increasing competitiveness: the results from the implementation of the different EU policies to increase competitiveness in the OR are really quite modest. Competition is differently carried out in these small and distant OR markets, what explains the inadequacy of the measures adopted. In order to foster a better use of the potential of these regions concerning fields like Research and Innovation, the difficulties associated to a lack of critical mass should also be taken into consideration.

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<sup>8</sup> SEC (2008) 2868.



- Regional integration: the implementation of measures to give consistency to the proposed action plan for wider neighbourhood and thus enhance the integration of the OR in their respective geographical environments has not lived up to the expectations. Inconsistencies have been identified especially in the fields of international trade policy (EPA, WTO agreements), immigration policy, accessibility, adapting European territorial cooperation objective within cohesion policy, etc.

The OR have always called for the necessary measures to become really integrated in their respective areas, particularly by creating a suitable financial instrument to give impetus to an ambitious cooperation policy. Currently, the OR perceive that difficulties persist when drawing up cooperation project financing from both the EDF and the ERDF together. Similarly, in the context of negotiating Economic Partnership Agreements (EPA) with ACP countries, the process to take the specific characteristics of the OR into consideration has proved to be inoperative, despite the mandate given by the Council to the Commission in 2002. Nevertheless, this process could identify, among the different elements to be considered, the geo-economic situation of the OR, the risk of depriving them of their regional market, the deficient transport connections, the difficulties concerning the free movement of persons and goods, the need to improve regional governance, the exclusion of emerging regional integration areas, etc.

This light and shade assessment of the European treatment concerning the specific characteristics of the OR leads us today to propose action instruments to be sustainable and adapted to their exceptional situation.

## **B. Future prospects**

On many occasions, the European Union has shown its adaptability in a complex European environment, where there are major territorial differences. Due to its experience, it has managed to take measures in a relatively short period of time (examples: the creation of the Union Solidarity Fund just four months after the exceptional inclemency of the weather that struck Central Europe in the summer of 2002, or even more recently, the adoption of a set of measures to ease the financial crisis that is affecting all Member States). This reaction capacity to take exceptional measures concerning particular situations should be extrapolated to the exceptional situation endured by the outermost regions.

Any development strategy proposed by the European institutions should be based on the reinforcement of the relevant legal and institutional status for the OR and, on the principles of equality and proportionality, its ultimate objective should be the OR citizens to have the same opportunities as all the other citizens of the European Union. The principle of the specific reality should prevail over European regulations if necessary, hence favouring a uniform integration that takes into



account the evolution of global and local challenges of each OR. The first obvious point is that this strategy has to be a partnership.

### **B.1. The need for a strong, transparent and open partnership.**

In the course of their history, the OR have maintained privileged relations with the European institutions, what first give rise to the creation of an interdepartmental working group of the European Commission, initially dependent on the President's authority. In 2004, in response to the conclusions of the European Council in Seville, the Commission reaffirmed its willingness to go into the outermost region concept in greater depth, proposing new measures in favour of a strengthened partnership for the outermost regions and reaffirming its willingness to implement a global and coherent strategy for the outermost regions.

Nowadays, in the European Union enlarged to 27 Member States, this partnership still remains, what requires an even greater involvement of the European institutions. To this end, the following is particularly required:

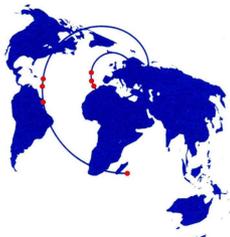
- constant Refining of the know-how developed by the Commission concerning the outermost regions and maintaining regular working relationships with regard to the issues included in the commissioners' working schedule or specific questions on these regions depending on the circumstances.
- Maintaining and strengthening partnership with all levels of European decision-making.
- Resorting to impact assessment, which should explicitly be provided for in positive law each time a proposal, be legislative or not, concerns the outermost regions<sup>9</sup>.
- Reaffirming the role of the OR Unit within the European Commission in order to be the true guarantor of the definition and implementation of the strategy for these regions.

Thus, the partnership relations between the OR, the European institutions and the Member States could be encouraged to achieve a greater understanding of the OR reality and a better communication.

### **B.2 An innovative response to face the new challenges**

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<sup>9</sup> The impact analysis is undoubtedly a key instrument for decision making that is part of the European Commission's process of evaluation. It is suggested that guidelines for impact analysis the 15<sup>th</sup> of January 2009 explicitly include the problems of the outermost regions. The impact analysis committee, an independent body under the President's authority of the Commission, whose task is to ensure a qualitative support, and it implements independent control over the analysis drawn up by the Commission, could take a stand on this issue.



The approach of the OR Conference of Presidents agrees with the principles of the Laeken Declaration in December 2001 concerning the values of freedom, solidarity and diversity in a Europe facing a globalized environment, which is subject to numerous and sudden changes. Given their geographical location, their population and their commercial, cultural and historical relations, the outermost regions fully participate in creating new economic opportunities, expressing their solidarity in the framework of cooperation in all fields in which they can contribute real value added.

The present worldwide crisis has struck most regions of the world, but not all of them have the same resources to face up to it, and the effects are not the same. This crisis accentuates the fragility of the outermost regions, where unemployment, poverty and social exclusion are gaining ground. The renewed social agenda should deploy all the means available to strengthen social cohesion in these regions, enabling their citizens to make the most of their potential and be the beneficiaries of growth and development.

Today, the debate about the challenges to come until 2020 is also now open, within a territorial research action. Although global challenges are going to have an impact on the entire EU, their effects will be more severe on the outermost regions. These challenges are globalisation, climate change, the new energy model, maritime dimension and demographic pressure.

### **B.2.1 In an accelerated globalisation**

Globalisation is not a new phenomenon, but in the present context, in which it has vertiginously speeded up the pace, with an incomplete and non-adapted governance, could become uncontrollable. The OR aspire to being able to adapt themselves as soon as possible to this new world context.

The growing trade deregulation, concerning in particular agricultural produce, leads to an increase in raw material prices. That requires the increase in food safety and autonomy in order to ensure greater product availability and improve health safety and increase food safety. The OR have the purpose of attaining food self-sufficiency by preserving their traditional productions, diversifying them and establishing sustainable agricultural models based on a demanding quality policy.

The dynamism of new emerging countries results in a reconsideration of certain economic sectors in relation to the greater external competition. Hence, for example, sea routes have immediately been affected. This accelerated process needs an efficient adaptability, mostly in the outermost regions, which endure on the front line the competition of neighbouring countries with similar productions and services but lower salary costs, and are located in the areas affected by these changes.



The greatest advantage of the EU to benefit from globalisation is the single market. However, the outermost regions continue to be particularly vulnerable given the significant difficulty entailed by the distance and isolation as an obstacle to take full advantage of the single market. The OR are also faced with difficulties related to non-reciprocity in market opening. The OR, isolated from mainland Europe, characterized by the fragility of an economic system essentially made up of very small enterprises, affected by disproportionate trading conditions with their neighbours, are faced with real adapting difficulties, despite their proximity to emerging economies such as South Africa, India or Brazil, which are members of the G-20.

Nevertheless, this geographical location is precisely one of their greatest potential for the future. It makes the OR to be at the heart of new areas of worldwide growth and challenges and highlights if possible their role as active borders of the European Union. The outermost regions are also expression platforms for European values: democracy, peace, respect for fundamental and human rights. They have also a nature and different expert know-how potential that should be preserved and maximized as regions of the EU.

Therefore, a balance should be sought in order to allow the OR to benefit from globalisation as much as any other Europe-continental region, ensuring that EU policies provide fast and, above all, coherent solutions.

### **B.2.2 On the front line facing climate change challenges**

Unless the relevant actions are carried out without delay, the planet is going to be faced with an irreversible climate change. The outermost regions are exceptionally exposed to climate change and significantly implicated in the development of renewable energies. Thus, they invest in the production and supply of solar, wind, geothermal, hydroelectric, sea and biomass energies. Consequently, the OR can even make a contribution in the field of energy supply. They can serve as example of the EU credibility in the context of the purposes announced in post Kyoto negotiations. They must also tackle this challenge in a different context from that of mainland Europe, as they do not have gas pipeline or considerable electric systems to assure their energy supply. This situation enables them, however, to take up a position as exceptional experimentation territories to carry out innovative methods of energy production.

The Commission working document “Regions 2020”<sup>10</sup> makes an analysis on the vulnerability degree of the European regions to the challenges arisen. Most of the OR have not been taken into consideration and, when mentioned, the vulnerability indicators used have given inconsistent results that do not reflect at all the reality of these regions.

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<sup>10</sup> SEC (2008) 2868.



The OR continue to be significantly dependent on air transport. They are the only European regions entirely dependent on air transport for the movement of persons. They are also almost totally dependent on sea transport for the movement of goods. In this context, CO2 emission reduction target should not be synonymous with higher costs of transport for the population and the economy of the outermost regions. Quite the opposite, a balance should be sought without delay between the rigorous respect for the environment protection and cost-effects.

At the same time, the climate change challenge requires OR responsiveness to be strengthened. It is commonly recognized that one of the main obstacles is the higher cost of infrastructure and technological innovation. Therefore, it is necessary to reinforce, immediately and resolutely, the budget support to the efforts made by the regions, which are disadvantaged and, for this reason, they have to incur in higher expenses to adopt preventive measures.

The maritime domain is a privileged area that does not only cover transport, fisheries and aquaculture issues, but also climate change and energy. The most appropriate scale to address these issues is the sea basin, which implies that the outermost regions must be placed at the heart of regional maritime cooperation policies with their neighbouring EU third countries.

### **B.2.3 Facing demographic pressure**

Despite their diversity, demographic trends and migration contexts in the outermost regions are the major burden for their territories and infrastructures. In mainland Europe, demographic standards are currently characterized by the rapid population ageing, which implies a population reduction if migration is not taken into account.

Most of the outermost regions share the same tendencies in the very long term, although some of them are in the same state of the continental demographic transition cycle. All statistical indicators show a higher proportion of young people and, for some regions, a strong population growth over an often small-size territory. Some regions have a dynamic growth potential, while some others show a strong tendency to aging. In any case, all these situations require the deployment of the relevant means to finance essential public goods and services adapted to the different realities.

The massive influx of illegal immigrants increases the difficulties of the regions exposed to this pressure, in terms of reception, healthcare infrastructure, education, training and housing, for instance. The sole long-term policy to reduce this pressure is the development cooperation and the concerted international dialogue, which are the EU leading channels, but this should be accompanied by support to urgent measures to be adopted by the outermost regions concerned.



### B.2.4 Strategies to meet these challenges

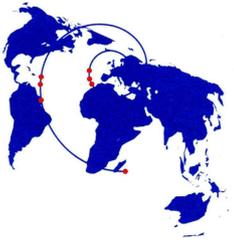
Despite the difficulties faced by the outermost regions, they have seen their growth converge globally with the EU, albeit with differences in intensity between them. The OR share the major aims set down in the Lisbon and Gothenburg strategies: knowledge-based society, competitiveness and sustainable development, which remain the driving force of the actions to be implemented.

However, in this new world that has led to the emergence of financial, economic and social crisis, social cohesion, the balance of which has already been threatened, should remain the basis of all future policies. These policies should first take into account the often inequitable conditions of access to mainland Europe, as well as the particular and new threats that affect OR cohesion. They should also consider the new sectors that could be created and generate jobs.

Future prospects for medium- and long-term development of the outermost regions calls for the Union:

- To promote sustainable development, taking advantage wherever possible of the chances offered by their potential, what previously needs a real equality of opportunities for OR citizens and businesses, based on positive discrimination measures whenever necessary.
- To implement a European policy based on solidarity, making an effort to achieve greater coherence concerning internal and external aspects of all EU sectoral policies. This policy should find a balance between the principle of the OR membership of the EU and the geographical location demanding better regional integration.
- To regard the single market as an instrument (not an end in itself), the real object of which is to improve the quality of life of European citizens, including those from the outermost regions, and take into account that the adaptation of EU policies to the reality of these regions should be the means of achieving it.
- To support, with greater coherency and consistency, real OR chances in sectors of the future, allowing them to make the most of the primary sector, food safety assurance, and all the other productive sectors, which help the diversification of the local economy.

These strategic guidelines show that given the new challenges today it is not enough to develop the territorial-cohesion objective, it is also necessary that all EU policies concerning the OR include a territorial cohesion logic. Otherwise, EU responses would not be up to the objectives, and the OR would be at risk of marginalization that would minimize the efforts made so far to benefit from their full EU membership.



The outermost regions believe that the position Europe is willing or able to hold in tomorrow world by 2020 would also depend to some extent on their ability to transform the OR values into real growth opportunities.



## **PART II: A NEW MODEL OF DEVELOPMENT, COMPETITIVENESS AND COHESION**

Both ensuring the coherence of EU policies with Article 299(2) of the EC Treaty and improving the consideration given to the outermost regions should form the basis of the European strategy for these regions, in compliance with the principle of differential treatment enshrined in the Treaty.

In this regard, the various communications from the European Commission have gradually defined a global strategy for the OR within the framework of Lisbon and Gothenburg agendas. However, this EU strategy, in practice, has only been partially accomplished in the policies implemented.

Both the road travelled over the past ten years and EU action in favour of these regions have shown progress but also some shortcomings in terms of economic effects. The OR as a whole have made progress in the convergence process, but their constraints remain structural and permanent. The OR are still vulnerable economies and particularly exposed to economic-financial, environmental, demographic and technological changes. Therefore, the continuity of a specific EU development strategy for the outermost regions remains essential.

The OR reaffirm the common destiny that unites them. Despite their differences, the OR share many similarities. In a European context marked by heterogeneity, “Our differences are similar... they unite us” now more than ever. This calls for a joint and equitable treatment of all OR by the Union taking also into account the reality of each one of them.

The EU strategy for the OR should be implemented on the basis of the three action pillars identified in 2004 (accessibility, competitiveness and regional integration), also including the principles enunciated in the Memorandum of Cayenne in 1999 (equal opportunities, coherence, partnership and potential maximization), which should properly be implemented in all EU policies having an impact on these regions.

Furthermore, the continuity of the OR objective of economic, social and territorial cohesion should be the principle vector of EU action to reduce disparities between European regions.

Through the adoption of the present Memorandum, the outermost regions are reaffirming these political objectives, the development and implementation of which are presented below.

### **A. Overcoming isolation: A bet on optimum accessibility**

The reduction of the accessibility deficit is directly linked to the principle of **equal opportunities**, and to the need to place OR citizens and business in the same conditions as the citizens and economic actors on



the European continent. The correct implementation of this principle gives rise to a strong impact on employment and economic and social activity.

Likewise, it is necessary to put the accent on the persisting lack of adaptation of certain current measures to compensate for the OR accessibility deficit, because either they do not take sufficiently into account their realities, or they merely seek a global objective set at EU level. This statement requires the principle of **coherence** to be reinforced.

Moreover, the OR wish to promote their territories' appeal by means of highlighting the competitive advantage of their geographical location on other continents of the planet. The potential of the OR as spearheads of the EU in different areas of the world should be well used. From this point of view, the reduction of the OR accessibility deficit, compared with their respective geographical environments, would give the Union a real presence in these areas, what would contribute to their external action. The added value represented by an improved accessibility of these regions with their neighbouring third countries should be reinforced, not only through specific measures directly linked to transport policy, but also by facilitating a knowledge transfer in sectors such as renewable energies and promoting the establishment of new information and communication technologies at a reasonable cost.

The results of common action reveal, among other problems, a lack of mainstreaming of the instruments (most measures are applied to sections under appendix 1 of the Treaty), difficulties in defining, quantifying and justifying additional costs, the deficiency and incoherence in the definition and implementation of certain instruments, and other problems related to the limits of competition in the markets concerned.

However, the Union has a series of policies and instruments, which may be used to overcome these constraints if they are properly implemented.

### **A.1. Transports: Demand for greater coherence between objectives and resources**

The outermost regions observe a sharp contrast between Article 299(2) of the EC Treaty (which stresses the great distance from mainland Europe) and the recommendations repeatedly made by the European Commission concerning the need to reduce the accessibility deficit of these regions, on the one hand, and the inadequacy of action instruments within transport policy, on the other. Effective measures taking into account the OR reality are needed. It is essential that objectives aimed at alleviating both the territorial discontinuity and the OR insufficient integration in their geographical environment are ensured.

Therefore, the outermost regions claim a logic territorial coherence to be applied to the measures adopted going beyond the territorial cohesion objective. These measures should be supported by detailed impact



assessments thoroughly comprising the issue of adapting the Commission proposals to the OR situation, what does not currently happen.

Thus, it is necessary to ensure a sufficient funding and a better access to infrastructures, plan better sea and air connections (both internal and external), as well as the device efficiency of compensation for additional costs.

With regard to **infrastructures**, the current situation of the OR in the context of TEN-T<sup>11</sup> planning reveals that:

- The OR are excluded from the **road network**, with the exception of the connections with the ports and airports of Gran Canaria and Tenerife (Canary Islands).
- The OR are excluded from the **motorways of the sea network**, with the exception of the Azores, the Canary Islands and Madeira with regard to the extension of the main aspects of the TEN-T to neighbouring third countries (but with several implementing difficulties).
- The OR are excluded from the **airport and seaport network** according to the different classifications established in the Community guidelines.
- The OR are excluded from the **priority projects**, although some major infrastructure projects have been and are being carried in these regions to compensate for their isolation (for example, construction of airports). Interconnection projects between the OR and mainland Europe are not considered as a priority.

Taking this situation into account and regarding **network planning**, new guidelines should therefore include connections with seaports and airports in all outermost regions (and for all islands, in the case of regions made up of a group of islands). They should also include OR seaports and airports in the priority network.

The recent communication from the Commission “Connecting Africa and Europe”<sup>12</sup> has launched a debate to establish a genuine Euro-African transport network identifying the points at which European and African networks connect with each other, with particular emphasis on ports and airports. This communication explicitly refers to the OR and the need to strengthen connections between these regions and neighbouring third countries. However, the insufficient consideration given to the OR in the TEN-T and the lack of a cooperation area with its own financial instrument could once again lead to the incoherence between objectives

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<sup>11</sup> Cf. The OR joint contribution to the public consultation by the European Commission in 2009 about the Green Paper on TEN-T (Trans-European Transport Network).

<sup>12</sup> COM (2009) 301 final.



and instruments. In consequence, special attention should be paid to the implementation of this initiative<sup>13</sup>

With regard to the funding devices for the aforementioned instruments, concerning the TEN-T, it is necessary an explicit recognition of the political priority to give to the OR projects by including them in the priority network of the new Community guidelines.

Concerning the improvement of sea and air connections in the OR, Community guidelines on airport funding and state aid to the starting-up of airlines operating from regional airports also contain specific provisions for the OR, particularly with regard to launching new routes with neighbouring third countries. These exceptions should be preserved, or even improved, given the small size of regional airline companies and the difficulties they have to reach profitable minimum thresholds. In addition, the Commission should promote the conclusion of air-traffic deregulation agreements with OR neighbouring third countries.

As for the guidelines on state aid to sea transport, given the impossibility of authorizing aid to the starting-up with neighbouring third countries, the Commission has recently recognised the possibility of using international public service obligations. However, this possibility meets several practical difficulties, what recommends in any case an adaptation of the guidelines to be coherent with the objective of ensuring connections between OR and their neighbouring third countries.

Alternatively, despite the progress made in the philosophy of the “Marco Polo” programme and the consideration of the OR particular situation, it is still necessary to adapt this programme to the reality of these regions<sup>14</sup>.

Considering the specific mechanisms to compensate for the additional costs, it is raised the question of distributing the financial burden between the different European and State levels, as well as that of simplifying procedures.

European institutions have accepted a long time ago that public instruments must take into account the effects of remoteness on OR economic activity. These measures, which in most cases have been translated into operating aid, should be preserved and adjusted whenever necessary<sup>15</sup>.

Finally, a reflection is raised on the need for an ad-hoc sector framework in the field of transport, ensuring the coherence of instruments with the objectives pursued, the adaptation to the singular reality of the

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<sup>13</sup> See also COM (2009) 495 final about Latin America.

<sup>14</sup> Cf. The OR joint contribution to the public consultation by the European Commission in 2009 on transport.

<sup>15</sup> For example, State aid – N 389/2008 – Spain - Compensation scheme for sea and air transport of goods not listed in Annex I of the EC Treaty produced in or imported into the Canary Islands and State aid N 391/2008, Compensation scheme for sea and air transport of goods listed in Annex I of the EC Treaty produced in or imported into the Canary Islands.



outermost regions and the possibility of their effective implementation, all of which have been not adapted by the current Common Transport Policy guidelines.

## **A.2. - Energy: the challenge of the sustainable use of natural resources**

The energy in the outermost regions is characterized by the total isolation of energy systems (aggravated in the case of regions made up of a group of islands), their small size in terms of supply and the strong dependence on a single fossil energy source.

This exceptional situation stresses the vulnerability of our territories in comparison with the mainland context, and justifies greater European action in this area.

Furthermore, climate change is undoubtedly going to have a higher cost impact on traditional energy production based on fossil fuels and a higher insecurity impact on supply conditions. Moreover, although the liberalization of electricity and gas markets is beneficial to the completion of the single market in this sector, the OR cannot benefit from it because of their market specific characteristics.

The OR have an enormous potential concerning renewable energies and seek a clean energy supply to minimize consumption and dependence on fossil fuels. Examples of this include the Hydro-Wind Project of El Hierro and projects for the use of geothermal energy, which continue to operate in Madeira and the Azores.

Given their strategic importance and the enormous cost of the projects carried out in the OR, the development of this potential requires a constant European financial support as well as positive actions and measures adapted to the particular characteristics of each territory.

In order to make certain that the legislative framework does not penalise OR consumers in any case with regard to the supply regularity, service quality and prices charged, it is important to ensure that:

- OR energy projects are included in the Trans-European energy network (TEN-E) as Community priority projects;
- the Commission immediately consider the possibility of a temporary exception on fuel quality standards on the basis of the principle of reality, in order to enable the OR to be supplied from neighbouring third countries.



### A.3. Telecommunications and information society: Reducing inequalities

The European Commission stressed in 2008<sup>16</sup> that “*by developing cutting-edge information and communication technologies on their territories, the OR are creating a position for themselves as platforms for the dissemination of technologies and veritable scientific portals in their respective environments*”.

Thus, as it was already stated at the end of 2005 by a study entrusted by the European Commission (DG INFSO and REGIO) and carried out by IDATE on regulatory, infrastructure and tariff aspects of electronic communications and broadband connectivity in the OR, “*our analysis (...) in the ORs leads us to conclude that there is an access gap between these regions and their countries of origin and, more generally, between these regions and European averages, both in terms of service quality and in terms of tariffs.*

*The crux of the problem as concerns penetration of the Information Society in the ORs lies in the distance separating these regions from their countries of origin.*

*(...)*

*The excess cost of intercontinental telecommunication links imposes significant constraints on competition development, network deployment and service availability, quality of service offered, and the reliability of international electronic communications”.*

Hence, for example, Réunion and Madeira are connected to mainland Europe by a single submarine cable, the access and security of which entail a highly significant additional cost. In the case of the Azores, the connection in the islands of Flores and Corvo is only made by satellite. These additional costs, related to the effects of remoteness and low volume, should continue to be taken into consideration in the approach adopted by the Commission. It is an inherent reality of our regions, which has a clear impact on the infrastructure deployment, service quality and tariffs of electronic communications. This aspect distinguishes them from the situation in regions from mainland Europe. It also illustrates the lack of depth, even from European authorities, concerning the awareness of the competition conditions in these regions, bearing in mind that, due to their isolation, they depend on a single infrastructure (a single cable) for their communication.

Currently, OR also find there is a persistent delay in the deployment of Information and Communication Technology (ICT) in their territory every time a new, innovative technology with good features is disclosed, due to their access difficulties to ICT as a consequence of the effects of OR constraints (example: broadband connectivity using latest generation access network – NGA network). Moreover, market limitations in remote, isolated, and small-size regions imply additional constraints.

Thus, starting from the implementation of the equal opportunity principle, and sharing with the European Commission the ambition for

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<sup>16</sup> COM (2008) 642 final.



the OR to become platforms for the dissemination of technologies and veritable scientific portals in their respective environments, the following proposals are made:

- On the subject of State aid, according to the principle accepted by the Commission that public action is sometimes necessary to “correct market failures” and “contribute to reducing the ‘digital divide’”, these regions should be given a differential treatment in the framework of the Community Guidelines for the application of State aid rules in relation to rapid deployment of broadband networks<sup>17</sup>. The OR regret that the Commission has not at all taken into account their particular situation so far.
- Given the OR situation with regard to telecommunications and the information society, specific solutions should be found in the framework of service liberalization with a view to assuring that the telecommunication service supply has the same level of quality and tariff compared to other European regions, according to the principle of equal opportunities and to this end resorting if necessary to public service obligations.

### **B. The creation of a conducive environment to OR competitiveness**

Heads of State and Government set in Lisbon, in 2000, the goal of making Europe by 2010 “the most competitive knowledge-based economy in the world”. According to these guidelines, OR continue to face the challenge of the economic competitiveness in their territories through a strategy based on the development of their home-grown potential. However, OR constraints limit their adaptability to future progress and ability to be ready for it.

In 1999, in the Cayenne Memorandum, OR Presidents pointed out already that the exploitation of OR advantages was the way to ensure a home-grown and sustainable development, stressing:

- the maintenance of support for the primary sector;
- the strengthening of support for the productive sector and business development; and
- the concentration of actions in the OR concerning future strategic sectors, such as the information society, environment, education and training, innovation, research, etc.

Thus, the main measures proposed for the outermost regions are intended be based on a specific territorial reality and use it as an advantage, not as an obstacle to regional development.

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<sup>17</sup> OJ C 235, 30.9.2009.



Ten years later, the goal to achieve by OR should remain the fight for development in sectors having a particular specialization potential, such as food-processing, biodiversity, renewable energies, astrophysics, aerospace science, civil protection, oceanography or seismology, just to name a few.

However, the development of this potential requires a previous recognition by a notional global framework based on equal opportunities to place these sectors in a starting position comparable to other sectors of the continent, what implies the adoption of “positive discrimination” measures aimed at consolidating them.

Considering the imperfections of the OR market, it is necessary to keep compensatory mechanisms of their particular additional costs, in order to assure **equal opportunities** and cohesion, through the relaxation of competition rules and criteria established in other EU policies concerned. Additionally, the horizontal nature of measures in favour of the OR and the impact of the various European actions strengthen the need for a greater coherence regarding the OR. Hence, it is essential that impact assessment on general measures are carried out systematically<sup>18</sup> to take into account the particular conditions and characteristics of the OR.

In short, it should be recalled that the aim of strengthening OR competitiveness should be based on an **active partnership** between the Commission, Member States and outermost regions, and the public EU decisions particularly affecting these regions should involve a prior consultation and participation of them.

The proposals below are based fundamentally on the principle of potential exploitation, but they only make sense if they are inspired by the principal of equal opportunities and applied in the framework of EU policies.

## **B.1. Preserving the so-called “traditional” sectors**

### **B.1.1. – Supporting agriculture from the viewpoint of food self-sufficiency and competitiveness.**

At the present time, the agricultural production in the OR is characterised by an extreme fragility, given the natural and economic factors of production. It remains an important element of the local economy, especially in terms of employment, and also fosters the development of local food-processing industry, which is the most important part of OR industrial production. On the other hand, in the specific context of the OR, agriculture becomes even more important in the fight against climate change.

Agriculture is highly specialised in some emblematic productions (in particular, sugar cane, bananas, tomatoes, milk and beef, wine, rice horticultural products and wood), which have to face competition in

<sup>18</sup> COM (2002) 276 final; SEC (2007) 926; Impact Assessment Guidelines of the European Commission, 15.01.2009 (SEC (2009) 92; and SEC (2009) 55.



global markets from producers with lower production costs, especially salary costs.

In the OR as a whole, the agricultural area is very small in comparison with the total OR area and suffers from a high land pressure due to the small size of their territory combined with their difficult topography (except for French Guiana, buried deep though in the Amazon jungle). In addition, agricultural production in most OR is characterized by a marked dualism between export-oriented agriculture and that to serve local markets. This production features a low degree of crop diversification and is characterised by the small size of farms. All this adds to the difficulties arising from their remoteness, small size of local markets, high population density, in some cases territorial fragmentation, often difficult weather conditions for agricultural production and natural hazards. These are all factors that contribute to reduce significantly the competitiveness of OR agriculture. Finally, local agriculture has a strong external dependence, both concerning input supply (fertilizer and plant protection products, seeds, packaging, etc.) and product marketing, in a geographical environment, which is far away from supply and market sources.

This external dependence results in a high vulnerability in supply and highlights the importance of keeping local agriculture to contribute to one of their main objectives: food self-sufficiency.

Agriculture is also a strategic sector that should be preserved because of its multi-functional nature. It is an important sector that far exceeds its contribution to GDP, what fully justifies the maintenance or even the strengthening, in a sustainable way, of all specific support measures for agriculture in the OR – both in the framework of the CAP and second pillar.

Besides, as the European Commission indicated<sup>19</sup>, *“The originality and quality of the agricultural produce grown in the OR deserve wider recognition. Indeed, the economic development of the OR is also supported by exports of products that are much in demand for their quality and unique characteristics: for instance, AOC rum from Martinique, the Victoria pineapple from Réunion or the Caribbean melon, Madeira wine, cheese and tea from the Azores, AOC wines and cheeses from the Canary Islands or flowers and ornamental plants from all of the OR”*.

The OR consider it essential to implement a quality policy for their agricultural produce taking into account their particular characteristics.

Export production has to face however excessive costs (mainly associated to labour and transport costs) and a fierce competition from the countries of their regional market (ACP countries, Mediterranean basin, etc.), which also sell their produce in mainland Europe, frequently under more favourable conditions of access. The case of the EU banana is a patent example of the progressive lack of protection concerning the main OR export products. The liberalization of agricultural markets also affects

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<sup>19</sup> Cf. COM (2008) 642 final.



other OR export agricultural products, such as sugar, and the horticultural subdivision of agriculture.

In short, the maintenance of a Community preference, taking into account the changing situation of the European market and farmers' income, requires additional support measures in order to be real and permanent and not to be continually reduced. The differentiated regime that OR have always enjoyed within a compensation policy for additional costs of agricultural production should be preserved. In addition, a strategy on qualitative differentiation and technical knowledge strengthening should be established. This differentiation strategy, in the field of organic agriculture, for example, is essential to exploit interesting opportunities and gain competitive advantage. Likewise, the EU should maintain the necessary balance between the traditional agricultural sector, tourism and, where appropriate, forestry, given the role played by agriculture in the preservation and maintenance of the natural landscape, tourist attraction and land planning.

In conclusion, it is essential not only to maintain, but also strengthen and improve the adaptation of support measures provided for in the framework of the CAP second pillar (rural development section), which should be consistent with regional policy measures.

In line with the foregoing and for the period after 2013, the OR call for:

- the maintenance of POSEI programme devices, providing them with appropriate financial resources to cover the main OR agricultural products;
- the maintenance, after the next CAP reform, of the exceptions in terms of decoupling and modulation of aid in the framework of the first pillar;
- the maintenance of structural derogations granted to the outermost regions and the reserve for the OR of a privileged access to the European Agricultural Fund for Rural Development;
- the protection of regional milk production through the maintenance of the milk quota regime in the EU after 2015 or alternative mechanisms in case of disappearance of the system;
- the launching without delay of an updated impact assessment concerning the trade liberalisation effects on the OR economy, through the proposition of measures to preserve OR agriculture, particularly the export agriculture.

### **B.1.2. – Fisheries and aquaculture**

The seven regions share a common situation with regard to fisheries that they strongly defend: the importance of an essential traditional activity, not only for the economic and social balance, but also for the



management of their territories. Therefore, it is surprising that the Green Paper on the Future of the Common Fisheries Policy (CFP) – adopted by the Commission on the 23<sup>rd</sup> of April 2009 and about which, a public consultation is opened until the 31<sup>st</sup> of December 2009 – makes no reference to the particular situation of the OR.

This consultation raises fundamental issues for the OR, such as the way of ensuring the long-term sustainability and feasibility of the fisheries sector, the adjustment of fleet capacity or social concerns, including reflections about ecological sustainability, the protection of the coastal artisanal fleets, the access to fishery resources, the integration of the CFP in the maritime policy and, among others, international agreements. Apart from the proposals and reflections contained in the present document, OR shall continue to provide this public consultation with their particular view.

The European Union has traditionally implemented a support policy for fisheries in the OR, which has resulted in a set of measures related to different aspects of the common fisheries policy. The importance of this sector justifies the deepening of some of these specific measures for the period after 2013:

- In terms of economic, ecological and social sustainability of fishing activities in the OR, specific provisions on management and protection of marine resources in these maritime areas ensuring the stability and permanence of the fishing sector in local communities remain to be defined.
- The appropriate management of the CFP in the OR also requires the possibility of creating a specific Regional Advisory Council (RAC) for the OR, provided with adequate financial means and establishing new areas in this field, in the framework of Decision 2004/585/EC<sup>20</sup>.
- As for the European Fisheries Fund, it is important to plan the maintenance of subsidized co-financing rates, provided with a simplification of management procedures.
- Aid to the creation of producer organizations should be able to be granted without being gradually decreased or limited in time in order to consider OR constraints<sup>21</sup>. As this is an operating aid, the Commission should apply here the coherence criterion<sup>22</sup>
- It is necessary to maintain specific compensation mechanisms for additional costs of the marketing of fishery products after 2013, taking account of the structural and permanent limitations affecting this sector. This measure should be complemented by

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<sup>20</sup> OJ L 256, 3.8.2004.

<sup>21</sup> Today, Regulation (EC) n°1198/2006 on the European Fisheries Fund, in Article 37, aid is required to be digressive and limited to 3 years. JO L 223, 15.08.2006.

<sup>22</sup> Similar to operating aid mechanisms from guidelines on State aid for regional purposes, which can be authorised without being decreased or limited in time.



other support measures for fisheries and aquaculture sectors (local production) similar to the approach used in the agricultural POSEI programmes.

- As for State aid, it is important to give a new direction to the text of 2008<sup>23</sup> along the lines of the preceding one<sup>24</sup>, which was more favourable for the outermost regions<sup>25</sup>.
- the possibility of granting temporary suspensions, or even exemptions from the common customs duties for fishery products should be maintained.
- As regards to aquaculture, measures should be designed to make the most of a sector that can contribute to preserve the fishery resources.
- Regarding the fishing fleet:
  - the possibility of further developing established fleets in the OR should be preserved according to the available resources;
  - the fleet framework should be maintained by specialities and according to the particular nature of each OR;
  - the debate about the aid for fleet renewal should be opened without delay, taking into account the reality of each OR sea basin; and
  - aid for the fleet modernisation should be extended.
- It is also essential to ensure the principle of coherence of the CFP, as the OR share both their internal and external aspects due to their geographical location. This situation makes them particularly sensitive to international developments both with regard to bilateral fishing agreements to be concluded by the EU with neighbouring third countries and agreements arising from regional fisheries organizations <sup>26</sup>.
- At the same time, this subject matter urgently requires a previous impact assessment on the improvement of sea governance in these specific fields (maritime area planning, marine and maritime research, integrated maritime surveillance, regional cooperation).

<sup>23</sup> OJ C 84, 3.4.2008.

<sup>24</sup> OJ C 19, 20.1.2001.

<sup>25</sup> Section 2.9.5 “Aid designed to meet the needs of outermost regions will be assessed on a case-by-case basis, having regard to the provisions of Article 299(2) of the EC Treaty and the compatibility of the measures concerned with the objectives of the common fisheries policy and the potential effect of the measures on competition in these regions and in the other parts of the Community.”

<sup>26</sup> Example: Réunion, a French outermost region, is represented by the European Union within the Indian Ocean Tuna Commission (IOTC), whereas France represents Mayotte and the French Southern and Antarctic Lands.



Finally, it is important to continue ensuring the protection of fishery resources and marine biodiversity, with the implementation of a policy based on the principle of proximity management and preventive management, which ensure the future of fishing and OR maritime communities.

## **B.2. Other productive sectors: an innovation potential to be developed**

### **B.2.1. Industry: For an integrated strategy**

The existence and accumulation of additional costs in the OR traditionally constrains development in the industrial sector. Remoteness and insularity generate a number of additional transport costs. These costs are added either to the costs related to the lack of productive resources (energy sources) and raw materials, or those resulting from the effect of small market size on the production functions of businesses (few economies of scale).

In the local economy, these additional costs have impacts on most sectors concerning output of goods, such as the small size of businesses, excessive interdependence of activities, diversification limited by the low production volume, difficulties in the management of industrial and/or hazardous waste, which in some of these regions have to be exported, limited access to specialized and maintenance services, training for company employees at all levels, limited export volume and strong dependence on the outside (particularly mainland Europe). All this makes the output of goods especially vulnerable to factors such as globalization and industrial delocation, competition from external productions due to the fact that OR are considered as residual markets, and the high dependence on fossil fuels and raw materials from abroad.

Despite all these difficulties, the output of goods in the OR gives the OR economies a more stable employment and skilled labour, generates knowledge in the process of product research and has close links with the universities and knowledge centres, thereby reducing external dependence. This explains that many activity sectors have been able to develop only through the establishment of different European support instruments, without which their endurance would be questioned.

The maintenance of all these support measures for the industrial sector (national regional aid, freight aid, tax measures linked to the free zone of Madeira, differential rates in the AIEM and “Octroi de mer”, Specific Supply Arrangements, etc.), with the necessary adaptations, is essential for the continuation of productive and processing activities in the OR. However, apart from adopting specific measures, the OR also demand the consolidation of an integrated support strategy for their output of goods to address comprehensively and coherently their particular characteristics, specific additional costs and needs. In some of the OR, the implications of double insularity phenomenon should also be taken



into consideration, by analyzing all measures that contribute to the maintenance and upgrading of industries located in remotest islands.

### **B.2.2. - Services: Support for growth and innovation potential**

In OR economies, the service sector generally represents an important part of overall employment and a high percentage of GDP, unlike trends shown by EU continental regions. Innovation, defined concisely as "*the successful production, assimilation and exploitation of novelty in the economic and social spheres*"<sup>27</sup>, is one of the pillars of the Lisbon strategy. The enterprise is at the heart of the innovation process. Service companies innovate as much as industrial companies, but it is different innovation compared to technological or "breaking" innovation. The necessary adaptation of enterprises to their environment requires, especially in the OR, organizations and operating methods to be developed and imagined. Nevertheless, innovation support policies in the service sector have not yet been sufficiently developed in the EU. As this sector is crucial in the OR, these regions urge greater support for innovation in services, including the definition of organizational schemes within the framework of the ongoing review of the EU innovation policy. Given the importance of tourism in the OR economy, the propositions are as follows:

- According to the provisions adopted by the Commission, enterprises should be encouraged to focus on excellence, adopting high quality standards, implementing innovation and providing environmentally friendly services. In this context, it is important to consider tourism as a priority sector in the initiative launched in 2007 by the Commission on "Lead markets" (LMI). It identifies goods and service markets, in which innovation is necessary and possible.
- The influence of European policies concerning environment, transport, employment and research with regard to tourism and its sustainability should be taken into account. The example of OR integration in the scheme for greenhouse gas emission allowance trading within the EU concerning aviation activities is once again revealing and call for the appropriate impact assessment.

More generally, the implementation of EU policies in the service sector also reveals incoherencies with respect to the particular situation of the OR. Thus, the Directive on Services<sup>28</sup> has no specific provisions for the OR with regard to the EU area as a whole. Therefore, one could wonder whether it would have been suitable to have previously carried out a thorough assessment of the impact that the liberalization of this magnitude could have had on fragmented and remote territories.

### **B.3. – Sectors and fields of future: experimental and excellence areas**

<sup>27</sup> COM (2003)112 final.

<sup>28</sup> OJ L 376, 27.12.2006.



### **B.3.1. - Research, development and innovation**

The particular situation of the OR in the fields of research, development and innovation has also been recognised by the European Commission and by their respective Member States. The unique characteristics of the OR in terms of geographical location and climate constitute specific advantages for the implementation of certain actions in areas such as biodiversity, marine resources, climate change, renewable energies and water, environment, natural resources, health and new technologies.

Specifically in the areas of natural resources and biodiversity, the OR represent, for the European research, a privileged access to tropical ecosystems having a unique biodiversity and agriculture and allowing research to be carried out within the framework of the European Research Area as “natural laboratories”. They are also conducive to experimentation.

Within ERDF and ESF operating programmes for 2007-2013, the OR have opted for a high concentration of expenses in areas covered by the Lisbon Strategy by means of implementing regional innovation strategies and strengthening human potential development in research and innovation sectors.

Despite all their potential and the efforts made, the OR continue to face more difficulties than other European regions to improve the factors contributing to competition, growth and employment along with the Lisbon Strategy, particularly in the field of R&D&i. In this sense, the research organization in the OR is weakly structured, as it is chiefly compounded by national or local public bodies and there are very few innovation businesses carrying out R&D activities.

There are also difficulties in retaining highly qualified human resources, which inhibit the creation of the minimum critical mass necessary for the development of certain research activities, despite the existence in the OR of a young population with an increasingly efficient education level and it would be interesting to attract the attention of these people to research activities. Besides, the difficulties for effective integration of OR research teams in major networks and projects, and in European research programmes should be noted, what requires, despite the progress made, a better access to the instruments provided for in the context of the R&D Framework Programmes and, more broadly, in the European Research Area (ERA).

The excellence criterion applied to the EU R&D policy must not contradict the territorial cohesion objective of this policy. A territorial impact assessment of it would be necessary for the creation of appropriate strategies to boost the European territory evenly, for example, specific positive discrimination for OR enterprises to take part in project call for bids.

It is also essential to carry out an action restructuring and coordinating initiative capable of ensuring coherence of projects to be implemented by



the different actors involved in this process at European, national and regional levels. In this context, OR welcome the proposal of the European Commission to organize, together with the OR, information sessions aimed at better explaining how EU instruments and policies work, particularly with regard to the 7<sup>th</sup> RTD Framework Programme<sup>29</sup>. However, this proposal comes a little late for the current period and requires an active partnership with regional authorities and a detailed appraisal of the results obtained and difficulties encountered with a view to preparing applications to be submitted with regard to the call for bids of the 7<sup>th</sup> RTD Framework Programme.

In any case, the goal is that the OR can become platforms for the dissemination of technologies and veritable scientific portals in their respective environments<sup>30</sup>. The OR draw on the diversifying of their economy through knowledge. As an example, the OR carry out projects in areas such as oceanographic research on marine resources and future projects, which require permanent support from the EU (MADE<sup>31</sup> and CONDOR<sup>32</sup> in the Azores). Another example can be found in Guadeloupe, which is establishing a Biological Resource Centre (BRC) in the tropical field.

In the Canary Islands, among the latest initiatives, the International Centre of Science and Technology for Development in the area of development cooperation has been created. In the field of astronomy, having recently opened the Gran Telescopio Canarias, the Spanish authorities support the aspiration of the Canary Islands to host the European Extremely Large Telescope (E-ELT). Faced with the challenges of food security and biomedical research in an environment particularly sensitive to epidemiological risk, Réunion has adopted a high-level technical platform, “CYROI”<sup>33</sup>, co-financed by the ERDF.

OR proposals contained in the Action Plan for Research, Development, Demonstration and Innovation activities, which was attached to the OR joint contribution signed on June 2, 2003, on the implementation of Article 299(2) of the EC Treaty, are still relevant today. We hereby request them to be included in the 8<sup>th</sup> RTD Framework Programme. In this context, it is necessary to launch a call for projects for the OR in the specific programme “Cooperation”<sup>34</sup> of the RTD Framework Programmes to assist cooperation with neighbouring third countries, also involving other European regions with major research centres, on the basis of a tripartite cooperation.

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<sup>29</sup> COM (2008) 642 final.

<sup>30</sup> COM (2008) 642 final.

<sup>31</sup> Mitigating adverse ecological impacts of open ocean fisheries – MADE.

<sup>32</sup> Observatory for the long-term study and management of seamount ecosystems in the Azores.

<sup>33</sup> CYROI: “Cyclotron Réunion Indian Ocean”. See: [www.cyroi.fr](http://www.cyroi.fr).

<sup>34</sup> OJ L 400, 30.12.2006.



### B.3.2. – Making the most of the environment

Globally, OR natural resources are of key importance for biodiversity. These regions have a unique richness within the EU. The challenge is to ensure a balanced development of these regions preserving at the same time this biological wealth.

Environmental planning in the OR also raises difficulties that are totally different from those found in other European regions.

The threat of natural disasters, the introduction of non endemic animal or plant species represent, among others, a serious risk to the protection of natural areas in a short period of time. Besides all this, the water-related problems (shortage, or the opposite, overabundance) and waste management-related problems in all OR are also important and worrying issues, given their small size and territory fragmentation.

The compliance with environmental objectives requires substantial investment that involves high costs for these regions, much higher than those borne by mainland regions, due to their insularity and remoteness, and they are even higher in the case of OR compounded by a group of islands. Moreover, their small size and various protected natural areas make it even more difficult to build the necessary infrastructure to ensure the proper management of resources, mainly in the fields of waste, energy and water resources.

The progress made would not have been possible without EU support, not only from Structural Funds, but also through other specific actions, which have significantly contributed to improve environmental conditions, have a greater awareness and change habits and behaviour of the OR population.

Despite all these efforts, there are still necessities and objectives difficult to achieve without EU financial support. In addition, the adaptation of EU regulations should respect the principles of coherence and, above all, proportionality. Priorities of EU action programmes for the environment should remain including concerns regarding OR environmental protection such as the climate change, renewable energies, biodiversity protection, management of coastal areas or risk prevention, and management of water resources and waste.

Proposals of the European Commission<sup>35</sup> to develop an optional plan for nature preservation in the OR, based on the experience of Natura 2000, or develop and implement measures aimed at combating invasive species also provide future lines of thought and action, which should not be neglected.

In this context and given the fact that OR are the major net contributors in terms of biodiversity and thus highly vulnerable to climate change challenges, it should be remembered the importance specific additional instruments such as REGIS or POSEI-Environment have had for the

<sup>35</sup> COM (2008) 642 final.



preservation of this wealth. This is an approach that should be reiterated for future European actions.

### **B.3.3. - Education, training and employment**

The Lisbon Strategy proposed action guidelines to modernize the European social model through the investment in human resources and fighting against social exclusion. The reorientation of expenditure towards investments in physical and human capital and the field of knowledge contributes to boosting growth. The importance of investing in human capital is a key element to promote European competitiveness, obtain high rates of growth and employment, and the evolution of a knowledge-based society.

The difficulties in the implementation of the Lisbon Strategy are more evident in the OR. The remoteness, small size of internal market, dependence on a few productive sectors, technological and connectivity gap and high school-leaving and unemployment rates – mainly youth unemployment rates – in the OR restrict the possibilities to achieve this sustainable economic growth.

Adapting the Lisbon Strategy to the situation of the OR is therefore essential in accordance to Article 299(2) of the EC Treaty establishing the European Community. However, with regard to education, training and employment, it appears that this essential adaptation has not been carried out.

In the field of **employment**, the population growth has increased the labour supply. Nevertheless, this labour increase stands at a context of severe global economic, financial and social crisis, what has generated a permanent surplus labour and unemployment rates, which are around 25% in almost all OR.

The OR convergence process slows down while these regions have difficulties in achieving the appropriate levels of economic and social cohesion.

Furthermore, business system in the OR is characterised by the small size of their enterprises, which have a relatively low recruitment capacity. These micro-entreprises are also facing major difficulties arising from OR situation, where the market is narrow, fragile and very little diversified. In this context, the OR opt for a high level of professional qualification with the support of a dynamic training programme to be mainly supported by the European Social Fund.

However, there are some new fields in the OR that provide promising prospects for the creation of enterprises and employment, which could be exploited by means of supplementary and monitoring measures: sea and marine resources, ICT, agro-industry and maximization of local products, environment and renewable energies.



Of the two main financial instruments for the promotion of employability – PROGRESS and the European Globalisation Adjustment Fund (EGAF) – none has been modulated to suit OR reality. However, this modulation proves to be essential to remove obstacles to growth and competitiveness in the OR, thus it fosters employment creation and firmly supports regional employment plans in these regions.

Therefore, the OR wish to encourage a number of specific measures to foster the employability of OR citizens, by means of:

- A differentiated treatment for the OR within the new “European microfinance facility for employment and social inclusion” – PROGRESS *microfinance facility*<sup>36</sup>.
- The establishment of exemptions from EU regulations limiting the possibility of giving priority to local recruitment in a public award of contract.

With regard to **education** and **training**, the OR have a very young average population with significant qualification needs.

The different education and training programmes of the EU (“Comenius”, “Erasmus”, “Leonardo da Vinci”, “Grundtvig”...) do not include any modulation for the OR. Despite the intentions expressed by the European Commission<sup>37</sup>, European Programmes have not reflected the mobility constraints of young people in the OR, what seriously hampers them to benefit from the possibilities offered by these programmes. For example, “ERASMUS” does not cover the transport cost of OR students between their region and the capital of their Member State. This inadequacy strongly penalizes OR student mobility between the outermost regions and mainland Europe.

With regard to higher education, the OR provide the EU with value added given their privileged relations with neighbouring third countries. The EU should help the OR to make the most of their higher-education teaching potential with these third countries.

## **B.4. - The impact of new challenges**

### **B.4.1. – The climate change**

The climate impact of global warming on the OR is very different from the expected on mainland Europe, including higher risk of extreme weather events. These circumstances, together with the natural, territorial and

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<sup>36</sup> New European microfinance facility to help unemployed persons to start their own micro-enterprise. It will have a maximum duration of 8 years.

<sup>37</sup> COM (2007) 507 final: “the Lifelong Learning Programme should stimulate exchange, cooperation and mobility between the education and training systems in the Community while bearing in mind the priorities of the ORs”.



socio-economic characteristics of the OR lead to a greater vulnerability of their natural, economic and social systems.

Several differentiating factors determine the specific dimension of the foreseeable climate-change effects on the OR.

First, their remoteness from mainland Europe implies less capacity to respond to any emergencies. Likewise, their tropical or subtropical location exposes them to epidemiological risks. Insularity also increases the impacts given the expected sea level rise, and the difficult topography contribute to increase erosion risks, what entails a considerable threat for OR infrastructure.

With regard to the climate-change impact on the OR, it would have serious effects on their biodiversity and the relevant preservation of it, on the one hand, given the small size of their ecosystems, their territory fragmentation and the pressure effect of their high population density. But on the other hand, a strong energy impact would take place as OR energy systems are characterised by their isolation, small size and full external dependence.

In the field of immigration, the proximity of some OR to geographical areas such as Africa, Indian Ocean and the Caribbean, which would suffer the severest effects of climate change, may support new phenomena that we could call “weather migration”. In this context, climate change reinforces the need to identify priorities on an EU level in terms of resources, considering the OR differently and implementing special measures to support them so that they can be prepared to face, in the best conditions, the negative consequences generated by climate change<sup>38</sup>.

All this more than ever requires the European Commission to adopt now an integrated approach of all policies for the outermost regions, particularly in the fields of environment, energy, competition, cohesion, research, health and transport. The transformation of energy systems and fostering of renewable energies in the OR and the need to reinforce and modernize existing infrastructure in small-sized and fragmented territories to adapt them to the conditions demanded by the climate change and foster waste treatment and re-cycling industries to combat greenhouse gas emissions demand major efforts in the OR than in European mainland regions.

The present analysis requires not only a precise ex ante evaluation of the impact of EU measures, but also a review of European policies in favour of the OR, particularly in the fields of infrastructure, the supply of energy and services of general interest, which would eventually need additional financial resources justified by the effects of OR constraints.

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<sup>38</sup> See at [http://ec.europa.eu/regional\\_policy/consultation/rup/contri\\_fr.htm](http://ec.europa.eu/regional_policy/consultation/rup/contri_fr.htm) the different contributions received by the Commission within the framework of the public consultation launched by its communication on September 12, 2007 “Strategy for the outermost regions: Achievements and Future Prospects” (COM(2007) 507 final).



In this context, the commitments acquired by the European Commission<sup>39</sup> to recognise the vulnerability of the outermost regions in the context of the White Paper on adaptation to the effects of climate change and launch a study of the economic impact of adaptation to climate change in coastal areas, with a specific analysis of the OR, are particularly significant. This approach should help to correct the lack of data on the OR evidently shown by the report from the European Commission on climate change challenges for European regions<sup>40</sup>.

On the other hand, as the European Commission has indicated<sup>41</sup>, “*The geomorphologic characteristics and geographical location of the OR are assets of fundamental importance for scientific research, particularly the study and monitoring of phenomena linked to the effects of climate change*”. Accordingly, the European R&D&I programmes should in particular encourage research in the OR associated with biodiversity, renewable energy development, health and the impact assessment of climate change on tourism.

#### **B.4.2. – The maritime policy**

Among the new challenges, the maritime policy, as it has been fostered by Barroso’s Commission, is relatively recent. The importance of oceans, due to both the resources generated there and their impact on weather, has naturally a very special significance for the OR, which have an undeniable maritime dimension.

- The outermost regions constitute an exceptional geological laboratory, they benefit from rich marine resources, which are diversified and of excellent quality, and have environmental conditions representing an important potential for aquaculture. All these conditions support the suitability of these areas to carry out oceanographic studies and develop sea energy resources.
- The OR encourage the European Commission to conceive and plan the maritime areas of OR environments in a very specific manner. Preference should be given to a horizontal approach for each sea basin in all public policies concerning the outermost regions (for example, fisheries, transport, regional cooperation, environment, research, etc.)

According to the conclusions of the European Council of Brussels on December 14, 2007, the Union is committed to developing an integrated maritime policy that “*should take particular account of the different specificities of Member States and specific maritime regions which should call for increased cooperation, including islands, archipelagos and outermost regions as well as of the international dimension*”.

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<sup>39</sup> COM (2008) 642 final.

<sup>40</sup> SEC (2008) 2868 final.

<sup>41</sup> COM (2008) 642 final.



The use of the exceptional OR maritime dimension should be therefore promoted, creating conditions for growth in the fields of innovation, research, environment and biodiversity. In various declarations of the OR President Conference and other political documents<sup>42</sup>, not only the exceptional maritime dimension of these regions for the European Union has been recognised, but also proposals in this respect has been formulated. The maritime policy lays emphasis on OR remoteness from European decision-taking centres and calls for the implementation of appropriate measures to compensate the accessibility deficit, particularly using adjusted regulations concerning transport policy. At the same time, maritime policy is a catalyst for territorial competitiveness at many levels: the OR can become natural laboratories for the conduct of major studies on marine sciences and resources.

The geological advantages of the outermost regions offer opportunities for activities linked both to the exploitation of marine resources for economic purposes and the development of energy resources. Thus, it is necessary the Union continues to support these sectors.

The Blue Paper on Maritime Policy now recognises rightly the special role the OR may play in the European maritime policy. However, it is extremely important that this recognition is followed in the future by specific measures and support, both in the fields of R&D&i and transport, and preservation of marine resources and biodiversity. In this context, the need to take into consideration the EEZ dimension of the OR is highlighted. In this respect, the communication from the European Commission “*The Outermost Regions: an asset for Europe*” include several proposals aimed at improving knowledge on the marine environment and maritime affairs, creating research networks, making the most of the OR role as privileged observatories of the marine environment for Europe and fostering the strategic role of these regions concerning maritime governance and monitoring in their respective geographical areas.

With regard to partnership strengthening, the new organizational chart of DG MARE specifically recognises the area of the Outermost Regions. All these measures constitute for the OR a qualitative step forward in this subject, which should continue in an integrated and coordinated manner until 2020.

#### **B.4.3. - Demographic trends and the impact of migration currents**

Although the OR have different demographic trends, most of them are characterized by a population growth, either natural or due to an important migratory pressure. These trends imply an increased demand for public services, particularly health, social and learning services, as well as for preferential goods, mainly social housing at low rent.

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<sup>42</sup> For this purpose, see contributions made within the framework of the RUPMER project. See also contributions received by the Commission within the framework of the public consultation launched by communication on September 12, 2007.



This rapid population growth entails significant and not negligible consequences for public authorities having to manage essential services. This situation requires the adoption of different kind of measures in the short, medium and long term, demanded constantly by the Declarations of the OR Conference of Presidents and other political documents<sup>43</sup>, which will be crucial for the future development of these regions.

The communication from the European Commission in 2008<sup>44</sup> launched “an impact study to obtain a better overview of the consequences – positive and otherwise – of both migration and demographic trends on the territory, the labour market, public services, education and health in the OR.” The object of the study is to examine in the short to medium term how the evolution of these trends affects the economic, social and territorial cohesion of each of these regions, particularly with regard to the impact on the territory (demand for public infrastructure for transport, reception, housing, health care, education, environmental management etc.), labour market (number and type of jobs needed or lacking, pressure on wages, etc.), demand for public services (health, education, training, safety, etc.), economic results (impact on per capita GDP and its growth, per capita income, the role of money transfers from resident migrants to households in their country of origin), relationships with neighbouring third countries, in particular with regard to the movement of capital and persons. The OR are waiting thus for the results of this study and appropriate measures to be adopted by the European Union in this regard.

## **B.5. - A set of instruments adapted to a competitiveness strategy for the OR**

### **B.5.1. - State aid**

EU competition rules and, especially, those concerning State aid are a crucial instrument to support the development of the OR due to their contribution to modernisation and diversification of the economic activity, introduction of new businesses and skilled human resources. State aid plays a key role in the reduction of remoteness effects.

State aid contribution to achieve the economic, social and territorial cohesion objectives of the OR has been recognized by the EU at the highest level, and the outermost regions have been identified as a key factor to assess the compatibility of public financial support in these regions with the common market.

**Guidelines on National Regional aid for 2007-2013** (NRA), adopted by the European Commission on December 21, 2005, consolidate the existing framework that allows in the OR national regional aid, which is neither progressively reduced nor limited in time, and intended partly to

<sup>43</sup> See contributions received by the Commission within the framework of the public consultation launched by communication on September 12, 2007.

<sup>44</sup> COM(2008) 642 final.



offset additional transport costs and additional costs linked to the factors, identified in Article 299(2) of the EC Treaty, the permanence and combination of which severely restrain the development of the outermost regions.

These guidelines include the outermost regions in the scope of the derogation in Article 87(3)(a) of the EC Treaty, regardless of their GDP per capita. This specific treatment recognized by the European Commission in the competition policy is justified by an economic reality identified in Article 299(2) of the EC Treaty and future Article 107(3) of the Treaty on the Functioning of the European Union. Thus, there is no distinction between each OR and all of them are given a uniform treatment. This recognition should be extended, under the principle of coherence of European action, to other activity sectors.

This analysis should be completed by recalling that these guidelines also authorize subsidized aid intensity rates for investment in the Outermost Regions, an approach that should be maintained in the future.

As this specific treatment is permanent, the OR are included automatically in the future article 107(3)(a) of the Treaty of Lisbon. Consequently, neither the validity of national regional aid maps, nor the necessary renewal of the notification of OR scheme aid should be considered. The permanence of the OR constraints justifies the EU response to the challenge of the OR economic development to be considered as long-term relevance. Finally, with regard to major investment projects, the aid intensities should benefit from the same subsidies as investments in infrastructure.

On the other hand, these positive aspects, which could give a response to the major future challenges (research, innovation, environment, etc.), are very limited in the horizontal guidelines. The OR ask the most favourable NRA rules to be extended automatically in order to encourage private investment in these fields.

Concerning the field of transport, **Community guidelines on financing of airports and start-up aid to airlines departing from regional airports** take into account the poor accessibility of the OR and allow the granting of start-up aid for new routes from the outermost regions to neighbouring non-member countries, generally with more flexible compatibility criteria, in particular in terms of intensity and duration, whatever the airport category may be, subject to a case-by-case assessment.

Likewise, the European Commission, in its 2007 communication<sup>45</sup>, announced its intention to revise state aid in the field of maritime transport in this regard. The Commission insists on the same idea in its 2008 communication<sup>46</sup>, adding the possibility of using international public service obligations within guidelines in force. The OR insist that Community guidelines on State aid to maritime transport take into

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<sup>45</sup> COM (2007) 507 final.

<sup>46</sup> COM (2008) 642 final.



account the specific characteristics of the outermost regions in their next revision, with regard to both internal connections within their own territory (not only in the case of regions made up of a group of islands but also internal territorial maritime connections, for example, as an alternative to road transport) and connections with neighbouring third countries.

Additionally, it is important to remember that **community guidelines for State aid in the agriculture and forestry sector 2007 to 2013** allow operating aid for the OR in the sector of producing, processing and marketing of agricultural products, with a view to mitigating the specific constraints of the outermost regions as a result of their remoteness, insularity and distant location. These particular characteristics should be maintained in the future. These guidelines also provide for specific aid intensities for investment aid for farmers, and processing and marketing companies in the outermost regions, under certain conditions<sup>47</sup>.

The new **community guidelines for the examination of state aid to fisheries and aquaculture**, which came into effect in April 2008, also include explicit reference to the OR and allows aid for marketing of fishery products and fishing fleet. They are, however, a step backwards compared to the guidelines in 2001, which included a provision authorizing the Commission to assess case by case any aid request made by the OR. This provision should be included again by the European Commission.

Finally, the **community framework for state aid for research, development and innovation** provides specific subsidized aid intensities for the setting up, expansion and encouragement of innovation clusters. However, the European Commission has not adopted a specific treatment for the outermost regions.

The same consideration should be made with respect to the guidelines on State aid for environmental protection. In this field, the Commission should take into account that adjustment costs are higher and environment is more fragile than in mainland Europe. Thus, aid for adaptation to European standards should be allowed and operating aid, neither time-limited nor decreased, should be authorized in all areas of interest for the OR, particularly with regard to the re-export of waste.

In the context of state aid for research, increased intensity rates should be provided for in the experimentation and demonstration phases of major European projects taking place in the OR. This could both contribute to the success of projects and improve the investment attraction in the OR, so they could make the most of their potential.

A similar reflection should be made with respect to the **guidelines on State aid for rescuing and restructuring firms in difficulty, exemption regulations and minimis rule**, which do not include either any specific treatment for the OR and deal with different situations similarly, against the principle of equal opportunities.

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<sup>47</sup> OJ L 277, 21.10.2005.



With regard to guidelines on National Regional aid, the introduction of the concept of Gross Grant Equivalent (GGE) in the aid calculation method has in practice led to a significant reduction of the aid intensity authorized by the Commission. In this regard, it would be desirable that future guidelines after 2013 consider in the seven OR the increase and uniformity of aid intensity levels expressed in GGE to be balanced with rates in force for the period 2000-2006, which were expressed in Net Grant Equivalent (NGE).

No mention of the OR has been included in the recent Community guidelines for the application of **State aid rules in relation to rapid deployment of broadband networks**, although their particular constraints in the access to such services require special attention from the Commission.

Furthermore, the **exemption regulation on State aid to small and medium-sized enterprises**<sup>48</sup> included, in the initial version, the possibility of granting aid for investment in tangible and intangible assets outside the EU. In this regulation, the gross aid intensity could not exceed 15% in the case of small enterprises and 7.5% in the case of medium-sized enterprises. This possibility has disappeared from the general exemption regulation, recently modified by the Commission, despite the fact that such provision is of great interest to the OR, which evolve in a different geographical environment from that in mainland Europe as they are very close to EU third countries.

The possibility for OR enterprises to invest in their closest geographical environment is a key factor to diversify their economy and helps to deepen economic cooperation. It would thus be desirable for the Commission to consider the opportunity of authorizing the creation of a device for the OR to invest in neighbouring countries, applying the same aid intensity provided for in guidelines on National regional aid.

Finally, with regard to **services of general economic interest**, given the structural constraints endured by the OR, what may be reasonable in the mainland territory of the European Union may not be reasonable in the case of isolated and fragmented territories, where the free market does not allow EU economic and social objectives to be achieved. Therefore, it is necessary that countervailing measures are not included in the scope of Article 87(1) of the EC Treaty in order to maintain similar access, quality and costs to those in other regions and thus be able to maintain economic competitiveness.

### **B.5.2. - Taxation and customs**

Treaties and the different European regulations have taken into account OR singularity concerning taxation and customs matters and have allowed the establishment of measures adapted to each region.

<sup>48</sup> OJ L 358, 16.12.2006, p. 3/21.



From a general point of view, these regions have their own indirect taxation, inherited over the past years and adjusted to European regulations.

With regard to direct taxation, the code of conduct for business taxation establishes a special assessment system for direct taxation in the OR on the basis of proportionality and taking into account their specific characteristics and constraints, without undermining the integrity and the coherence of the Union legal order, including the internal market and common policies. As for customs matters, a complete series of derogatory measures to the general customs regulations have been adopted for these regions within the framework of the POSEI programmes and specific supply arrangements for agricultural and fishery products.

The overall aim of these measures is to allow economic and social development of these regions through compensation, although only partial, of the additional costs related to the outermost regions. Thus, there is still a pressing need to continue the review of OR tax and customs devices with appropriate diligence, even through a different assessment procedure that allows for greater celerity in decision-making and preservation of the differentiated treatment principle on the basis of Article 299(2) of the EC Treaty.

- **Taxation**

Both the French OR and the Canary Islands enjoy a special taxation system by virtue of which they are excluded from the scope of the sixth VAT Directive. In the case of the Canary Islands, VAT is replaced by a similar consumption tax of their own (IGIC, general indirect tax of the Canary Islands); in the case of the French Overseas Departments (FOD), except for French Guiana, VAT is replaced by a local VAT system, similar to the European system, but with certain adjustments. The Azores and Madeira apply lower VAT rates. These special systems have proven to be adapted to the particular circumstances of the OR and they should be preserved.

French OR and the Canary Islands are also excluded from the application of the general arrangements for excise duties established by Council Directive 2008/118/EC<sup>49</sup>, and benefit from certain sector adaptations, which seek to protect certain local productions. These provisions, which seek to preserve the competitiveness of certain local productions, should be supplemented in the case of the Canary Islands with certain exceptions to the general arrangements for excise duty on tobacco, with a view to helping to maintain a traditional productive activity that would otherwise risk disappearing. In particular:

- The application, by Council Decision, of a 5% reduced rate of the excise duty (currently 14.5% “ad valorem”) on entry into Mainland Spain and the Balearic Islands of Premium cigars produced in the

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<sup>49</sup> OJ L 9 of 14.1.2009.



Canary Islands, for a quota of 4 million cigars, until 31 December, 2013.

- The granting of exemptions from Council Directive 2007/74/EC, of the 20 December 2007, on the exemption from value added tax and excise duty of goods imported by persons travelling from third countries<sup>50</sup> allowing increased quantitative limits of tax free tobacco products, taking into account the need to adapt to the OR situation.

All this is subject to the possible application of Articles 87 and 88 of the EC Treaty on State aid.

The Canary Islands and the FOD also apply two specific taxes, the AIEM (tax on imports and deliveries of goods in the Canary Islands) and the “octroi de mer” (dock dues in the French overseas departments). Their tax model is linked to regional development and has been validated by the European institutions. The AIEM has the objective of encouraging industrial production, maintaining its competitiveness in relation to imported products and thus strengthening the industrial contribution to regional GDP. To this end, the Council adopted in 2002 a Decision<sup>51</sup>, in force until 31 December 2011, which authorizes total exemptions total exonerations from or partial reductions of the tax in respect of products produced locally, what makes a difference in taxation between local and imported products.

In 2008, the Commission presented a report<sup>52</sup> to the Council comprising an analysis of the economic and social aspects of the application of those special arrangements concerning the AIEM tax. It concludes that such tax is still justified in its present form and no proposal from the Commission for adapting the existing provisions is thus required.

Nevertheless, a longer term application, beyond 2011 even 2013, should be considered, subject to the mid-term reviews and the necessary adaptations.

As for the “octroi de mer”, provisions thereof remain in force until 1 July 2014. Council Decision 2008/439/EC<sup>53</sup>, of 9 June 2008, has updated the lists of products subject to “octroi de mer” through the addition of new products in French Guiana. This provision should also be preserved in the longer term.

For both the AIEM and the “octroi de mer”, a permanent scheme adapting taxed products to OR economy and reality through a comitology procedure should be included in EU regulations.

In this context, the tax aid scheme with regard to the free zone of Madeira is an essential instrument to attract new investments and

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<sup>50</sup> OJ L 346, 29.12.2007.

<sup>51</sup> OJ L 179, 9.7.2002.

<sup>52</sup> COM(2008) 528 final.

<sup>53</sup> OJ L 155, 13.6.2008.



ensure diversification and modernisation of the economy and job creation in this region. Thus, in order to realize the development programme of this region, it is essential to seek a European-level response to solve the problems that currently constrain the fulfilment of scheme objectives.

- **Customs**

All outermost regions are an integral part of the EU customs territory. The POSEI programmes provide a series exemption measures from customs regulations in favour of the OR. In this context, the following is proposed:

- The exemption from customs duties should be maintained beyond 2013 for agricultural products originating in third countries and the temporary suspension of such duties for some fishery products;
- With regard to the suspension of duties in the Common Customs Tariff (CCT) for products intended to equip free zones in the OR and raw materials to be substantially processed there, they should be maintained in the OR where they are applied and other regions should have access to this kind of measures as a means of encouraging the development of processing activities.
- Currently in the OR, there are free zones in Madeira, the Canary islands and French Guiana. These free zones are type I, that is to say, they are subject to control based on a given situation and the existence of a barrier to entry. Considering that imports and exports of goods to and from the OR have to be made through ports or airports, all goods imported or processed in any outermost region are subject to immediate import and export controls. Therefore, such authorized free zones should move without problem to a type II control based on a customs warehousing and inventory accounting procedure.
- Finally, with reference to the Canary Islands, the tariff suspension for capital goods and raw materials, disassembled spare parts and other elements for industrial processing, manufacturing and maintenance should remain beyond 2011. These measures have been adopted because of the slowdown in industrial activity in the Canary Islands caused by remoteness structural constraints and they should be applied for a longer period of time, notwithstanding regular assessments.

In addition, all business located in the OR should benefit from a special customs system to allow them to mitigate the difficulties they are faced with and strengthen their competitiveness. The possibility of implementing a regulatory tariff suspension system similar to that established in the Canary Islands should be extended to all outermost regions.

### C. Promoting regional integration

One of the main fields of European action refers to the strengthening of economic, social and cultural links between the OR and their neighbours. The aim is to extend the natural sphere of OR socio-economic and cultural influence through the reduction of barriers restricting exchange possibilities of these regions, which are very far from mainland Europe but very close to the Caribbean, America and Africa.

The seven OR form three advanced cooperation areas:

- The Atlantic area, comprising the Azores, the Canary Islands and Madeira with West African regions, mainly Mauritania, Senegal and Cape Verde.
- The Caribbean and Amazonian areas, made up of Guadeloupe, Martinique, French Guiana, as well as Saint-Barthélemy and Saint-Martin, and their neighbours.
- The Indian Ocean area, composed of Réunion and its neighbours.

The OR provide thus **added value** to the European Union in terms of cooperation with neighbouring third countries. The European Commission has recognised that the outermost regions are true bridgeheads of the EU<sup>54</sup> offering a real European presence in geographical areas far away from mainland Europe, acting thus as strategic partners for the implementation of cooperation policies.

Geographical proximity is undoubtedly the factor that has motivated this singular approach for the OR. That is why the European Commission has identified, when defining European strategy for these regions, the integration of these regions in their own geographical environment as a priority. However, OR integration and opening to their own geographical environments outside the EU cannot only be based on their geographical neighbourhood. Immigration and historical, linguistic and cultural links with areas that are far apart constitute a dimension that cannot be ignored in the integration process of regions such as the Azores and Madeira.

Given the development level achieved by the OR and their location in less developed environments, these regions could become catalysts for change in their respective geographical environments. Many of the OR have already reached a level of practice and know-how in different fields that could be fundamental in the long term for sustainable development (biodiversity, renewable energies, marine sciences, education, etc.). This comparative advantage, coupled with the proximity situation, allows these regions to implement a development policy, which is beneficial for all parties. Internationally recognised centres and institutes in these regions could allow them to specialise in research fields adapted to their

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<sup>54</sup> COM (2008) 642 final.



environment needs. Although these centres and institutes are still insufficient, the EU and Member States should give them firm support to be developed. It is therefore an untapped potential.

In the economic field, despite constraints related to isolation and poor integration in neighbouring regional markets, the OR weight, which is modest at European level but significant in relation to their geographical environment, gives them a potential to boost trade. Finally, legal rules of stability, fostering entrepreneurship, social and environmental law, etc., constitute a point of reference for their neighbouring countries, which are often faced with the same exogenous factors.

As an example, the OR are engaged in programmes to limit the use of fossil fuels and replace them progressively by alternative energies. These regions then become a specific model for the implementation of EU international commitments in the fight against climate change. Additionally, under the special partnership agreement between the EU and Cape Verde, the Macaronesia OR (Atlantic Area) are destined to play a strategic role, as one of the main objectives of this partnership is precisely to intensify relationships and integration between this country and the OR in the fields covered by the Action Plan: good governance, security/stability, regional integration, technical and regulatory convergence, knowledge society and fight against poverty.

In this context, the Commission has yet to realize the idea of the Wider Neighbourhood launched in 2004. Even though this initiative proves the awareness and willingness of the European Union to improve OR regional integration, it also shows, in view of the difficulties in the definition of the objectives to be achieved, that there is still a long way to go. Novel initiatives like the Wider Neighbourhood imply a greater involvement and visibility at political level by the European Commission and the relevant States. In order to realize it, it is required the active sponsorship and institutional relevance provided by member States and European institutions, as well as awareness of all actors involved, including Commission delegations in the third countries concerned.

It is appropriate to define a cooperation platform-space similar to the structures in other regions (for example, EU strategy for the Baltic sea region) and covering the objectives, fields of action and instruments consistently. Likewise, it must be said that geographic proximity does not always mean a greater closeness, as proximity and connectivity do not always go together. Despite the short distance between the OR and some neighbouring third countries, air and sea connections are very deficient and the current economic crisis has made disappear some of the companies operating in these areas. Thus, public action by European, national and regional institutions is absolutely necessary to support the launching of new routes and improve the quality and regularity of the existing ones. The wider neighbourhood policy, supported by the European Commission for the OR, covers a wide range of fields, among which, apart from territorial cooperation and transport, trade policy and immigration should be highlighted. With respect to **trade policy**, the negotiation of Economic Partnership Agreements (EPA) between the EU and ACP countries is still the concern of the OR owing to the impact it



may have on their economies. The EPAs are a joint response to the challenges of globalization and development. This instrument allows the EU to help ACP countries to be more competitive, diversify their exports and build a regional market with consistent, transparent and stable rules, which are needed to strengthen economic governance.

From this perspective, the particular situation of the OR should be considered, not only in the context of trade negotiations, but also once the agreements with ACP countries are concluded. In the Communication from the Commission of 12 September 2007<sup>55</sup>, it was pointed out that in order to help exploit commercial opportunities to the full and intensify regional trade between the ACP countries and the OR, the Commission would envisage specific arrangements to ensure that the concerns of the OR, as notified by the Member States, are incorporated in EPAs, including any type of measure likely to accelerate the inclusion of the OR in trade at regional level, and any needed to address the vulnerability of the OR markets and some of their products. EPA negotiations have encountered certain difficulties that have delayed the date of entry into force initially planned. With the exception of the Caribbean, which has a complete EPA, negotiations are still open.

In general, relating to issues such as the EPAs, which may have disproportionate consequences on OR economies as a consequence of their proximity to the markets of ACP countries (as opposed to the regions of mainland Europe), it is important to make a clear distinction between arrangement and effective participation. The OR have drawn some conclusions explained below.

On the one hand, they have never really been a part of the trade negotiation procedure (there were only informal involvement and occasional consultations that have allowed the Commission to consider the OR were sufficiently informed about the situation of trade negotiations with ACP countries). Although just the Commission has the competence to negotiate at international level, a simple observer status for the OR would have actually allowed them to “take part”, together with the ACP countries, in the context of a more dynamic territorial partnership.

On the other hand, these agreements currently provide safeguard clauses for the OR, but they do not specify implementation procedures. The OR are afraid that trade liberalization will have irreversible effects on their fragile economies, and they can be even more isolated and ostracized in an EU which never ceases to expand. They are also wondering about the relevance of using commercial legal mechanisms such as safeguard clauses, which might not be effective if action is required in a very short period of time. One could ask how an already weak activity sector can react rapidly enough, in the international context, to restore measures to prevent it disappearing. This issue is crucial for the OR, as their economy is vulnerable and their unemployment rates are already particularly high.

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<sup>55</sup> COM (2007) 507 final.



In this context, it is appropriate to take better advantage of the opportunity offered by the discussion on development and cooperation chapters concerning the implementation of EPAs to strengthen and promote the integration of the OR in their respective geographical environments. It is also necessary for the OR in the Caribbean to be closely associated to the CARIFORUM-EC Monitoring Consultative Committee to make the most of the given opportunities and ensure effective regional integration.

With regard to **immigration**, it should not be forgotten that the geographical proximity of the outermost regions makes them EU external borders in their respective areas, which makes them also be the point of arrival and transit on migration routes to Europe. The management of migration flows is undoubtedly one of the major challenges of the entire EU, but particularly important for some OR. There is no denying that the implementation of a real common immigration policy is one of the major “political” objectives of the Union for the next few years. This policy must be compatible with suitable control of external borders and measures enabling the movement of people. The different development levels in the areas where the OR are located and their capacity to create advanced spaces for cooperation in these areas make it particularly important to search for that balance.

A priority in the EU immigration policy should undoubtedly be to strengthen cooperation with the countries of origin and transit of migration flows. In this context, the OR can play an essential role in the implementation of programmes to strengthen institutions and good governance. The Wider Neighbourhood initiative should take this dimension into account and find the best way to integrate the different European financial instruments, particularly the ERDF, the EDF and the financing instrument for development cooperation (IDC).

The EU migration policy should also ensure an equitable distribution of the responsibilities of hosting and managing illegal migration flows. Border regions, particularly the OR, cannot bear a greater responsibility by the simple fact of being a European border with Africa, the Caribbean and the Indian Ocean. Two examples are particularly relevant: French Guiana, which is not part of the Schengen area, is required to meet the needs arising from the influx of illegal immigrants with its own resources. Also, the Canary Islands must deal with the tragic and singular phenomenon of the arrival of unaccompanied minors, being responsible for the protection, accommodation and schooling of these children until they reach adulthood. In this regard, the next Stockholm Programme, the provisional version of which already contains a specific paragraph on unaccompanied minors, should reinforce the EU policy towards this particularly vulnerable group of immigrants, on the basis of prevention and protection in their countries of origin, integration, return and family reunification and reintegration. This programme should also ensure an equitable distribution of responsibilities and burdens between the different levels of decision-making (regional, national and European).

It would be desirable that new programmes and actions to develop the Stockholm Programme used the situation and experience of the OR as a



pilot case. Likewise, the use of the European Fund for the Integration of third-country nationals, the European Return Fund and the External Borders Fund should be improved, identifying specific priorities, more favourable eligibility criteria and possibly additional funding.

The fight against illegal immigration is still an aspect to take into account by a comprehensive approach on migration. In this respect, the EU should take account of the situation of all OR, inside and outside the Schengen area.

#### **D. In search of a balanced strategy through the contribution of economic, social and territorial cohesion**

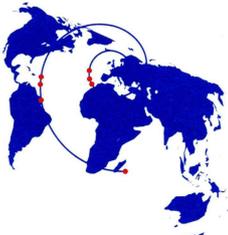
Article 3 of the Treaty on the European Union as amended by the Treaty of Lisbon establishes the objective of promoting “*economic, social and territorial cohesion, and solidarity among Member States*”.

If the objective of economic and social cohesion is, in principle, identified with the reduction of disparities in the levels of economic development and the improvement of the labour market situation, territorial cohesion is more difficult to define. Balanced regional development implies equality for all European citizens whatever their territory may be, particularly relating to the access to services, infrastructure and knowledge. Thus, the notion of territorial cohesion extends beyond the economic and social cohesion, which is completed and strengthened by the former one. As a political objective, it seeks to contribute to harmonious and sustainable development, reducing existing disparities, protecting the EU against new regional imbalances and coordinating sectoral policies having a strong impact on the territory with the regional policy.

In this context, the attention of the Commission should be drawn to the Green Paper on Territorial Cohesion, which does not provide a specific framework for the outermost regions in its section concerning regions with specific geographical features. For this reason, the OR have taken part in the public consultation in this regard, highlighting the fact that their legal framework, as stated in Article 299(2) of the EC Treaty, requires a different treatment for these regions through specific measures as the only means of taking into account their exceptional situation within the European context.

The OR are involved in the economic and social convergence objective by “*improving conditions for growth and employment through the increasing and improvement of the quality of investment in physical and human capital, the development of innovation and the knowledge society, adaptability to economic and social changes, the protection and improvement of the environment, and administrative efficiency*”<sup>56</sup>. In this respect, although real progress in the OR can be identified, these regions have permanent structural constraints that still need the support of

<sup>56</sup> Article 3(2)(a) of Council Regulation (EC) No 1083/2006 of 11 July 2006 (OJ L 210, 31.7.2006).



cohesion policy to maintain the progress achieved. Therefore, the future cohesion policy for these regions should go deeper into the need for special treatment for the OR after 2013, considering in particular the following:

**(1) Regardless of their GDP per capita, all these regions have features that make up an obstacle to improving their level of competitiveness. The OR cannot benefit from the large internal market, and their situation demands a joint and equitable treatment for all of them in the context of the future cohesion policy.**

**(2) The particular situation of the OR should be considered in the design of cohesion policy after 2013**, regarding eligibility, criteria definition for the allocation of resources to these regions, applicable co-financing rates and the scope of action.

The financial effort in the context of the cohesion policy should be increased in relation to the current period in order to create favourable conditions to allow the OR to improve their capacity to face competition and new challenges, increase their productive capacity and their competitiveness, and enhance their potential for economic growth and employment. This specific treatment should also lead, immediately in the current programming period, to a greater flexibility of the regulations on the structural funds and, in particular, among other measures:

- To the relaxation, for all the OR, of the so-called “automatic decommitment” rule;
- To the repeal of the implementation of the “earmarking” rule, which requires the allocation of an extremely significant fund rate for the objectives of the Lisbon Strategy.

**(3) A specific instrument to reduce, or offset, the effects of the constraints in these regions.**

**(4) The continuation of efforts to promote and strengthen the integration of the OR in their respective geographical environments.**

The OR have a long experience in mutual cooperation, which has had some success (the Conference of Presidents of the Outermost Regions, Interreg III C, “RUP-Plus” Project, Interreg III and IV B), and cooperation with their neighbouring third countries too. The EU should make use of this experience and continue to promote it through special measures.

Although all the OR are currently involved in the cross-border section of the territorial cooperation objective with their own cooperation spaces, Portuguese outermost regions remain outside the cross-border section. Hence, there is a clear gap between the objective, set by the European Commission, of strengthening OR regional integration and the application of section “European territorial cooperation” of the cohesion policy, which excludes certain OR. This situation should not be repeated for the next programming period.



Territorial cooperation programmes in the OR have certain peculiarities with respect to other programmes implemented in mainland Europe: cooperation projects should be concluded with EU third countries neighbouring the OR; there are currently no financial instruments other than the ERDF–EDF and the ERDF–IDC; and there are so many coordination difficulties to carry out joint territorial cooperation projects within the scope of the Wider Neighbourhood Action Plan that they override almost all the chances to implement such programmes in the ACP countries. Experience shows that it is almost impossible to organize a joint cooperation project to be implemented on both sides of the border. The implementation of the neighbourhood and partnership policy may serve as reference and be extended to the ACP countries neighbouring the OR.

Furthermore, priorities of these regions are not necessarily the same of other regions in mainland Europe. This is not sufficiently displayed by the programmes of the European territorial cooperation objective, contrary to what was provided for in the specific “REGIS” initiative, which was more adapted to the priorities of the outermost regions. Thus, it would be appropriate to undertake for the future a deep reflection on the improvement of the OR framework within the objective of the European territorial cooperation. In this regard, a few proposals are disclosed as follows:

- The OR should continue to have their own cooperation spaces endowed with appropriate financial resources to maintain, strengthen and extend their partnerships.
- All OR should be considered as regions located on EU external borders.
- Territorial cooperation should also act to alleviate the isolation of OR, what requires a more flexible and adapted implementation of the regulations on structural funds and other financial instruments. For example, the exclusion of Madeira and the Azores from the eligibility for cross-border programmes is paradoxical, since part of the automatic implementation of a distance requirement disregards the particularity of the European strategy for the OR and the potential advantages of specific cross-border cooperation programmes such as the Wider Neighbourhood Action Plan (WNAP).
- An appropriate financial instrument should be established to implement a true cooperation policy with OR neighbouring third countries. Moreover, the possibility of financing cooperation projects implemented on the territory of third countries with a limit of 10% of the ERDF is insufficient to achieve the intended purpose reasonably well, and it should consequently be increased.
- It is necessary to coordinate ERDF, EDF and IDC regulations and action schedules of different existing instruments.



- The issue of extending the neighbourhood and partnership instrument to include OR neighbouring third countries, or that of creating a new specific financial instrument common to all OR and their neighbouring countries, should continue to be raised.
- As regards coordination structures to promote dialogue and cooperation in projects, it is important to consider the possibility of creating an improved EGTC, taking into account the legal constraints imposed by international law and strengthening, under guarantees, the aspects linked to relationships with EU third countries neighbouring the OR.

## CONCLUSIONS

This third memorandum of the Conference of Presidents of the Outermost Regions continues the partnership reflection undertaken since 1999 to help to define the priorities of an EU policy for the outermost regions under Article 299(2) of the EC Treaty, taking account of the successive evolutions of the Union and contexts of these regions.

The first was the Memorandum of Cayenne, which identified the political principles that should preside over the implementation of the new article of the Treaty of Amsterdam concerning the outermost regions. The second memorandum, signed in Paris in 2003, incorporated the impacts arising from increased globalization of trade and EU enlargements.

With the present document, the Conference of Presidents has sought to draw the outlines of a policy for their regions to continue the process of convergence with the rest of the Union, and consolidate a sustainable and mutually beneficial development of relationships with their geographical environments. This memorandum is also intended to provide a response to current global challenges such as demography, globalization, climate change and issues related to its exceptional maritime dimension.

Since its first communication in 2000, the European Commission proposed measures adapted to the specific problems of the OR. The agricultural and fisheries policies were the first to be adapted, sometimes breaking with the traditional dogmas that prevailed in the EU. Then, tax and customs policies, as well as guidelines on State aid evolved to promote economic development of these regions and thus maintain employment. Finally, some progress can also be recognized in the implementation of cohesion policy for the outermost regions.

However, there are still many shortcomings. Some measures have been adapted, but with much lower financial allocations than needed. Other measures are completely inconsistent with the reality of the OR. And lastly, some measures produce disproportionate effects on a territorial scale of these regions.

On the basis of these insufficient results and given the new regional, European and global challenges, this memorandum firstly highlights the importance of a sound, open and transparent partnership between the regions themselves, their States and all European institutions for the development of policies affecting the OR, provided there is a shared political will to implement the full potential of Article 299(2) of the EC Treaty.

This memorandum also stresses the need for equitable treatment of all the outermost regions, based on the respect for the principles of equal opportunities, coherence and proportionality, which are the basis that can adapt any new legislative proposal to the reality of the outermost regions.



Based on the principle of equal opportunities, the only possible way to ensure a joint and equitable treatment of the OR within the EU in a constant enlargement process, the leitmotif of the European development strategy for the OR should ensure optimal consistency of the relevant public policies. Indeed, experience shows that the OR still remain particularly sensitive to current vicissitudes, although they follow convergent trajectories, and today, with the impact of the current financial, economic and social crisis, they experience a certain regression in terms of economic and/or social development.

Moreover, harnessing the OR potential is still the way to achieve an endogenous and sustainable development through continued support to the primary sector, a firm commitment to boost business development and the concentration of actions in some strategic sectors of the future such as research, innovation, environment, education and training. However, this first requires a real equality of opportunities for citizens and businesses in the OR, based on positive discrimination measures.

The OR share the idea of a development plan adapted to their particular characteristics, based on the action lines launched in 2004 and completed in 2008 by the European Commission. This plan aims to put an end to the isolation of the OR, ensuring optimum accessibility, create the right framework for competitiveness, achieve integration of the OR in their geographical environments with a real policy of mutual development and strengthen European solidarity by subordinating it to the economic, social and territorial cohesion.

These guidelines call for an evident reinforcement of European solidarity that should continue to be expressed in the context of cohesion policy and be in line mainly with logic of coherence to be present in all policies having impact on the OR. However, the appropriate instruments remain to be defined.

The EU strategy for the outermost regions has evolved over time from an approach, initially based on ad hoc programmes (POSEI, REGIS), to a modulating strategy for general European policies, capable of dealing with the objectives of accessibility, competitiveness and regional integration for these regions. This approach seems consistent in principle with a philosophy of integrating the outermost regions in the EU, respectful of the right for these territories to be different; however, the question arises whether the results are up to expectations.

Indeed, the many inconsistencies in the implementation of EU policies as exposed in this memorandum lead to certain thoughts. Is it really possible to adapt general EU policies to the reality of the OR? Could the adaptation of policies designed for the EU as a whole result in a coherent and efficient set of measures applicable to the OR?

Reality shows that it seems essential to create a single, specific and horizontal framework at European level comprising all specific measures for the economic and social development of the OR, in order to ensure

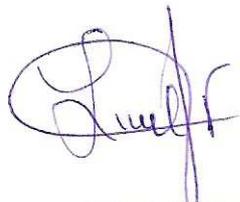
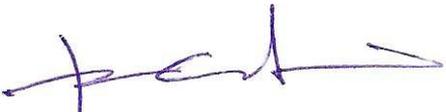


the principles of equal opportunities for all EU citizens and territorial coherence. In the light of the policies for the next few years, this approach is more essential than ever to take really account of the impact of new challenges brought about by climate change, maritime policy, demographic trends and migration flows.

The OR provide the European Union with a unique added value, not only because of their presence in three oceans and as many continents, but also because of their contribution represented by the historical, cultural and linguistic ties built over the centuries with other continents. The OR can be catalysts for development in different fields and transmitters of EU values and advantages in their respective geographical environments.

In the context of a European Union involved in a changing world, a new driving force for the outermost regions is both necessary and possible. This driving force requires the definition at European level of a single, equitable and horizontal policy for the OR and demands an even more dynamic partnership between these regions, their respective states, the European Commission and the other European institutions.

Done at Las Palmas de Gran Canaria, 14 October 2009.

 <b>AZORES</b>	 <b>CANARIAS</b>	 <b>GUADALUPE</b>	 <b>GUAYANA</b>
 <b>MADEIRA</b>	 <b>MARTINICA</b>	 <b>LA REUNIÓN</b>	



**Regiones Ultraperiféricas Europeas**

## ANNEXES

### CONCEPTUAL MATRIX OF THE OUTERMOST REGIONS

CHARACTERISTICS		CONSTRAINTS			POTENTIAL		
		GENERAL	SPECIFIC		GENERAL	SPECIFIC	
			ECONOMIC	SOCIO-CULTURAL		ECONOMIC	SOCIO-CULTURAL
<b>ISOLATION</b>	<b>LOCATION</b>	<ul style="list-style-type: none"> <li>• Neighbouring markets are made up of DCs and LDCs<sup>57</sup></li> <li>• Isolation</li> <li>• EU External border in non-European areas</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced access to almost non-existent neighbouring markets<sup>58</sup></li> <li>• Access difficulties to research and technologies</li> <li>• Break of load in logistics transport</li> <li>• Additional costs</li> </ul>	<ul style="list-style-type: none"> <li>• Specific migration flows</li> <li>• Restricted mobility</li> <li>• Access difficulties to information</li> <li>• Remoteness of centres and services of excellence</li> <li>• Inequality of opportunities</li> <li>• Different living conditions (much lower levels)</li> </ul>	<ul style="list-style-type: none"> <li>• Geo-strategic location</li> <li>• European presence in the world</li> <li>• Greater opportunities to manage, control and monitor sea and air traffic</li> </ul>	<ul style="list-style-type: none"> <li>• Interregional cooperation in the different geographical areas</li> <li>• Attractive areas for the development of some research fields</li> <li>• Service delivery areas for the regional environment</li> <li>• Tourism</li> </ul>	<ul style="list-style-type: none"> <li>• Specific cultural values and practices</li> <li>• European presence in non-European areas</li> </ul>
	<b>REMOTENESS</b>	<ul style="list-style-type: none"> <li>• Remoteness of decision-taking authorities (national, European and global)</li> <li>• Distant significant markets at European and global level</li> </ul>	<ul style="list-style-type: none"> <li>• Total dependence on maritime and air transport</li> <li>• No access to trans-European transport and energy networks</li> <li>• Total segmentation of energy markets</li> </ul>			<ul style="list-style-type: none"> <li>• Different maritime areas (SEZ)</li> </ul>	

<sup>57</sup> The proximity is relative; DCs = developing countries, LDCs = least developed countries.

<sup>58</sup> Over a range of 500 Kilometres.

(continued)

CHARACTERISTICS		CONSTRAINTS			POTENTIAL		
		GENERAL	SPECIFIC		GENERAL	SPECIFIC	
			ECONOMIC	SOCIO-CULTURAL		ECONOMIC	SOCIO-CULTURAL
ISOLATION	<b>DIMENSION</b>	<ul style="list-style-type: none"> <li>Lack (shortage) of resources</li> <li>Segmentation of resources</li> <li>Small size of the market</li> <li>Reduced population</li> <li>Small size of usable area<sup>59</sup></li> </ul>	<ul style="list-style-type: none"> <li>External economic dependence</li> <li>Consumer markets</li> <li>Almost complete fragmentation of the regional market</li> <li>Unsatisfactory efficiency thresholds of installations and services</li> <li>Reduced economic diversification (single production)</li> <li>Absence of economies of scale</li> <li>Prevalence of micro-enterprises</li> <li>Difficulty in mobilizing venture capital</li> <li>Little attractiveness for investment</li> <li>Low levels of labour productivity</li> <li>Traditionally low technological level and low capacity of technological innovation and development</li> </ul>	<ul style="list-style-type: none"> <li>Low levels of population training</li> <li>Shortage of skilled labour</li> <li>Poor socio-professional mobility</li> <li>No critical mass</li> <li>Difficult adjustment of job supply and demand</li> <li>High pressure on usable space (very high density)</li> </ul>	<ul style="list-style-type: none"> <li>Supply of natural resources that do not exist in Europe</li> </ul>	<ul style="list-style-type: none"> <li>Attractive areas for the testing of new technologies</li> <li>Exploitation of market segments</li> <li>Exploitation of existing natural resources</li> <li>Possibility of introducing new communication and information technologies in management and monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Young population</li> </ul>

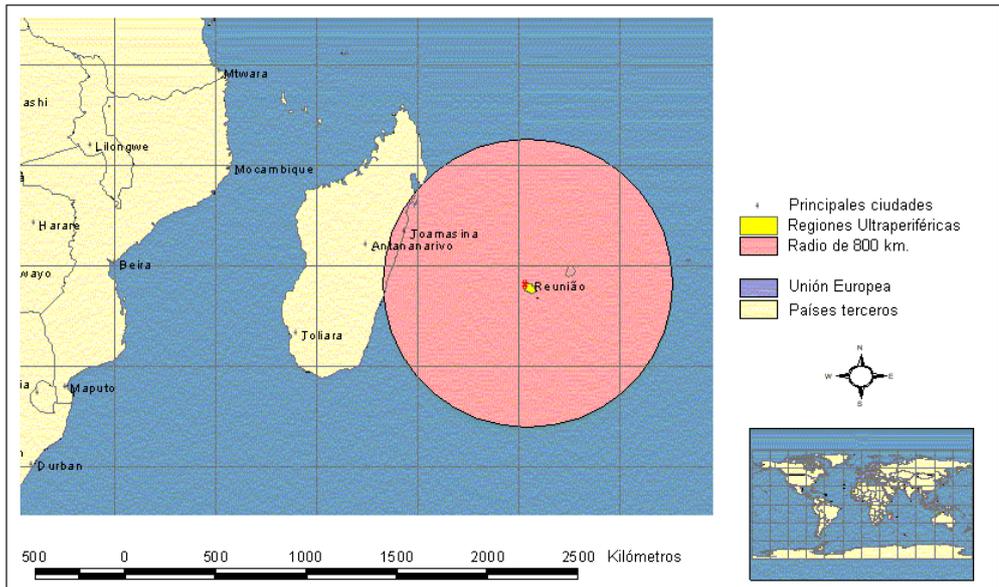
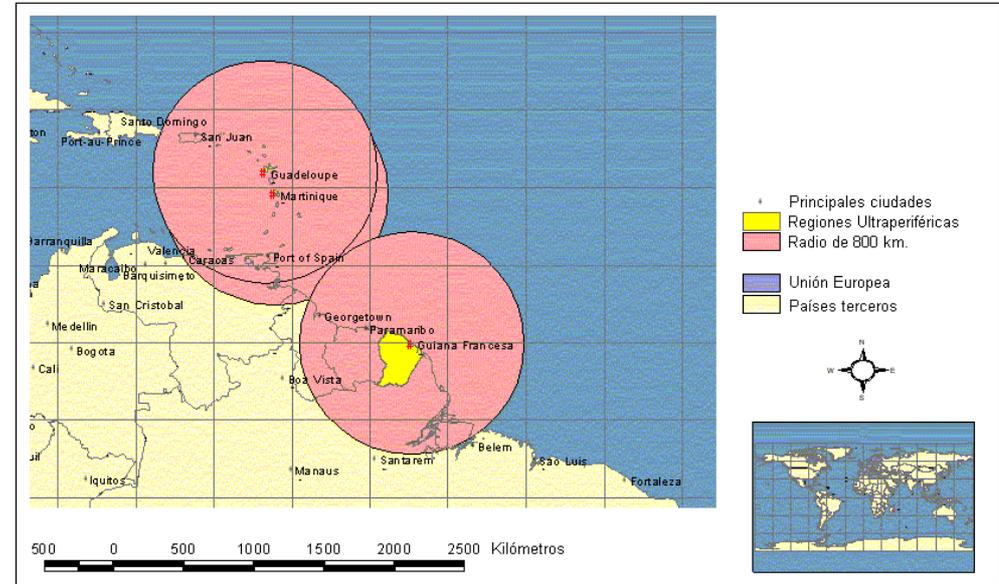
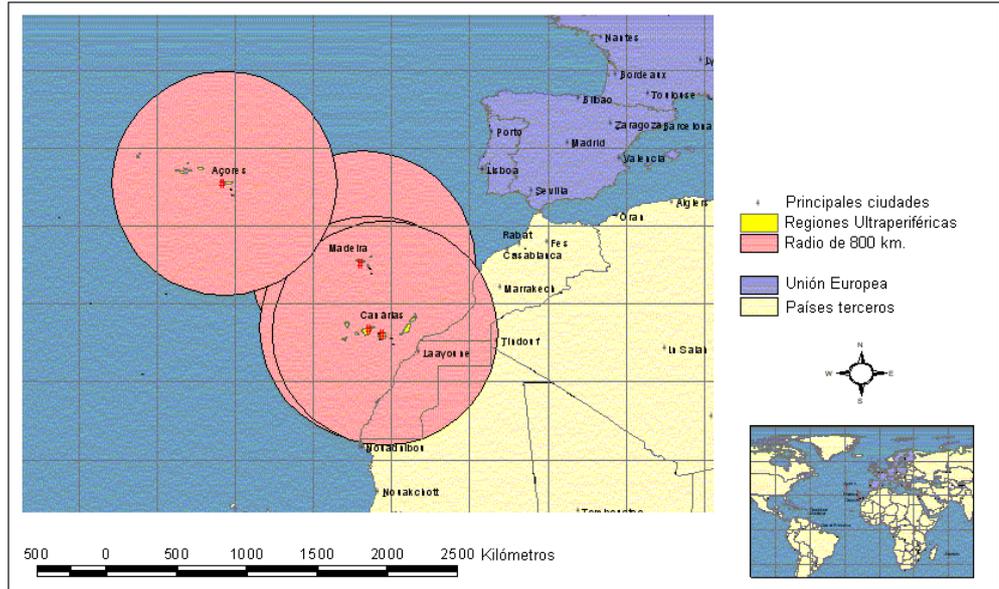
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<sup>59</sup> It is less than half of the total area.

CHARACTERISTICS	CONSTRAINTS			POTENTIAL		
	GENERAL	SPECIFIC		GENERAL	SPECIFIC	
		ECONOMIC	SOCIO-CULTURAL		ECONOMIC	SOCIO-CULTURAL
<b>NATURAL CONDITIONS</b>	<ul style="list-style-type: none"> <li>• Remoteness from European standards</li> <li>• Adverse physical structure of the territory</li> <li>• Diversity of natural conditions</li> <li>• Vulnerability to natural disasters</li> <li>• Insularity, double insularity, or continental isolation<sup>60</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Low productivity of agriculture</li> <li>• Toughest conditions of internal accessibility</li> <li>• Connections subject to conditions</li> <li>• Infrastructure and equipment are small scale multiplied</li> <li>• Additional construction and equipment costs</li> </ul>	<ul style="list-style-type: none"> <li>• Isolation mentality</li> <li>• Forced mobility for the access to some services and facilities</li> <li>• Loss of assets</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental diversity</li> <li>• Natural reserve areas – fauna and flora</li> <li>• Supply of natural conditions that do not exist in Europe</li> </ul>	<ul style="list-style-type: none"> <li>• Tourist attraction</li> <li>• Subtropical agricultural products – banana, sugar cane, pineapple, fruit and flowers</li> <li>• Milk products</li> </ul>	<ul style="list-style-type: none"> <li>• Cultural diversity</li> </ul>

<sup>60</sup> Although French Guiana is not an island region, it has similar isolation characteristics to these regions.

**Regiones Ultraperiféricas Europeas**



# OR MEMORANDUM – 2009

## SUMMARY TABLE OF PROPOSALS OF THE OUTERMOST REGIONS

### TRANSPORT

EU means of action	Current situation in the OR	Proposal	Development pillar
<b>Trans-European transport network</b>			
Road network	Exclusion of the OR from the road network (with the exception of port/airport connections in the Canary islands)	Include port/airport connections of all OR (and all islands, in the case of regions made up of a group of islands)	Accessibility Competitiveness
Airport and seaport networks	The OR are categorized according to different (regulatory) classifications	Include OR ports and airports as a priority project	Accessibility Competitiveness
Motorways of the sea network (short sea shipping)	The OR are excluded from the network	<p>Include the OR in the priority network of Motorways of the sea</p> <p>Include navigation between the OR and neighbouring third countries</p> <p>Adapt eligibility for the access to the Motorways of the sea to all OR (internal and external accessibility)</p>	Accessibility Competitiveness Regional integration
Network extension to third countries	The OR are excluded from the network	Include OR connections with their neighbouring third countries	Accessibility Competitiveness Regional integration
<b>Evaluation</b>			
Impact assessment	Within the context of the “Better Lawmaking” initiative, the impact assessment does not take account of the OR	Systematically include the OR in the exhaustive impact assessment of the Commission	Accessibility Competitiveness Regional integration
<b>Financing</b>			
Marco Polo Programme	The OR are <i>de facto</i> excluded (they are not eligible)	Adapt conditions to allow access to the OR	Accessibility Competitiveness Regional integration
EU budget heading for the TEN-T	Access difficulties	Make the OR eligible to the TEN-T	Accessibility Competitiveness
Compensation for additional costs (ERDF)	OR eligibility	Ensure sufficient funding and efficiency of instruments to compensate for additional costs	Accessibility Competitiveness
<b>State Aid</b>			
Regulations	Texts in force are ambiguous, not adapted and inconsistent	Simplify regulations by a horizontal framework covering at once sea, air, land and river transport	Accessibility Competitiveness
Sea transport	Aid to the starting-up of transport services between the OR and third countries is not authorized	Enable support to the launching of new routes with third countries	Accessibility Competitiveness Regional integration
Air transport	Existing derogations for the OR allow aid to the starting-up of transport services between the OR and neighbouring third countries	Maintain, even strengthen, existing adaptations	Accessibility Competitiveness Regional integration





EU means of action	Current situation in the OR	Proposal	Development pillar
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### Air transport liberalization

Air transport	Small size of regional airlines and difficulties to reach the minimum profitability threshold	Allow the conclusion of agreements on air traffic liberalization with neighbouring third countries	Accessibility Competitiveness Regional integration
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### Public service obligations (PSO)

Sea and air transport	PSO are allowed for connections between the regions and their States (including internal connections within each region)	Allow intra-EU connections and with neighbouring third countries; possibility of extending granting deadlines	Accessibility Competitiveness Regional integration
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### CO2 emissions

Air transport	The Directive establishing a scheme for greenhouse gas emission allowance trading within the Community is not adapted to the OR	Exclude OR connections from the directive scope	Accessibility Competitiveness
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## ENERGY

EU means of action	Current situation in the OR	Proposal	Development pillar
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### Trans-European Energy Network

Energy networks (electricity and gas)	Electricity grid connections and the introduction of natural gas in the OR are covered by TEN-E regulations	Classify OR energy projects included in the TEN-E as priority projects of common interest	Accessibility Competitiveness
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### Financing

EU budget heading for TEN-E	Insufficient co-financing rates for OR projects	Classify OR projects as priority projects of common interest and thus apply a higher co-financing rates	Accessibility Competitiveness
Cohesion policy (ERDF)	OR eligibility (investment and operating aid)	Ensure sufficient funding	Accessibility Competitiveness

### Energy supply

Biofuel quality	The level of EU biofuel quality standards does not allow some OR to be provided in third-country markets; impact on tariffs applied	Temporarily enable derogations from EU quality standards to be provided at a lower cost in third countries	Accessibility Competitiveness Regional integration
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## TELECOMMUNICATIONS AND INFORMATION SOCIETY

EU means of action	Current situation in the OR	Proposal	Development pillar
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### Internal market for telecommunications services

Market liberalization	Insufficient competition conditions having negative effects on tariffs applied and service quality provided compared to mainland Europe	Allow the market insufficiency to be corrected to introduce greater competition	Accessibility Competitiveness
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EU means of action	Current situation in the OR	Proposal	Development pillar
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**State aid**

Regulations on rapid deployment of broadband communications networks	No consideration of the particular situation of the OR	Implement a particular system, if necessary, with public funding, to promote the deployment of electronic communications infrastructure and services, in order to facilitate the connectivity in the OR	Accessibility Competitiveness
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**AGRICULTURE**

EU means of action	Current situation in the OR	Proposal	Development pillar
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**POSEI**

All products	The OR have a specific agricultural programme  Appropriate implementation of the financial programme	Maintain the POSEI concept after 2013  Strengthen aid instruments and appropriate financial allocations	Accessibility Competitiveness
All products	The OR have the potential for exporting attractive products	Seek a specific quality policy	Accessibility Competitiveness

**Special cases**

Banana	Insufficient protection measures against current international negotiations in progress	Adopt supplementary aid measures	Accessibility Competitiveness
Milk	Milk quota system	Maintain this system after 2015, or provide alternative mechanisms if this system disappears	Accessibility Competitiveness

**Liberalization of markets for agricultural products**

Export agricultural production	Some OR agricultural products face the accelerated liberalization of world markets	Launch without delay an updated impact assessment concerning trade liberalization effects on the economy of the OR	Accessibility Competitiveness Regional integration
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**CAP reform**

First pillar	The OR benefit from derogations from regulations on decoupling and modulation of aid	Retain the exceptions to the application of decoupling and modulation of aid	Competitiveness
Second pillar	The OR benefit from structural derogations that are applicable to the Outermost Regions	Maintain structural derogations and reserve for the OR a privileged access to European agricultural and rural development funds  Improve and strengthening rural development measures	Competitiveness

**State aid**

Guidelines	Operating aid for the production, processing and marketing of agricultural products is authorized  The OR benefit from higher support rates for investments	Maintain these provisions after 2013	Competitiveness
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EU means of action	Current situation in the OR	Proposal	Development pillar
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**Customs regulations**

Customs duties	The OR may benefit from an exemption from customs duties on agricultural products from third countries (SSA)	Maintain these provisions after 2013	Accessibility Competitiveness
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**Articulation of existing financial instruments**

EAFRD and ERDF	There is an inconsistency in the implementation of supplementary support instruments in rural and forest areas	Seek a balance between the traditional agricultural sector, tourism and, where appropriate, forest exploitation  Ensure greater consistency between the EAFRD and ERDF contributions	Accessibility Competitiveness
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**FISHERIES AND AQUACULTURE**

EU means of action	Current situation in the OR	Proposal	Development pillar
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**Green Paper on the future of the CFP**

Green Paper	The Green Paper makes no reference to the particular situation of the OR	Take into account the particular situation of the OR under the principle of coherence  Make an OR specific contribution apart from of the memorandum	Competitiveness Regional integration
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**Management and protection of resources**

Fisheries and aquaculture	Management procedures and resource protection are not sufficiently adapted to OR realities	Define specific provisions for management and protection of resources  Protect resources through local management	Competitiveness
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**European Fisheries Fund**

Regulations	For the period 2007-2013:  Higher aid intensity rates for the OR  Management of operational programmes at national level  Complexity of management measures  Aid for the creation of producer organisations progressively reduced and limited to three years	For the period after 2013:  Maintain those higher aid intensity rates for the OR  Agree on the possibility of managing operational programmes at regional level  Simplify management measures  Ensure that aid is neither digressive nor limited in time	Competitiveness
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**POSEI fisheries programme**

Compensation for additional costs	Some OR benefit from specific provisions to compensate for additional costs incurred in the marketing of fishery products	Retain specific provisions to compensate for additional costs  Consider the possibility of supplementing these provisions with support measures for local production	Competitiveness
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EU means of action	Current situation in the OR	Proposal	Development pillar
<b>State aid</b>			
Guidelines	2008 guidelines in force are less favourable than those of 2001	Readjust the 2008 text on the basis of that of 2001, which is more favourable to the OR and permitted notification of aid individually	Competitiveness Regional integration
Fishing fleet	The common objectives for fishing fleets are not in line with the fisheries situation in the OR	Maintain the possibility of developing fleets according to resources  Maintain fleet management by segment  Extend aid for the modernisation of the fleet  Reopen the debate on renewal aid in the OR	Competitiveness Regional integration
<b>Customs regulations</b>			
Customs tariffs	Possibility of a temporary suspension of, or even exemption from, Common Customs Tariff for fishery products	Maintain temporary suspensions of, or even exemptions from, Common Customs Tariffs	Competitiveness
<b>External scope of the CFP</b>			
Consistency of the CFP	The OR are vulnerable to the consequences of bilateral fisheries agreements between the EU and third countries	Ensure the principle of consistency of the CFP whenever the OR are at the junction of the internal and external scope  Issue as soon as possible an impact assessment on the improvement of maritime governance in these specific fields	Competitiveness Regional integration
Governance	The CFP does not take account of the OR geographical situation for the creation of particular regional agreement authorities	Adopt the possibility of creating a Regional Advisory Council for the OR by maritime area, with the appropriate financial means	Competitiveness Regional integration
<b>INDUSTRY – SERVICES</b>			
EU means of action	Current situation in the OR	Proposal	Development pillar
<b>Support measures</b>			
Regulations and financial instruments	The OR benefit from a set of diverse measures to promote development	Maintain and strengthen after year 2013 the existing support measures (State aid, tax measures, specific supply arrangements, cohesion policy, etc.)	Accessibility Competitiveness
	The OR benefit from special measures	Establish and consolidate an integrated strategy for the productive sector	Accessibility Competitiveness
	The OR double insularity increases investment costs	Take account of this constraint through the appropriate measures	Accessibility Competitiveness



EU means of action	Current situation in the OR	Proposal	Development pillar
<b>State aid</b>			
Guidelines on National Regional aid	The OR may grant aid to compensate for the effects of their constraints and enjoy higher aid intensity rates for investments	Maintain and improve measures after 2013	Accessibility Competitiveness
	Aid is expressed in gross grant equivalent (GGE)	Raise aid intensity levels in GGE to match them with rates in force for the period 2000-2006	Competitiveness
	The OR do not benefit from special measures	Apply subsidies in force to productive investments	Competitiveness
Block exemption regulations SMEs	The OR are not authorized to grant investment aid outside the EU, in 2001 they were.	Restore this possibility by increasing intensity rates of this aid to match them with those of national regional aid	Competitiveness Regional integration
EU legal framework: minimis, block exemptions, firms in difficulty	The OR do not benefit from special measures	Create special measures for the OR	Competitiveness
Other EU frameworks (research, innovation, transport, environment, training...)	The OR do not benefit from specific measures	Automatically match the texts concerning the most favourable rules on national regional aid in order to encourage business investment in these regions	Competitiveness
<b>Taxation</b>			
Tax aid system	Some OR are authorized to apply rate differentials in the context of the AIEM (Canary Islands) and <i>Octroi de mer</i> (FOD)	Extend these provisions and establish a permanent adapting system for the list of taxable products by the comitology procedure	Competitiveness
	Madeira benefit from a free zone	Find a solution to improve and achieve the objectives of this system	
Excise duties	The Canary Islands benefit from certain exceptions to the general arrangements for excise duties on tobacco	Supplement these exceptions to maintain tobacco production	Competitiveness
<b>Customs</b>			
Free zones	OR free zones are type I	Make the free zone systems of Madeira, the Canary Islands and French Guiana evolve to type II.	Accessibility Competitiveness Regional integration
	Some OR benefit from temporary suspension of autonomous common customs tariff duty on industrial products intended to equip free zones in the OR and goods intended to be processed there	Maintain and improve these devices and extend this possibility to all OR	Competitiveness
CCT duties	The Canary Islands benefit from CCT suspensions in the industrial sector (capital goods, raw materials, disassembled spare parts...)	Maintain them after 2011 and establish the possibility of extending them to other OR	Competitiveness
<b>Internal market</b>			
Services Directive	This directive does not provide specific provisions for the OR	Carry out impact assessments including of the OR	Accessibility Competitiveness



EU means of action	Current situation in the OR	Proposal	Development pillar
<b>Support for OR business innovation</b>			
"Lead markets" Initiative	The OR are eligible for this initiative, which identifies innovative product and service markets, where innovation is necessary and possible	Include tourism as a priority among the innovative product and service markets	Competitiveness

<b>Financing</b>			
Cohesion policy and business policy	The OR are eligible for the ERDF, ESF and, competitiveness and innovation programme	Increase support for innovation in services	Competitiveness

## RESEARCH, DEVELOPMENT AND INNOVATION

EU means of action	Current situation in the OR	Proposal	Development pillar
<b>R&amp;D Framework Programme</b>			
7th RDFP	The OR have difficulties in obtaining financing in this programme	Facilitate access to the programme Carry out a territorial impact assessment Undertake a restructuring and coordinating initiative of actions	Accessibility Competitiveness Regional integration
	Regional cooperation for research represents a considerable development potential for the OR and it has not been sufficiently considered in the RDTFP	Issue a specific OR call for projects in the framework of the "Cooperation" programme	Competitiveness Regional integration
8th RDTFP	In 2003, the OR presented an action plan to the EC. Proposals in this document remain valid for the period after 2013	Take account of these proposals as a working basis	Competitiveness
<b>State aid for RDT</b>			
Guidelines	This text includes no special arrangements for the outermost regions	Provide increased intensity rates for experimentation and demonstration phases, as well as for the setting-up and encouragement of clusters	Accessibility Competitiveness Regional integration

## ENVIRONMENT

EU means of action	Current situation in the OR	Proposal	Development pillar
<b>EU Environment Action Plan</b>			
Environment protection	The OR natural resources are essential for the biodiversity	Encourage the development of a nature preservation plan in the OR based on Natura 2000  Develop measures aimed at combating invasive species	Accessibility Competitiveness Regional integration



EU means of action	Current situation in the OR	Proposal	Development pillar
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Action plan priorities	Priorities at European level are not sufficiently adapted to OR reality	Take account of environmental concerns in the OR, consistently and proportionately	Accessibility Competitiveness Regional integration
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### Waste management

Compensation for additional costs	Waste collection and harnessing in the OR imply higher operating costs	Compensate for additional costs with appropriate financial allocations Maintain a significant financial support	Accessibility Competitiveness Regional integration
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### State aid for environmental protection

Guidelines	Adaptation costs to EU regulations are higher than those in mainland Europe	Allow aid for adaptation to EU regulations, and operating aid, which are neither limited in time nor decreasing	Accessibility Competitiveness Regional integration
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## EDUCATION, TRAINING AND EMPLOYMENT

EU means of action	Current situation in the OR	Proposal	Development pillar
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### Employment promotion

Progress Microfinance Facility	This instrument does not take account of OR reality	Provide a specific treatment to encourage its implementation in the OR	Competitiveness
Internal market	Public contract awarding regulations do not take account of OR reality	Provide for exceptions to promote employment of local labour when awarding public contracts	Competitiveness

### Education and training

Lisbon Strategy	It does not take account of Article 299(2) of the EC Treaty	Adapt the Lisbon Strategy renewed in 2010 to the OR particular situation	Competitiveness
European horizontal programmes (Erasmus, Leonardo...)	These instruments do not take account of OR reality Constraints for the movement of young people from the OR are not taken into account	Take account of constraints for the movement of OR residents to facilitate their participation in European programmes	Accessibility Competitiveness
Higher education	The OR have a quality higher education, which is not full exploited in their environments	Take advantage of the teaching potential in the OR regarding neighbouring third countries	Accessibility Competitiveness Regional integration

## CLIMATE CHANGE

EU means of action	Current situation in the OR	Proposal	Development pillar
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### Mitigating measures



EU means of action	Current situation in the OR	Proposal	Development pillar
European scheme for greenhouse gas emission allowance trading	It covers sectors as energy production and air transportation, which have a significant economic impact on the OR	Provide for exceptions and compensations to reduce economic impact	Accessibility Competitiveness Regional integration

### Adaptation measures to climate change impacts

White Paper	The OR are particularly vulnerable to climate change	Restore for the OR the results of the impact assessment on climate change in coastal areas  Propose specific implementation measures accompanied by indicators adapted to the reality of the OR	Accessibility Competitiveness Regional integration
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### Coherence of policies

Integrated approach	EU measures are not adapted to combat climate change	Adopt an integrated approach on environmental, energy, research, competition, cohesion, health and transport policies for the OR: impact assessment, OR specific treatment and strengthening of financial means	Accessibility Competitiveness Regional integration
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## MARITIME POLICY

EU means of action	Current situation in the OR	Proposal	Development pillar
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### Integrated maritime policy

The Blue Paper	This document recognizes the special role OR can play in the European maritime policy	Implement measures to fully assume this role  Implement, or facilitate the implementation of, oceanographic studies and studies for the development of energy resources from the sea	Accessibility Competitiveness Regional integration
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### Action plan

European maritime spatial planning	Under planning process	Plan the maritime space through a horizontal approach concerning all policies of interest to the OR, for each sea basin	Accessibility Competitiveness Regional integration
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### Sustainable development

Integrated maritime policy	The OR have a unique maritime potential	Make the most of the maritime dimension of the OR in the fields of innovation, research and environment, through specific measures	Accessibility Competitiveness Regional integration
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## DEMOGRAPHY

EU means of action	Current situation in the OR	Proposal	Development pillar
<b>Demography</b>			
Population	Population increase in some OR leads to a greater demand for public services	Consider the results of the ongoing study commissioned by the European Commission and follow it up appropriately	Accessibility Competitiveness Regional integration

## WIDER NEIGHBOURHOOD

EU means of action	Current situation in the OR	Proposal	Development pillar
<b>Wider Neighbourhood Action Plan (WNAP)</b>			
Notion	In 2004, the European Commission created a notional framework to improve OR integration	Specify this framework so that it is fully operational and live up to ambitions  Raise awareness among all EU actors, including delegations of the European Commission in third countries	Accessibility Competitiveness Regional integration
Transport	Connections between the OR and third countries are highly unprofitable	Encourage the creation of new transport routes between the OR and third countries  Improve their quality and regularity wherever they are	Accessibility Competitiveness Regional integration
<b>Trade cooperation</b>			
Economic Partnership Agreements (EPA) between the EU and the ACP countries	EPA negotiations have consequences for OR economies  The safeguard clause is relevant in highly vulnerable economies	Take account of the OR special situation  Allow the OR to take part in the EPA monitoring consultative committee established for each different regional bloc  Specify implementation procedures of the safeguard clause  Ensure that implementation procedures are efficient enough to respond within short deadlines and, if necessary, make them more flexible	Accessibility Competitiveness Regional integration
<b>Immigration</b>			
Management of migration flows	The OR are EU borders in their respective geographical environments, they are points of arrival and transit	Make an appropriate control of external borders compatible with measures for the movement of people	Accessibility Competitiveness Regional integration
Governance	Some OR bear the excessive weight of the reception and management of illegal migration flows	Equitably share reception and management responsibilities of illegal migration flows  Take account of the situation of all OR, those which are part of the Schengen area and those which are not  Strengthen cooperation with third countries of origin and transit of migration flows	Accessibility Competitiveness Regional integration



EU means of action	Current situation in the OR	Proposal	Development pillar
Articulation of existing financial instruments	Immigration is improperly considered in the context of the existing financial instruments	Bring about the launching of programmes strengthening institutions and good governance  Better integrate the issue of immigration in the framework of the ERDF, EDF and IDC	Accessibility Competitiveness Regional integration
Stockholm Programme	Regulations on unaccompanied minors are insufficient	Take advantage of the situation and the experience of the OR as pilot sites  Adapt the use of existing financial instruments to the situation of the OR	Accessibility Competitiveness Regional integration

**Territorial cooperation objective (see cohesion policy)**

**ECONOMIC, SOCIAL AND TERRITORIAL COHESION**

EU means of action	Current situation in the OR	Proposal	Development pillar
<b>Cohesion policy</b>			
Programming period 2007 to 2013	The financial and economic crisis slows down the proper implementation of operational programmes  The earmarking of funds in the guidelines of the Lisbon for the OR is not adapted to their specific reality	Relax the automatic decommitment rule  Repeal the earmarking rule	Accessibility Competitiveness Regional integration
The notion after 2013	The OR benefit from specific conditions for 2007-2013	After 2013, give all OR a joint and equitable treatment concerning: - eligibility criteria - criteria for the allocation of financial resources - cofinancing rates  Maintain the compensation device for additional costs  Increase financial contribution	Accessibility Competitiveness Regional integration

**Territorial cooperation objective**

The notion after 2013	The OR are eligible for this objective but unevenly  The OR enjoy cooperation areas that are specific to them	Improve existing regulations to ensure that all OR have effectively (financial, regulatory...) means to be integrated in their respective environments  Maintain these areas by strengthening means	Accessibility Competitiveness Regional integration
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EU means of action	Current situation in the OR	Proposal	Development pillar
	The OR have substantial difficulties in implementing joint cooperation projects with third countries	<p>Create a new specific financial instrument to be common to the OR and third countries in order to carry out cooperation projects</p> <p>Strengthen the percentage of funds to be allocated to the extraterritorial effect</p> <p>Expand neighbourhood and partnership instruments to include OR neighbouring third countries involved</p>	
	The existence of different EU financial instruments seriously complicates development chances of cooperation projects	Coordinate the programming schedules of the various financial instruments	

**European grouping of cross-border cooperation (EGCC)**

Regulations	The OR can form EGCC	Adapt regulations of EGCC formation to the reality OR, which evolve in a context of international law
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