OFF THE COAST OF EUROPE

European construction and the problem of the islands

«If you wish to go upon the sea without any risk of capsizing, then do not buy a boat, buy an island!»

Marcel Pagnol
OFF THE COAST OF EUROPE
European construction and the problem of the islands

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OF THE ISLANDS COMMISSION OF CPMR
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GLOSSARY
The Conference of the Peripheral and Maritime Regions (CPMR), as its name indicates, defends the collective interests of the regions of Europe’s maritime periphery. Set up in 1973 in Saint-Malo, it is now one of the main European inter-regional organisations with almost 150 member regions. Financed by its members, the CPMR is governed by its General Assembly and by an elected Political Bureau and President. Its action, coordinated by a Secretariat General, is organised in a decentralised manner via 7 Geographic Commissions (Baltic, North Sea, Mediterranean, Balkans, Black Sea, Atlantic and Islands).

Set up in 1981, the “Islands Commission” is the oldest of these Commissions. It currently brings together 25 island regional authorities (of which 4 do not belong to the EU), representing over 13 million European citizens. It has its own structure (President, Political Bureau, Secretariat, etc.). Its objectives are to make the EU Institutions, the Member States, and the public at large aware of the problems of the islands of Europe, and to promote inter-island cooperation. It works in close cooperation with the elected island representative of the European Parliament or of the Committee of the Regions, and takes an active part in the discussions of the Economic and Social Committee of the EU.
That the representatives of territories as diverse and as far from each other as the islands of the European Union, or of the enlargement countries, feel it appropriate to come together, compare their destiny and reflect on their future, still surprises some people.

Surely the island regions, scattered as they are from the Baltic to the Mediterranean, from the Antilles to the Indian Ocean, are an extremely diverse set of territories? Do not the differences in their situations, whether in terms of population, surface area, distance from the mainland, climate, economy, language and culture, access to natural resources, and many other fields, render any comparison between them fallacious?

It would be just as valid to argue that a Treaty or set of Institutions treating Luxembourg and Germany on an equal footing or regarding a territory stretching from Sweden to Greece as a “single space” was illusory.

The collective initiative of the islands is, therefore, neither more nor less illegitimate than the process of European construction, which, moreover, gave birth to it; and, when all is said and done, the obvious differences that separate these regions are less important than their consciousness of constituting communities with similar problems.

At a time when the European Union is preparing for enlargement, and when, given the geographic origin of most of the candidate countries, it is tending towards greater “continentalisation” of its territory, it is worth recalling the existence — and the specific problems— of this “Europe of the seas”.

Jean BAGGIONI
President of the Islands Commission of the CPMR
More than 13.5 million islanders live in the EU Islands, whose overall land mass is about 3.4% of the Community’s surface. These Island territories offer the EU an economic and geopolitical presence in nearly all the World’s Oceans, and an active border with many continents. Islands – like Member States – are diverse, but through their insular characteristic they share very specific social, economic, and environmental problems.

The European Union and its island territories

If we exclude islands containing the capital city of a state (which currently concerns only Ireland), almost 13.5 million EU citizens live on an island. Roughly 13 million of these live in an island regional authority (of which EU 15 has 21), the rest living in one of the hundreds of coastal islands dotted around the European coast. The population of these islands is modest or low, sometimes even insignificant, compared to that of the Member States. Only in Greece...
and in Italy does their population come close to 12% of the national population. In Spain (6%), Portugal (5%) and France (under 3%), the islands are of much less importance. They are marginal (less than 1% of the population) in Denmark, Finland, Sweden, Germany, Ireland, the Netherlands and the UK. Globally, the inhabitants of all these islands account for some 3.5% of the total population of the Union.

Furthermore, a little over a million citizens of European States live in an island region or a small island but do not belong to the EU. Some 800,000 live in the French Overseas Territories in the Pacific or Atlantic (although these are associated Territories), and the others live in islands or States which chose not to join or have not yet done so.

The importance of the islands for the EU is also measured in terms of space. While their surface area is modest (3.4% of that of the Union), they play an important role on the maritime front, because it is thanks to their various island territories that several Member States have extensive economic exclusive zones.

While not all of these zones have been exploited, or seem to be immediately exploitable, some

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**ISLAND DEFINITION**

**EUROPEAN UNION (EUROSTAT «PORTRAIT OF THE ISLANDS»)**

An island is a territory surrounded by water:
1. inhabited by more than 50 permanent people,
2. not linked to the mainland by a permanent device (bridge, tunnel...),
3. distant by at least 1 Km from the mainland,
4. with no capital of an EU member state

**UNITED NATIONS CONVENTION ON THE LAW OF THE SEA**

**PART VIII ; Regime of islands**

**Article 121**
1. An island is a naturally formed area of land, surrounded by water, which is above water at high tide.
2. Except as provided for in paragraph 3, the territorial sea, the contiguous zone, the exclusive economic zone and the continental shelf of an island are determined in accordance with the provisions of this Convention applicable to other land territory.
3. Rocks which cannot sustain human habitation or economic life of their own shall have no exclusive economic zone or continental shelf.

**SECTION 2. Limits of the territorial sea**

**Article 3**
1. In a zone contiguous to its territorial sea, described as the contiguous zone, the coastal State may exercise the control necessary to:
   (a) prevent infringement of its customs, fiscal, immigration or sanitary laws and regulations within its territory or territorial sea;
   (b) punish infringement of the above laws and regulations committed within its territory or territorial sea.
2. The contiguous zone may not extend beyond 24 nautical miles from the baselines from which the breadth of the territorial sea is measured.

**PART V Exclusive economic zone**

**Article 55**
1. The exclusive economic zone is an area beyond and adjacent to the territorial sea, subject to the specific legal regime established in this Part, under which the rights and jurisdiction of the coastal State and the rights and freedoms of other States are governed by the relevant provisions of this Convention.

**Article 56** Rights, jurisdiction and duties of the coastal State in the exclusive economic zone
1. In the exclusive economic zone, the coastal State has:
   (a) sovereign rights for the purpose of exploring and exploiting, conserving and managing the natural resources, whether living or non-living, of the waters up to 200 nautical miles from the seabed and the subsoil thereof, and, with regard to other activities for the economic exploitation and exploration of the zone, such as the production of energy from the water, currents and winds;
   (b) jurisdiction as provided for in the relevant provisions of this Convention with regard to:
      (i) the establishment and use of artificial islands, installations and structures;
      (ii) marine scientific research;
      (iii) the protection and preservation of the marine environment;
   (c) other rights and duties provided for in this Convention.
2. In exercising its rights and performing its duties under this Convention in the exclusive economic zone, the coastal State shall have due regard to the rights and duties of other States and shall act in a manner compatible with the provisions of this Convention.
3. The rights set out in this article with respect to the seabed and subsoil shall be exercised in accordance with Part VI.

**Article 57** Breadth of the exclusive economic zone
The exclusive economic zone shall not extend beyond 200 nautical miles from the baselines from which the breadth of the territorial sea is measured.

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**THE EXCLUSIVE ECONOMIC ZONE OF PORTUGAL: 1.6 MILLION KM**

Portugal’s EEZ is one of the largest in Europe at almost 1.6 million Km², i.e. almost 18 times the surface area of the mainland. The two autonomous island regions represent the lion’s share of the EEZ.
make a significant contribution to the EU. For example, without the Orkneys and Shetland, a not insignificant part of the oil or fisheries resources of the North Sea would belong to a third country (Norway). These archipelagos have therefore made an invaluable contribution to the Community’s food, energy, and therefore commercial, balance out of all proportion to their roughly 40,000 inhabitants.

Similarly, the geographic location of the islands in warm seas which enjoy sunny climates, together with the beauty of these territories, have made them popular holiday destinations. A large proportion of tourists in the EU travel to its island destinations, essentially in the Mediterranean, and in the outermost regions (the tropical climate of these latter territories means that the tourist season lasts all year long).

To give an example, the Canary Islands and the Balearic Islands account for over one third of hotel beds in Spain and for 21% of the stays in the peninsula, the second largest tourist destination in the world, after France.

### INSULARITY AND SIZE

**The manner in which certain national or EU legislative texts provide for specific provisions for the islands is sometimes linked to the application of a number of thresholds.** The nature of these thresholds and their definition (where specified) vary widely, ranging from size of population, surface area, volume of waste, etc. The following are some examples.

**Agriculture**

Council Regulation (EC) No. 2019/93 “Introducing specific measures for the smaller Aegean islands concerning certain agricultural products” defines a smaller island as being an island the permanent population of which does not exceed 100,000 inhabitants.

**Taxation**

In the Conclusions of the ECOFIN Council Meeting held on 1 December 1997 concerning taxation policy (O.J. No. C 002 of 06/01/1998), it is specified that “The Council also emphasizes the need to evaluate carefully in that assessment the effects that the tax measures have on other Member States, inter alia in the light of how the activities concerned are effectively taxed throughout the Community. Insofar as the tax measures are used to support the economic development of particular regions, an assessment will be made of whether the measures are in proportion to, and targeted at, the aims sought. In assessing this, particular attention will be paid to special features and constraints in the case of the outermost regions and small islands, without undermining the integrity and coherence of the Community legal order, including the internal market and common policies (point G).”

However, the Council does not specify what it means by “small islands”.

As an example of practical application, the Greek tax system provides for tax reductions for legal persons or associations which undertake activities in small islands with a population of less than 3,100 inhabitants. This measure will apply until 2006.

**Transport**

Council Regulation (EEC) No 3820/85 of 20 December 1985 on the harmonization of certain social legislation relating to road transport (O.J. No L 370 of 31/12/1985) lays down the composition of the crews, driving periods, etc. Article 13.h), however, authorises Member States to grant exceptions to “vehicles operating exclusively on islands not exceeding 2,300 square kilometres in areas which are not linked to the rest of the national territory by a bridge, ford or tunnel open for use by motor vehicles.”

**Environment**


Article 3.4.a) of Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste (O.J. No. L 182 of 16/07/1999) provides for the granting of an exception to “landfill sites for non-hazardous or inert wastes with a total capacity not exceeding 15,000 tonnes or with an annual intake not exceeding 1,000 tonnes serving islands, where this is the only landfill on the island and where this is exclusively destined for the disposal of waste generated on that island. Once the total capacity of that landfill has been used, any new landfill site established on the island shall comply with the requirements of this Directive”.

This very low volume of waste means that this measure concerns very small islands only.

**State aid systems**

In some cases, insularity has the effect of offering an exemption from certain thresholds.

The “guidelines for State regional aid” (Official Journal No. C 074 of 10/03/1998) for example requires that, in order to define the areas liable to benefit from the exceptions provided for pursuant to Article 87.3 of the Treaty, such areas constitute individual regions or compact zones with at least 100,000 inhabitants. If their population is less than this threshold, the Commission nevertheless counts a minimum fictitious figure of 100,000 inhabitants. However “islands and other regions which suffer from similar topographic isolation” are exempt from this minimum threshold (point 3.10.3).
Off the coast of Europe

A wide diversity of island situations

It seems like stating the obvious to say that the islands of the EU present a wide variety of situations, whether as regards surface area, population size or isolation. However, the apparent figures merit some special attention.

While it is true that, by calculating the isolation of each island on the basis of the shortest distance, as the crow flies, between its coasts and those of the closest mainland, minimum distances are obtained, but this approach also highlights the highly specific geographic positioning of a number of these regions. In no less than some ten cases, the nearest mainland territory to the capital of an island region is not that of its own State, but that of another Member State, or even of a third country or even of another continent.

However, in practice, the most commonly used transport routes in an island are rarely those which connect it to the nearest territory, which can, moreover, be a desert, a mountain barrier… or another island! The effective distances are those, often much longer, which offer the island access to the economic, political or administrative centres on which it depends (generally, the major ports or major urban areas of the mainland). The differential can be very great.

For example, one of the main shipping routes used by the South Aegean (Notio Aigaio) region, Rhodes – Athens,
corresponds to a crossing of 560 km, although the island is a only some twenty kilometres from Turkey with which it has very little trade. Bornholm, which is a mere 36 km from Sweden, is 150 km from Copenhagen —its capital — with which the island maintains its most important trading links. This also applies to Corsica, which, while it is closer to Italy than to France (Bastia –Livorno 110 km), conducts most of its trade with the port of Marseilles (360 km away).

An extreme example is that of the French Antilles which lie close to the small islands of Dominica, Saint Lucia or Montserrat but lie 500km from the closest coasts of Venezuela, 800km from Caracas and, more importantly, over 7,000km from mainland France with which the lion’s share of their trade takes place.

A brief glance at the socio-economic indicators of the island regions shows that, while there is no absolute rule applicable to all these regions, certain trends can, nevertheless, be observed.

Of all the island regions of the EU and of the enlargement countries, only three have a GDP per head equal to or greater than the EU15 average. Moreover, the pertinence of this indicator for two of them (Åland and Shetland), whose population is less than 30,000 inhabitants, is questionable.

As regards unemployment, almost half the islands have unemployment rates higher, sometimes much higher, than the EU average.

The fragility of the island economies is shown in their high degree of dependency on certain

<table>
<thead>
<tr>
<th>STATE or island region</th>
<th>COUNTRY</th>
<th>Share of primary sector in employment % 1999</th>
<th>Share of secondary sector in employment % 1999</th>
<th>Share of tertiary sector in employment % 1999</th>
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<td>Åland</td>
<td>FIN</td>
<td>8.8</td>
<td>27.3</td>
<td>69.9</td>
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<td>Shetland</td>
<td>UK</td>
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<td>Madeira</td>
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<tr>
<td>Ile de Wight</td>
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<td>Aland</td>
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<td>AVERAGE of EU</td>
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Year 1996

Source: Eurisles, EUROSTAT, regional statistics offices
### ISLANDS UNDER THE SOVEREIGNTY OF A EUROPEAN MEMBER STATE
**BUT NOT EU MEMBERS**

<table>
<thead>
<tr>
<th>STATE or island region</th>
<th>COUNTRY</th>
<th>Surface area (Km²)</th>
<th>EEZ (estimates)</th>
<th>Population (1000) 1999</th>
<th>Density (hab/km²) 1999</th>
<th>Shortest distance between the island or the archipelago and the nearest mainland (Km) (estimates)</th>
<th>Nearest country or continent</th>
<th>Name</th>
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<td>Geographically European islands (but not EU members*)</td>
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<td>France</td>
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<td>Total ou Moyenne</td>
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<td>352</td>
<td>56.8</td>
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</tr>
</tbody>
</table>

| Geographically non european islands (but not EU members* : associated territories) |         |                    |                 |                        |                        |                                                 |                               |      |
| Greenland              | DK      | 2 176 000          | 59              | 0.03                   | 1 000                  | North America                                     |                               |      |
| Polynésie française    | F       | 4 200              | 5 030 000       | 235                    | 58                     | South America                                     |                               |      |
| Nouvelle-Calédonie     | F       | 18 575             | 1 740 000       | 214                    | 12                     | Australia                                         |                               |      |
| Mayotte               | F       | 374                | 130             | 348                    | 50                     | Africa                                           |                               |      |
| Wallis-et-Futuna       | F       | 311                | 300 000         | 17                      | 71                     | Australia                                         |                               |      |
| St-Pierre-et-Miquelon  | F       | 292                | 76              | 29                     | 25                     | North America                                     |                               |      |
| Kerguelen, Crozet, Amsterdam, St Paul | F | 7 391 | 17 | 0 | 1 800 | Antarctica | | |
| Antilles néerlandaises | NL     | 1 020              | 2 15 000        | 211                    | 213                    | South America                                     |                               |      |
| Aruba                 | NL     | 181                | 77              | 392                    | 24                     | South America                                     |                               |      |
| Iles Cayman            | UK     | 260                | 124 000         | 34                     | 131                    | North America                                     |                               |      |
| Iles Turks et Caicos   | UK     | 436                | 342 000         | 73                     | 35                     | North America                                     |                               |      |
| Iles Vierges britanniques | UK | 130 | 2 88 000 | 12 | 93 | South America | | |
| Montserrat             | UK     | 124                | 34 004          | 12                     | 97                     | South America                                     |                               |      |
| Anguilla              | UK     | 74                 | 17 000          | 9                      | 122                    | South America                                     |                               |      |
| Stt Hélène             | UK     | 122                | 445 000         | 8                      | 49                     | Africa                                           |                               |      |
| Iles Falkland          | UK     | 12 175             | 0               | 0                      | 800                    | South America                                     |                               |      |
| Georgie du Sud et Iles Sandwich du Sud | UK | 4 066 | 0.5 | 0 | 1 600 | Antarctica | | |
| Territoires britanniques de l'Océan Indien | UK | 60 | 0 | 0 | 1 750 | Asia | |
| Picardi                | UK     | 47                 | 970 000         | 0                      | 0                     | South America                                     |                               |      |
| Chipperon              | UK     | 0.0                | 60 000          | 0                      | 0                     | South America                                     |                               |      |
| Ascension              | UK     | 97                 | 445 000         | 1.5                    | 15                     | South America                                     |                               |      |
| Bermudes               | UK     | 53                 | 422 000         | 63                     | 1 189                  | North America                                     |                               |      |
| Tristan da Cunha       | UK     | 98                 | 514 000         | 0.3                    | 3                     | South America                                     |                               |      |
| Total or Average       |         | 2 225 948          | 11 486 000      | 1 106                   | 0.50                   | 1 488                                             |                               |      |

*regions belonging to Member States or future Member States but not in the EU

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activities or certain sectors. In 19 out of 21, the importance of agriculture and fisheries means that the share of the primary sector is higher than the EU average, sometimes as much as 6 or 7 times higher. On the other hand, with the exception of Madera and Saaremaa island regions score a lower employment rate than the EU average in the secondary sector. Finally, in over half the regions, the share of the tertiary sector exceeds the EU average, obviously on account of the impact of tourism or non-commercial activities.
Permanent and pervasive realities

Living on an island means living on a territory constantly cut off by the sea, with limited possibilities in terms of space, natural or human resources, or the size of the market.

These different factors can vary significantly in nature or intensity from one island to another, but they nevertheless constitute permanent and ubiquitous realities.

One fact which always holds true is that islands are smaller than the mainland. This primary truth, however, leads to a very simple first level of reasoning. Because of its endemism to the islands, smallness implies rarity.

While this rarity manifests itself in various ways, it is measured mainly by the scarcity and paucity of resources (raw materials, infrastructures, human potentials, etc.). In order to manage these rare resources, the island economies adopt a specific management system. This is based on the need to have access to a major network of trade with the outside. From colonialism to today’s trade deficits, this phenomenon is a constant thread running through the economic history of all the island economies.

Rarity and openness to the outside are factors which lead to a high degree of dependence, due to a virtual single-product export activity and a high level of imports. This dependence, which is due to the weakness of the domestic economy and the dominant role of external trade, is significantly aggravated if, in addition, the island is remote and located far from its markets.

Population and space: limited resources

The limited nature of the natural or human resources constitutes a determining factor of insularity. We will give a few examples.

It is common in Euro-speak to refer to Europe as a “Single space of 380 million citizens”, omitting to mention that this refers implicitly to the Mainland. For islanders, this is more of an abstract concept than a reality, because “the single space” with which they are irremediably confronted on a daily basis is first and foremost that of their own island.

If one looks individually at each island (rather than each island region), one can see how small these communities are in terms of space or population.

To understand the relationship between man and space on an island, it is necessary to look beyond the most obvious statistics. The available space is not necessarily the actual surface area, because areas which cannot be used, whether on account of their terrain (mountain islands, where part of the territory is virtually unusable), or environmental constraints (protected areas, land on which it is prohibited to build) must also be taken into account.

Factors such as limitations of space, population ageing and population density must be associated with the gradual concentration of economic activities on the coast, encroaching on agricultural activities.

The change from a mixed food production system – which used to be of the essence owing to the characteristics of the island economy – to specialised, intensive and speculative, agriculture reflects new trends accompanied by classic phenomena of depression: sharp drop in active agricultural population.
fallow, collapse of terraces, abandonment of rural habitat, etc. In the islands, normal agricultural development is hindered by a number of obstacles, such as lack of large plains, restricting land structures linked to the large number of small plots and problems of joint ownership or tenancy, small farms without investment resources, frequently limited water resources, declining numbers of trained farming personnel, small local markets ... and, especially, the attraction of the coast.

The coastal space is the most coveted geographic sector on most islands. The phenomenon is amplified in those regions, where the coastline is proportionally longer than in any mainland region with a seafront. To give an example, the Greek islands alone represent some 7,700 kilometres of coast out of a total Greek coastline of 15,000 km and a total Mediterranean coastline of 46,000 km (1998 Blue Plan). In this context, the rapid urbanisation of the coast constitutes an extremely serious threat. In Corsica, for example, where just over 30% of the coast is currently urbanised, 28% of these newly urbanised areas were previously agricultural lands, and 62% encroached on natural zones.

This increased urbanisation of the coast springs from several causes. The terrain of the islands, even those not of volcanic origin, is frequently mountainous with few plains. This situation leads to a concentration of human population on the coast, where it is easier to settle and to trade with the outside. Moreover, the decline in traditional agriculture, referred to above, which tied people to the land, is significant and goes a long way to explaining internal population movements from the interior to the coastal towns.

The appeal of urban life for rural populations is a phenomenon of society closely linked to the phenomenon of «littoralisation». Moreover, in most cases the town chosen is a conglomeration stretching along the coast, offering services and open to the outside.

The development of tourism also frequently generates urbanisation. Apart from “roaming” tourism (hiking, pleasure crafts) and camping, the need to house tourists in hotels, holiday villages or secondary residences, leisure parks, marinas, etc. is reflected in constructions on the outskirts of coastal towns. In this race to occupy the space, in particular the coastal space, tourism undeniably plays a major role. Such pressure on the space calls for a very strict spatial planning designed to avoid the urbanisation of the most fragile sectors and to pre-

Owing to size variations between the islands, and variations in the break-up of population density areas, it is difficult to draw a precise comparison between the various regions. The concentration of populations along the coasts is only obvious when the towns and villages are small and numerous. It is difficult, for example, to compare the Isle of Wight, made up as it is of a few districts, with Corsica, which is 20 times larger and broken up into 360 municipalities. Having said that, the density maps of the Isle of Wight, the Balearic Islands and Corsica, based on the same scale, give an estimate of the density on each island, and highlight “desertified” areas comprising, in the case of both Corsica and the Balearic Islands, areas of rough terrain.
serve the landscape and the most remarkable sites. It is obvious that, in the islands, especially the smallest island where space is limited, only a very strict spatial development and land development policy can avoid irreversible damage to the environment by the accumulation of constructions unsuited to the surroundings.

Island populations move a lot, because account must be taken of the, sometimes considerable, seasonal fluctuations induced by tourism, or the island diasporas, generally strongly attached to their community and who return there from time to time or plan to retire there.

Conversely, a difficult economic situation in an island often leads to high emigration. In the smallest islands, emigration has a snowball effect, leading to closure of services, schools, etc., which accelerates the population drain and can lead to total desertification.

The islands are demographically “sensitive”, and, in light of their limited space, these fluctuations have a greater impact than on the mainland. Economic choices are particularly sensitive because they often have immediate and spectacular impacts on the space, which is a finite resource. This explains, the, sometimes sharp, conflicts in some islands between urban and rural communities, between agriculture and tourism, between the needs of visitors and those of the residents ...

Faced with demographic pressures, population movements, high seasonal migrations, etc. it is essential to control re-
sources. An approach based on the integrated management of natural constraints is essential to ensure the sustainable development of a region. In an archipelago like the Aland Islands, the right to settle is strictly controlled.

To manage a fragile island environment, it is essential to take steps to protect nature. Excessive deforestation, soil erosion and the extreme fragility of the, mainly urbanised, coast are among the factors that call for a specific analysis of the natural constraints in the islands. Although the island environmental balance is often endangered by the population and by tourism, the environment must still be regarded as an important element in the economic activity of the islands.

The islands boast numerous endemic species and immense biodiversity. However, on such small territories, each species comprises a small number of individuals and is therefore in severe danger of extinction and needs to be protected. This management of fragile spaces necessarily includes the fight against fires, the protection of ecosystems, the valorisation of endemic vegetation, etc., not to mention the management of marine resources in a way which protects the marine milieu by limiting shipping, setting up ecological reserves, and valorising coastal zones.

To develop the island territory it is also necessary to harmonise the land occupancy plan as between built, unbuilt, protected areas and agricultural areas. The agricultural sector not only contributes to economic diversification, it also plays an important ecological role.

Another important factor is the management of the habitat, including the rehabilitation of constructions, the accessibility of residential zones which are often dispersed over mountain islands or archipelagos, and the taking of steps to combat the deterioration of the coasts where the population is concentrated massively.

In the implementation of the European waste management strategy, which raises problems, even on the mainland, the islands are confronted with additional obstacles proper to their island nature. Retrieval, disposal, elimination or recycling of waste pose specific problems in the islands.

Poor waste management can have irreversible consequences for the highly vulnerable island environment. Moreover, geographic and demographic factors (distance from the mainland, climate, difficult geology, low population density or overpopulation, seasonal tourism, waste from port activities, etc.) further complicate waste management and call for an appropriate organisation.

The nature of the waste to be processed, the behaviour of the waste producers, the disposal...
capacities and modes, the possibilities of reducing quantities at source and of recycling, the markets for recycled substances and the limitations on waste transport are further questions linked to the local context.

Dispersed collection, accentuated by the archipelago-type character of certain regions, the limits on available spaces and difficult and costly transport are also major handicaps for the island region. The technical resources needed to treat and eliminate waste represent a particularly heavy financial burden. Elimination or recycling facilities are not always viable. The problem of finding outlets for recycled materials, and the excessive cost of operating and maintaining the facilities, jeopardise the very viability of these structures. Finally, many operators are reluctant to run the risk of undertaking this type of activity on an island.

Those islands which do not possess all the costly disposal and recycling infrastructures have to export part of their waste. This export of waste raises problems which can cause pollution and accidents, and European regulations tend to limit it.

Additional problems of a political and administrative nature can also arise. These include a lack of coordination between state and regional administration (where there is a status of autonomy).

European law, which applies under the same conditions throughout the territory of the EU, also generates specific difficulties in the islands.

### The Archipelago Effect and the Packaging Waste

Much more equipment is necessary to implement the municipal solid waste elimination plan in Guadeloupe than in Martinique, which, while being an island, is not an archipelago.

<table>
<thead>
<tr>
<th>Designation</th>
<th>Guadeloupe</th>
<th>Martinique</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface area (Km²)</td>
<td>1,705</td>
<td>1,100</td>
</tr>
<tr>
<td>Population (1996)</td>
<td>417,000</td>
<td>393,000</td>
</tr>
<tr>
<td>Density (Hab./Km²)</td>
<td>245</td>
<td>355</td>
</tr>
<tr>
<td>Number of inhabited islands</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Number of household refuse incinerators</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Number of composting centres</td>
<td>5</td>
<td>1</td>
</tr>
</tbody>
</table>
W

ater, which is essential for human life, is a source of major concern for many islands. The lack of water is a frequent problem in hot and sunny islands, such as the Mediterranean and the Antilles, but it is not exclusive to them. In some islands in Northern Europe, such as Bornholm, agricultural activities (use of pesticides, intensive breeding) gradually deteriorate the quality or quantity of the water table, thereby threatening the resource. Conversely, certain islands in Southern Europe (such as Crete or Corsica) have sufficient water resources thanks to their mountainous terrain.

The pressure of tourism, which has the effect of increasing demand during the driest season, is obviously an exacerbating factor, especially where the resource is rare, difficult to mobilise and highly seasonal. In the most vulnerable islands, significant resources have to be dedicated to tackling the water deficit. These include desalination plants, procurement via tankers, construction of aqueducts or even underwater pipelines connecting the producing areas to the dry areas, as in certain mountain islands (Reunion, Madeira) or in certain archipelagos (Guadeloupe, Gozo). The cost of building or operating these infrastructures is particularly high.

To compensate the water shortage of Sardinia, an ambitious aqueduct project between Corsica and that island is presently being undertaken following a positive assessment by experts. Two hundred million cubic meters of water could be exported, which would at the same time improve the situation in the South of Corsica.

OFF THE COAST OF EUROPE

The peculiar hydrology of the Balearic Islands, with its sparse and vulnerable water resources and irregular rainfall, results in frequent water shortages. In addition, the need to guarantee a supply of water for the total population, made up not only of local inhabitants but also the large numbers of tourists, means the islands are in an almost permanent situation of drought.

Furthermore, the year 2000 was the driest of the last 50 years, and this led to water restrictions in several villages and major losses in agriculture and cattle raising. The majority (90%) of the Islands’ water supply comes from extractions of ground water from aquifers. The precise figures are: 83.1 hm³ per year in Majorca, 10.6 hm³ per year in Minorca, 6.7 hm³ per year in Ibiza and 0.3 hm³ in Formentera.

However not all the water is of good quality and the extractions cannot therefore be considered sustainable; in fact, some of them are overexploited and have become salinized.

In the light of these problems, the Balearic Islands’ Government adopted a number of measures such as the “Ship Operation”, under which Majorca was supplied with water transported by tanker from the Ebro delta between April 1995 an January 1999, and, since 1995, the building of several desalination plants in Majorca, Ibiza and Formentera.

However, in view of the high environmental and energy costs of the desalination plants, the policy of the Balearic Islands’ Government will in future focus on measures such as: improvement of underground resources, repairing of leaks, installation of water meters for domestic consumers, awareness-raising campaigns and setting of tariffs to encourage a reduction in consumption.

Recently, the Ministers’ Council of the Central Government approved the Balearic Islands’ Hydrologic Plan, which includes most of the above-mentioned measures in an aim to reduce demand and achieve effective management of the water supply.

The majority (90%) of the Islands’ water supply comes from extractions of ground water, mainly for households, industries and tourist facilities. Irrigation is not common. All the reservoirs are vulnerable due to very thin protecting top-layers. The main threats are leaching of nitrates from farming (65% of the island is used for intensive farming) and leaching of chemicals from various sources (urban areas, farms, industries etc).

Up until now, only a small number of water wells have been closed because of pollution, but there are major threats for the future due to the fact that the raw water extracted today often is 30 or 40 years old and that the use of chemicals in farming, industry and by households in often more recent.

POPLUTION OF GROUND WATER

Bornholm depends on ground water for 100% of its water supply. We have a number of very large ground water reservoirs. The total water extraction on the island is around 4.5 million m³/year, mainly for households, industries and tourist facilities. Irrigation is not common. All the reservoirs are vulnerable due to very thin protecting top-layers. The main threats are leaching of nitrates from farming (65% of the island is used for intensive farming) and leaching of chemicals from various sources (urban areas, farms, industries etc).

Over the last ten years efforts have been made to eliminate possible pollution of the ground water reservoirs from old soil pollution, such as old petrol stations etc. More than 150 sites have been monitored and more than 50 sites have been cleaned.

Implementing the future Ground Water Protection Plans will be an important and challenging task for the local authorities and the water authorities in Bornholm.

A detailed mapping of the ground water reservoirs and their ability to resist these threats is being carried out over 2000-2007. This will give rise to Water Protection Action Plans for each reservoir, involving a variety of actions that could include restrictions on land use, farming, industrial activities, general use of chemicals in households, etc.

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Increased urbanisation and the development of tourism have the effect of fanning conflicts with farmers, who traditionally use large quantities of water. Paradoxically, the decline in agriculture creates other difficulties, because farmers’ know-how is lost. When forests burn owing to lack of upkeep, when walls protecting fields are abandoned and terrace crops left to wither, rainwater retention decreases, thereby affecting the reconstitution of the water table.

The study resulted in a programming document for the drafting of framework documents for the period 2000-2006 (EU and C.I.P.E. funds) amount to approximately 568 million euro.

The situation in the complex system in the south of Sardinia (Flumendosa – Campidano – Cixerri – Sulcis), which has to satisfy the highest level of demand for water in the whole island, is once again critical, as it was in the spring of 1995. On 31/05/2000, the twelve artificial reservoirs in this area held a total volume of only 107 million m³, which is less than 15% of the total available capacity (approx. 728 million m³). In spite of drastic cuts in cuts in the amounts of water allocated for human consumption, water supplies for irrigation purposes. Again, the sector is overly dependent upon water supplies for irrigation purposes. Again, the sector is overly dependent upon water supplies for irrigation purposes. Water is constructed, the larger part of rainwater out of the 1.650,000 units measured in the reservoirs regulating the domestic water supply networks is something in the order of 450 litres per head. This is extraordinarily high, and reveals very high losses which are occurring in the supply networks.

The study resulted in a programming document, approved by the regional council of Sardinia on 17 August 2000. This is a reference document for the drafting of framework programme agreements under the joint planning agreement drawn up between the national government and the region of Sardinia. It should be possible to achieve the programme objectives by 2011.

The funding required to carry through this project over this ten-year period is 2,376 million euro.

The resources currently available for the period 2000-2006 (EU and C.I.P.E. funds) amount to approximately 568 million euro.

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At present, these arrangements are providing the necessary water resource requirements for the population of Gozo and for the significant number of tourists spending their holiday in Malta. This significant result has been achieved at a significant financial cost, both in terms of the initial capital outlay to build and install reverse osmosis plants as well as in terms of running costs to operate the plants. At the same time, it must be highlighted that the agricultural sector in Gozo is still facing the considerable hurdle of a lack of adequate water supplies for irrigation purposes. Again, the sector is overly dependent upon water supplies for irrigation purposes.

The table provides a detailed comparison between the island’s current water needs (1,162 million m³/year) and the water resources currently available for consumption (621 million m³/year). The breakdown by water area is reproduced in the table below (amounts expressed in million m³/year).
Numerous islands remain highly dependent on fuel imports to provide their energy needs despite the growth in renewable energies during the course of recent years.

A distinction is made between two types of situation:

- Islands connected to the mainland via a cable, a pipeline or a gas pipe, whose electricity production is partially or wholly guaranteed thanks to the security of an outside source (Bornholm, Isle of Wight, Orkney, Gozo, Western Isles, etc.).

- Islands not connected by means of a permanent infrastructure and which depend on their own resources or on imported fuel. These are the regions furthest from the mainland (Crete, the Balearic Islands, Shetland, the outermost regions), or small islands whose low consumption does not justify such installations.

Some of the islands currently not connected to the mainland via underwater installations plan to build such infrastructures in the medium to long term. This is technically possible, albeit costly. In the perspective of increased electricity production from renewable energies, a cable link could be an asset for these islands, helping them become electricity exporters. Furthermore, some archipelagos, not connected to the mainland, could connect two islands by cable in order to create a mini island network, as in Guadeloupe.

Building a cable link is not, however, a panacea for all the islands’ energy ills. In the lowest population archipelagos, the price of fuel at the pump is much more expensive than on the mainland, for reasons related to distribution conditions, a factor which penalizes industries and populations. Moreover, the costs of distributing electricity can be very high in mountain islands and archipelagos.

In regions (especially the outermost regions) where it is not technically feasible at the moment to be supplied in energy from the mainland, the situation is particularly delicate.

The islands' high dependency on oil for their primary energy needs means that they are highly vulnerable to oil prices, and that security of procurement is not guaranteed. Even if the increasing use of renewable energies reduces this dependence, it is doubtful whether it can do so fully. As an example, to ensure the operation of a stand-alone electricity network, at most 35% of the island’s energy may be generated from wind power.

Energy-sufficient or energy-dependent Islands

<table>
<thead>
<tr>
<th></th>
<th>Corse</th>
<th>Guadeloupe</th>
<th>Martinique</th>
<th>Réunion</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>64.8</td>
<td>83.7</td>
<td>82.6</td>
<td>50.8</td>
<td>282</td>
</tr>
</tbody>
</table>

Source: comptes EDF-GDF

By comparison, EDF-GDF’s total turnover in 1997 was 28,956.6 million Euro. The cumulative deficit of the four islands represents almost 1% of total turnover for the company.

Sensitivity to fuel price

Every month Comhairle nan Eilean Siar surveys five locations (Shetland, Orkney, Inverness, Glasgow and Stornoway) to monitor fuel prices. The survey shows that the price of fuel in the Western Isles is up to 10% higher than at mainland outlets, thus additional costs are passed on to Western Isles businesses, motorists and consumers. Approximate annual cost to consumers in the Western Isles of the difference in Petrol prices is: £1,093,579.

- Approximate annual cost to Average Motorist in the Western Isles of the difference in Petrol prices only: £109.09.
- Maximum Difference on typical 1,000 litre weekly consumption of Marine Diesel: £60.10.

(Source: Comhairle nan Eilean Siar, Dec 2000).

To this one can add that the price of passenger air travel from Stornoway (principal town in the Western Isles) to Glasgow is over 150% more expensive per km than from Glasgow to London, based on a standard full price return ticket.

Unleaded: 5.72 £
Leaded: 3.52 £
Derv: 3.52 £

Maximum Difference on typical 55 litre tank of Fuel:
Permanen t a n d p e r v a s i v e r e a l i t i e s

Furthermore, the cost of producing electricity is several times higher in the islands than on the mainland because these regions (especially archipelagos) constitute small isolated networks which cannot guarantee the profitability of the infrastructures. Consumer prices can only be maintained by maintaining public service policies and a policy of meeting demand rather than by competition between operators.

The all-pervasive obstacle of transport

When one speaks of islands, one automatically thinks of transport, but it is not always possible to measure all the implications.

Transport is first and foremost a problem of choice. By definition, islanders cannot use road or rail to communicate with the outside, which means that they do not enjoy the benefit of competition between these various transport modes. They are not, therefore, in a position to benefit from the freedom of movement of persons and goods in conditions comparable to those of the inhabitants of the European mainland. The situation is even more serious for the inhabitants of the outermost regions, because, in most cases, they do not enjoy regular passenger transport services.

Another consequence of this reduced choice is the saturation of the transport modes available during the tourism season. Unless one books long in advance, it is extremely difficult to find a place for a vehicle on a ship, or a seat in a plane when tourist traffic is at its peak. Having no other alternatives, islanders sometimes find themselves “imprisoned” on their island during certain periods of the year.

Transport is also a question of time. The apparent length of the flight or of the sea crossing is only one aspect, because the inevitable waiting times need to be added to them:

- Check-in times, loading or unloading times for vehicles or goods, which are particularly long for transport by container ship or bulk carrier

- Waiting times between turn-rounds (non-existent on the mainland where a vehicle can leave at any time of the day or night, on any day of the week), and which depend on frequencies

- Additional delays due to storms, technical incidents or strikes, which cannot be avoided owing to the lack of alternatives.

Finally, transport is a question of price. We deliberately use the word “price” rather than “cost”, because the cost of a link is merely that of the resources used to provide it (vehicle, fuel, personnel, etc.), while its price is the bill actually paid by the user. The two concepts are totally different.

Strictly speaking, an island is defined as being a completely isolated territory with no fixed link (bridge, causeway, tunnel) to the mainland.

The creation of such fixed links has made it possible to overcome the insularity of several European islands, some of them quite major islands. Apart altogether from the Channel Tunnel, other examples include Eubeoa or Lefkas in Greece, Öland in Sweden, Rügen in Germany, Sjælland in Denmark, Ré, Oléron or Noirmoutier in France, Anglesey in Wales, Skye in Scotland, etc.

Outside the EU, the practice consisting in resolving insularity by the construction of fixed links is the rule in Japan, in particular in the numerous islands of the Interior Sea, where major motorway infrastructures crisscross the islands. This is also the case in Canada, where one of the Canadian Provinces, Prince Edward Island, was finally connected to the mainland a few years ago.

Five European island regions can currently “technically” claim to have such a connection on account of their relative proximity to the mainland (or to the main island, in the case of Malta). These are Sicily, the Isle of Wight, the Estonian islands of Saaremaa and Hiiumaa, and Gozo.

The question of whether or not such investments should be made is often a controversial one and the greater the financial, economic and environmental issues at stake, the greater the passions aroused. In all cases, the budgetary implications are considerable, both in terms of construction costs and upkeep costs.

<table>
<thead>
<tr>
<th>Island region</th>
<th>Distance from the mainland or from the main island</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sicilia (Italy)</td>
<td>6</td>
<td>5 098 000</td>
</tr>
<tr>
<td>Isle of Wight (England)</td>
<td>&lt; 5</td>
<td>128 200</td>
</tr>
<tr>
<td>Gozo (Malta)</td>
<td>8</td>
<td>29 400</td>
</tr>
<tr>
<td>Saaremaa (Estonia)</td>
<td>7</td>
<td>39 200</td>
</tr>
<tr>
<td>Hiiumaa (Estonia)</td>
<td>22</td>
<td>10 500</td>
</tr>
</tbody>
</table>

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In the field of air transport, the more limited the traffic or the weaker the competition, the higher the prices practised by the carriers on their regular flights with the islands. This means that, while the most popular island destinations can enjoy affordable prices, the prices for the most isolated islands come close to, or even exceed, the prices of certain transatlantic routes. The use of air transport is, moreover, unavoidably in the outermost regions, and essential in most cases, for example in archipelagos spread over vast areas such as the Azores, or islands whose neighbouring mainland is a region which is itself peripheral, mountainous or desertified (such as the Scottish archipelagos off the northern and western coasts of the Highlands).

In the field of shipping, especially for the shortest routes, the prices applied to vehicles and passengers tend to be much higher than the cost of using road or rail transport over an equivalent distance. It is therefore up to the public finances to make these prices acceptable by reducing them by means of “territorial continuity” policies, as is already the case, to varying degrees, in many regions.

For freight, the actual bill for the sea crossing gives only a partial picture of the actual prices borne by the user, because it ignores the impact of waiting times, and the time during which vehicles and lorry drivers are tied up. In some archipelagos, it can be practically as expensive to transport a cargo from one island to the other than to the mainland.

Does this mean that marine isolation necessarily leads to high transport costs? The mere fact that products from all over the world are sold competitively on the European market (Australian wines, shrimps from Thailand, goods manufactured in Japan, etc.) clearly shows that transport costs are not necessarily a prohibitive factor, even with long sea crossings. The essential factor is the question of traffic volume, because freight costs drop sharply when traffic is high and, especially, balanced.
Within the EU, a road carrier can greatly reduce his costs between two destinations if he is sure that he can load his vehicle at each end. In doing so, he can halve the price of the turnaround, irrespective of the means of transport used. As an example in point, a study carried out by Eurisles in cooperation with NEA shows that it can be cheaper to ship the same cargo between Maastricht and Helsinki than Maastricht and...
Lisbon, in spite of the crossing of the Baltic.

However, the vast majority of transport flows between European islands and the mainland are severely unbalanced in favour of imports. Moreover, carriers can neither load nor unload the cargos of other customers during the sea crossing, whereas they can do so on the mainland, even if that implies making a detour, because the flows are better balanced.

This means that the bill for a turnaround to an island is quite likely to be higher than that of a similar service between mainland destinations, irrespective of the cost of the crossing. The greater and more balanced the trading volumes, the lower the prices, especially as competition is stiffer between the carriers. This situation naturally favours the urbanised and industrialised regions at the heart of Europe (traditionally symbolised by the London–Milan “blue banana”), and mitigates against the more peripheral, less populated, regions, especially those affected by insularity.

The island regions have heavily loss-making transport flows. This trade is less unfavourable to Sardinia and Martinique, which respectively export oil and bananas. Only Gotland, which is a major cement producer, exports more than it imports. It is to be noted that cement and oil depend on specialised transport, a factor which does not make for balanced traffic.
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«Australia, n.
A country lying in the South Sea, whose industrial and commercial development has been unspeakably retarded by an unfortunate dispute among geographers as to whether it is a continent or an island.»

Ambrose BIERCE (1911)

More than 93% of E.U. Islanders live with a Gross Domestic Product per capita which is below the Community’s average. In spite of various compensatory systems, the cost of living tends to be higher in the Islands’ captive markets, while the wages are often lower. Because of the Islands’ size, overcosts are unavoidable to maintain levels of public or private services on a par with European standards. Often a monoactivity, the economic production depends upon local resources, which are limited (be it by the scarcity of raw material, of manpower, or by the size of firms…), which makes access to the Single Market difficult, if not illusory.

**GDP and unemployment: revealing, and misleading, statistics**

Per-capita GDP and unemployment are the two indicators most often used by the Community to measure the socio-economic situation of its regions. They effectively reveal the difficult situation of most of the island populations of the Union, but are they sufficient to fully assess their situations?

The decision of the Commission to opt for per-capital GDP, despite the fact that they were as aware as everyone else of the imperfections of this indicator, was justified mainly by the principle of realism. The tool exists, it has already been accepted by the Member States, and everyone calculates it in the same way, thanks to the major standardisation work carried out since the adoption of common European accounting standards.

**CONSTRAINTS**

**Structural with multiple consequences**

93% of the island population lives in a region where GDP per head is less than the average EU GDP. From Reunion, whose GDP per head was half the EU average in 1999, to Åland at 138%, all the island regions are represented in proportion to their population.

GDP base EUR15 = 100

- GDP > 100 (7% of EU island populations)
- GDP between 75 and 100 (30% of EU island populations)
- GDP < 75 (63% of EU island populations)

Source: EUROSTAT

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However, the fact that it is broken down on the basis of NUTS of 1 to 3 zoning leads to significant disparities and distortions depending on the geographic levels. For example:

- It is not based on homogeneous territories, and discriminates against the smallest regions
- It penalises territories which experience significant migration, public transfers and transfers of private funds.

The fact is that GDP is only one indicator out of many in the arsenal of regional accounts, and not necessarily the most pertinent one for understanding the economy of a region. The level of consumption by residents or tourists, the volume of investments or the balance of payments are sometimes better indicators of the level of development. Moreover, the islands are theoretically better at measuring trade with other spaces than mainland regions.

While this phenomenon has been confirmed and measured for some outlying islands, it is not so clear-cut for offshore islands, on account of the practice of Ro-Ro ferry transport, the extensive use of bulking and the elimination of physical checks (for example, customs). This trend of the last 20 years therefore brings the measurement of island flows closer to that of mainland situations.

Despite these theoretical advantages, however, the way in which island GDP is calculated often badly reflects the reality of the island regions, by over/under-estimating the fundamentals of their economies.

Of the twenty odd island regions in the European Union, 5 have a population in excess of 500,000 (Sicily, Sardinia, Canary Islands, Balearic Islands and Reunion) and account for three quarters of the European island population. The remaining island regions are small (7 of them are even at NUTS3 level, and 6 have fewer than 100,000 inhabitants). On small territories, where, paradoxically, knowledge of the local economy is often of a higher quality than in the case of the mainland regions, because more exhaustive counting is possible, the economic statistical apparatus is poorly dimensioned, and the calculation of GDP is often rough. What is the meaning of GDP in Bornholm, Gozo or Shetland where the population represents less than 50,000 inhabitants?

Apart from problems of comparability, the economies of these small territories very often rely on a small number of activities: - some agricultural productions, fisheries, tourism, etc. These are virtually single activities, which can represent up to 30% of GDP. They are often seasonal, cyclical or at the mercy of serious natural phenomena such as cyclones or earthquakes. Just as the economy of the Shetlands -

- **ÅLAND**
  - Åland is an autonomous Finnish province at the opening of the Gulf of Bothnia between Finland and Sweden, comprising more than 6,500 islands spread across 6,800 km². The total population of the archipelago is around 26,000 but only 65 islands are inhabited. The largest island, “Fasta Åland”, is home to 90% of the population. Unlike in the rest of Finland, the only official language of the archipelago is Swedish.
  - The area covered by Objective 2 covers all the islands of the archipelago except Mariehamn, the administrative capital and main seaport. The population covered therefore totals 15,000. The GDP per capita of the eligible area was 70% of the EU average in 1997 (118% for the whole of Åland). The insular nature of the islands and the restrictions this imposes on businesses renders certain business activities more difficult. The Åland Islands are small and scattered with no fixed road links (archipelago). Most companies are small with very low investment capabilities. The public and primary sectors account for the lion’s share of the island’s total employment. The primary industries, especially important on the outer islands, employ more than 20% of the total labour force while the public sector accounts for more than 25%. Within the next five years it is expected that around 20% of primary production jobs will disappear since more than a fifth of farmers are currently over the age of 60. In 1998, the unemployment rate of Åland stood at 4%. However, this is largely due to the out-migration of workers to the major labour markets of Finland and Sweden. Opportunities for higher education are limited on the archipelago, and young graduates are less inclined to return to Åland (brain-drain) if the economic situation is not favourable.

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**STRUCTURAL PROBLEMS OF THE SMALLER ISLANDS**

Off the coast of Europe
Structural constraints with multiple consequences

The non-commercial public sector also plays a major role. In over half the islands, it represents over 25% of jobs. This pivotal role arises from the need to provide a minimum of essential health, education or transport infrastructures and services. The per-capita cost of public services and goods is much higher for small communities or archipelagos. While it is true that this predominance of the public sector leads to a distribution of salaries, it also hinders the development of the private sector.

Finally, population structures in the island regions are often extreme and include many of the demographic maxima of the Union. There are islands with a high retired population such as the Isle of Wight, high population growth islands such as the Antilles or islands such as those of the Western Isles where there is a high level of population loss because of young adults emigrating. This is not without consequences on the unemployment and activity rates. While, on average, each person in active employment in Europe pays for the needs of 1.2 non-working persons, the corresponding ratio for Reunion or the Northern Aegean is 1 to 2. Moreover, even where the figures are similar, they refer to vastly different realities in both cases, because while the non-working population in Reunion essentially comprises young people under the age of 15 (over 35% of the population), in the Northern Aegean it consists of persons over the age of 60 (over 25% of the population).

While these phenomena are for the most part common to all the European Regions, the distortions they generate are amplified by the small size of the island regions:

- Between 1999 and 2006, the population of the French Overseas Departments will grow by 3%. The seven-year indicators are supposed to take account of this change, which is costly in terms of local infrastructures. The question remains, however, as to whether they will be re-evaluated and re-adjusted.

- Purchasing Power Standard (PPS) calculated by Eurostat is a national indicator which fails to reflect real price differentials. Who will weight the PPS of the islands to take account of price differentials with the mainland? ISTAT (Italian national institute of statistics) estimates that these differentials can range from 3% to 5% for the Italian islands and sometimes more for other European islands.

Finally, the manner in which island realities are taken into account depends on the geographic level on which regional statistics are calculated. Twenty years ago the per-capita GDP of Cor
The negative or unstable trends in the economic and demographic variables in the majority of the European islands – with the exception of a small number of islands situated in the «sun belt», characterised by strong tourism development – demonstrate their low level of attractiveness.

The islands are not attractive for the long-term settlement of:
- businesses, which prefer to set up in or to move to the mainland regions, especially around the large urban centres, so as to take advantage of external economies;
- people, especially those with a high level of education and training, because of the lack of employment opportunities and of services rendered to individuals (administrative, public and private services) that enhance the quality of life.

This low level of attractiveness is mainly due to two features of insularity:
- small size, both in both geographical and population terms. The limited number of inhabitants means a tight market and low local demand for products and services;
- the consequences of peripherality and remoteness, which are high running costs for business, households and the state. This cost premium takes the form of:
  1. a cost in terms of time (transport is by public transport, and is dependent on the frequency, distance and type of transport);
  2. a financial cost (high transport costs, monopolistic or oligopolistic market situation, low demand, external diseconomies, etc.);
  3. the cost of acquisition of infrastructure and the cost of running public services because of negative external economies;
  4. cost due to a lack of choice, because of the absence of infrastructure and services necessary for growth;
  5. cost of acquiring specialised information.

Even worse, island companies are too small to provide the diversity and level of remuneration that qualified workers aspire to. The only solution then is emigration which represents a two-fold loss of “investment” for the island’s employment sector. This is the case, in particular, in the Azores, where the low unemployment figures are an illusion, reflecting a history of high emigration to countries such as the United States due to a poor social situation and the unattractive nature of the local jobs market. The low unemployment rate of the Azores is also due to a low women activity rate, 10% lower than in continental Portugal.

In the field of unemployment, the situation of the islands is clearer. Globally, unemployment in the islands is higher than in their respective States. The French and Spanish outermost islands and the Italian islands even have record rates, due to both difficult economic conditions and dynamic population growth leading to the need for more job creation.

Another factor that goes a long way to explaining these high unemployment levels is the type of employment available in the islands. A lot of the jobs are in the public sector which, while stable, is not conducive to growth. The seasonal nature of the work available in tourism or agriculture means that these sectors do not offer the residents permanent or qualified jobs. Furthermore, island job seekers often have to compete with illegal immigrants who are willing to work for lower salaries. Another characteristic of island employment resides in the lack of qualified manpower. Educational structures in the islands, where they exist, are such that it is difficult and expensive to provide qualified manpower for the local market. Effects of size penalise the productivity of professional training, precluding any real-time adaptation of educational or training institutions to the needs of the labour market.

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The concept of the cost of insularity

The cost of insularity covers all the economic disadvantages which the residents of the islands suffer on account of higher import costs. It includes transport costs for goods and persons, and the domestic costs of the production of goods and services, including distribution services.

The distribution services for island produce generate a series of disadvantages, linked to insularity, which in turn generate higher production costs, leading to gross unit margins higher than those practised on the mainland. The goods most affected by these additional costs are perishable foodstuffs. The four main factors which exacerbate these costs are:

- The islands are end destination markets. Island consumer markets are end markets. Goods sent to the islands must be consumed by the local market, because there is no economically accessible alternative market. This causes suppliers to tend to dispatch only quantities which they are sure to sell at good prices. This phenomenon, which is particularly noticeable outside the tourist season, puts pressure on prices, creates artificial shortages and generates preventive purchase reflexes which further boost demand. In addition, island markets do not enjoy the benefit of downward pressure on prices owing to supply exceeding demand.

\[ \text{PRICES IN CORSLCA} \]

<table>
<thead>
<tr>
<th>Good or service</th>
<th>Ajaccio</th>
<th>Bastia</th>
<th>Marseilles</th>
<th>Paris</th>
<th>Whole of</th>
<th>Average Corsica</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline (liter)</td>
<td>2.62</td>
<td>2.45</td>
<td>2.35</td>
<td>2.25</td>
<td>2.35</td>
<td>2.25</td>
</tr>
<tr>
<td>Rumpsteak (kg)</td>
<td>14.03</td>
<td>14.70</td>
<td>96.9</td>
<td>111.1</td>
<td>111.1</td>
<td>111.1</td>
</tr>
<tr>
<td>Bone-in beef milk (1l)</td>
<td>0.70</td>
<td>0.63</td>
<td>0.50</td>
<td>0.39</td>
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<td>3.54</td>
<td>3.43</td>
<td>3.32</td>
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<td>3.20</td>
<td>2.91</td>
<td>2.91</td>
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<tr>
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<td>11.54</td>
<td>11.32</td>
<td>11.32</td>
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<tr>
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<td>5.97</td>
<td>5.97</td>
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<tr>
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<td>96.9</td>
<td>111.1</td>
<td>111.1</td>
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</tr>
<tr>
<td>Baguette bread (kg)</td>
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<td>96.9</td>
<td>111.1</td>
<td>111.1</td>
<td>111.1</td>
</tr>
</tbody>
</table>

The economic disadvantages which the island economy suffers can be broken up into three major categories: transport costs, distribution costs and production costs.

a) Transport costs

This is the most classic component of additional cost, the easiest to identify and, in any case, that which most people associate with the cost of insularity. In fact, it covers two distinct types of cost: those concerning persons and those concerning goods. Of all the goods transported, those particularly subject to additional costs are heavy goods, such as building materials or metal products. In any case, account is taken of all the transport services used by the residents of the islands, whether or not produced on the island.

b) Distribution costs

Compared to Paris, the cost of house maintenance works is 29% lower in Ajaccio, 25% cheaper in Bastia and 24% lower in Marseilles. Vehicle repair and maintenance prices are 28% cheaper in Ajaccio, 25% lower in Bastia and 17% cheaper in Marseilles. Hotel accommodation rates are also between 20 to 30% lower than in Paris. This is almost certainly explained by the wage differential between the Paris region and the countryside. The cost of manpower is passed on directly to the cost of services. Car fuel is approximately 2% cheaper in Corsica. The VAT rate is 13% instead of 19.6% in Paris and Marseilles. However as Corsican shopping centres do not sell petrol, the comparison concerns only fuel sold in the service stations of the major oil companies. If account is taken of petrol prices in shopping centres in calculating the average price at the pumps on the mainland, a litre of premium grade petrol actually costs more in Corsica.

For each ligne, the highest price is in bold letters, the lowest in italics.

Source: Comparaison géographique de prix (geographic price comparison) (October 1995) and Bulletin mensuel de statistique (monthly statistics bulletin). INSEE.
- Island trade suffers from risks of stock outage. The procurement conditions of the islands lead to greater storage needs than on the mainland, owing to the greater risk of stock outages (bad weather, strikes, etc.). The mere necessity to guarantee that the needs of domestic consumption will be met leads to the trend to «over-store»: local warehouses, additional equipment and, especially, longer tie-up times which adversely affect cash flow. This phenomenon is reflected in higher unit production costs than on the mainland. The phenomenon is greater the smaller the island, and has a particularly severe affect on the smallest and most isolated territories.

- The seasonal nature of the demand represents an extra burden for the distribution systems. Domestic demand in the islands records seasonal movements of variable amplitude linked to tourism. While this additional demand – the nature and structure of demand – has beneficial effects on the island economy, it also places severe pressure on prices: These pressures are generated, either simply by the implementation of market mechanisms due to extra demand, or by the additional operating costs needed to meet the extra demand (overdimensioning, employment, etc).

c) Production costs

The internal production cost of island goods and services is affected by a series of factors which constitute an important aspect of insularity. The following are worthy of mention:

- The small size of the local market, coupled with the dispersion of points of sale (concentrated in the urban areas, except for some rare exceptions) often lead to operating conditions (dimensions, equipment) which generate high unitary production costs.

- The seasonal nature of the demand represents an extra burden for the distribution systems.

- The transport costs linked to certain export operations;

- The small size of the regional territory;

- The high costs of agricultural land under competition from tourism (a phenomenon which is exacerbated at the edge of the urban, or coastal, areas) and the shortage of available manpower for agricultural or industrial activities;

- The lack of capital available for productive investments, in light of the possible gains in the real estate or commercial sector.

All of these parameters are linked to the degree of insularity of the territory in question, its ability to produce tourism services and its social structures. One must insist upon the difficulty of generating production activities in an island as an important factor. The degree of dependency on a mainland city, or on a powerful neighbouring economic centre are also factors in explaining these difficulties, and are possibly as determining as the cost of insularity strictly speaking.
Lower living standards

If the quality of the environment, life style, or the wealth of the cultural heritage can contribute to making the islands more attractive, the same does not apply to the standard of living of these regions, which is generally lower than that of their mainland.

The consumer prices practised in the islands suffer, to varying degrees, from the cumulative effects of transport, the small size of the market, and weaker competition. This phenomenon is exacerbated in small islands, in sparsely populated rural towns and villages and in the archipelagos.

These higher living costs are not offset by higher salaries. Despite the fact that, in certain branches of activity (especially in the civil service) “island bonuses” of varying generosity are granted in some islands, most revenues are lower than on the mainland. This phenomenon is aggravated by the seasonal nature of various activities, such as tourism and fisheries. This seasonality generates a high level of precarious employment, especially in the tourism sector. A per-capita GDP higher than the national average can also conceal lower-than-average salaries.

THE BALEARIC ISLANDS’ SPECIALISATION IN TOURISM AND ITS INCIDENCE ON THE LABOUR MARKET

Over the last few years, the Balearic Islands have become increasingly specialised in the tourism sector. This can be seen from the contribution of the tertiary sector to GDP, which over the period 1990-98 rose from 76.8% to 83.6%. In contrast, the trends observed in other European regions showed a redistribution of productive activities and a reduction in specialisation. It should be noted, however, that a deceleration in the growth of the service sector is forecast for the Balearic Islands over the coming years.

The labour market is as a result characterised by an increase in the number of tourism-related jobs and a gradual fall in employment in the traditional sectors such as agriculture and industry. The seasonal nature of tourism affects the Islands’ social and economic situation, in that it means unstable and temporary contracts of employment. It should be underlined that 50% of employment contracts are precarious (seasonal or temporary) and the average wage is 10% lower than the average for Spain. The seasonal nature of tourism also has serious social repercussions. For instance, workers employed for a short period of time are not entitled to unemployment benefit and they receive only a minimum pension on retirement.

Index of cost of Living 1998

<table>
<thead>
<tr>
<th></th>
<th>Food</th>
<th>Goods</th>
<th>Housing</th>
<th>Transport</th>
<th>Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shetland</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td>126.6</td>
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<td>133.8</td>
<td>92.5</td>
<td>107.9</td>
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<tr>
<td>Remote</td>
<td>117.1</td>
<td>126.0</td>
<td>87.3</td>
<td>140.3</td>
<td>93.2</td>
<td>113.0</td>
</tr>
<tr>
<td>Village A</td>
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<td>115.5</td>
<td>87.0</td>
<td>135.0</td>
<td>93.4</td>
<td>108.4</td>
</tr>
<tr>
<td>Village B</td>
<td>121.5</td>
<td>121.7</td>
<td>88.1</td>
<td>136.1</td>
<td>93.7</td>
<td>112.7</td>
</tr>
<tr>
<td>Village C</td>
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<td>124.5</td>
<td>86.7</td>
<td>135.4</td>
<td>94.1</td>
<td>112.0</td>
</tr>
<tr>
<td>Scottish Rural</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>109.5</td>
<td>114.4</td>
<td>86.5</td>
<td>112.9</td>
<td>91.4</td>
<td>103.6</td>
</tr>
<tr>
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<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>103.1</td>
<td>97.5</td>
<td>115.6</td>
<td>96.3</td>
<td>104.1</td>
<td>103.4</td>
</tr>
</tbody>
</table>

Source: Rural Scottish Summer Price Survey, MacKay Consultants

These indices are calculated from information collected on the price of food, housing, transport, services and other goods in various locations in rural Scotland using Aberdeen as the basis for comparison. For reasons of confidentiality, single shop communities are not identified.
The small size of the island market means that a number of goods or services will not be available locally, and that it will be occasionally necessary to call on the services of mainland companies. The shipping of equipment, technicians or repairmen will also, except in the case of a flat rate contract, be invoiced each time. For this same reason, it is very difficult for an island company to offer after-sales or follow-up services to mainland customers.

Even where island demand can be satisfied by local companies, the choice is still limited because these companies are less numerous than on the mainland. As an indirect effect of this type of situation, the invitation to tender procedures supposed to reduce the costs of services become illusory when there is only a very small number of companies able, or willing, to tender.

Even on an island as close to the mainland as the Isle of Wight, where the mainland is a mere twenty-minute sea crossing away, building costs are 7% higher than on the neighbouring mainland and upkeep costs 10 to 15% higher. In more remote island regions, the situation is exacerbated by difficult climatic conditions or an archipelago effect. For example, in the Scottish islands, building costs are 45% higher than the mainland average, while heavy materials (steel, cement, blocks, etc.) are often 90% more expensive.

The impact of transport and of market size is not limited to consumer prices; it also affects the building of infrastructures, the provision of services, and, in general, the operation of public services.

While these additional costs affect both the private and public sector, the response is not the same in both sectors. In the private sector, a company may lose interest in the island market or demand the prices it deems necessary; but in the public sector, there are statutory obligations, and the services must be provided irrespective of their cost. In such cases, the lack of economies of scale forces the island authorities to employ personnel or to build infrastructures disproportionate to the size of the population served; unlike mainland authorities which can reduce certain costs by sharing structures with their neighbours.

In some cases, difficult decisions have to be made. For example, would it be better to close a school or retirement home, and use establishments located on a larger island, or even on the mainland? The choice is often that between depriving inhabitants of the
proximity of their families and subjecting them to excessive costs and travel times, or running the risk of increasing public expenditure beyond the reasonable. While this problem occurs in many sparsely inhabited rural areas on the mainland, it is much worse in the islands. Finally, there are fields, such as those linked with the personal safety and protection of goods (fire brigades, emergency medical services, etc.) for which speed is of the essence. In such cases, the only choice is the creation of disproportionate structures, or the implementation of exceptional resources, such as the evacuation of ill or injured persons by plane or helicopter.

The Spanish example in the field of health is particularly interesting because it acknowledges that insularity has an extra cost. In a new agreement for the funding of the Spanish autonomous communities, the national fiscal and financial council quantifies the insularity variable at 0.5%, and takes account of this variable as a function of the distance in kilometres from the capital of the island province to the coasts of the Iberian Peninsula. The Council therefore attributes 23% of the “insularity” head to the Balearic Islands, and 77% to the Canary Islands. This means that insularity should increase the Balearic Islands’ health budget by 34.5 million euro. However, studies carried out by the health department of the autonomous government of the Balearic Islands estimate the global cost of insularity at over 42 million euro. The highly developed tourism sector generates a “floating” population comprising European or Spanish tourists and temporary workers, who are possible users of public or private health services, not to mention illegal immigrants. The whole of this floating population supposes a cost differential which the Balearic health services (SERBASA) estimates at 5% of the public health budget.

Despite the progress made in recent years in all fields thanks to Community funding, public services still fall far short of European standards.

The current situation is characterised by:

- The obligation on Member States to reduce public deficits, which implies the need for national and regional authorities to restrict budgetary expenditure and to make more efficient use of the funds. However, the authorities cannot maintain or develop poli-

<table>
<thead>
<tr>
<th>PHYSICAL INSULARITY – HIGHER COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is a well known fact that the cost of services in Gotland, as in other relatively small, remote regions, tend to be higher per capita than in other regions, because the population is small in numbers and the region is situated far away from mainland regions to be able to cooperate with them and thus share some of the costs. At the same time it is quite reasonable to assert that the population of Gotland is entitled to the same range of services enjoyed by other comparable regions; if not more so, taking into account the distance (in cost and time) needed to obtain services in alternative mainland centres. In spite of its small size, the hospital in Visby has most of the different clinics and specialities that you would expect to find in considerably larger centres elsewhere. Hospital clinics in Visby are comparatively small but still require certain basic facilities and personnel in order to function adequately. Fixed costs relative to the “client” base will be higher than elsewhere. The same applies to some extent to Gotland’s Gymnasium School (16-19 year-olds), as it is believed, quite reasonably, that practically all the subjects and specialities normally taught in Swedish gymnasium schools should also be offered to the people here.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COSTS PER INHABITANT FOR MUNICIPAL SERVICES OF GOTLAND AS % OF NATIONAL AVERAGE COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services for elderly, disabled</td>
</tr>
<tr>
<td>Political activities</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Medical and healthcare total</td>
</tr>
<tr>
<td>Hospitals etc</td>
</tr>
<tr>
<td>Cultural activities, sports etc</td>
</tr>
<tr>
<td>Technical infrastructure, protection</td>
</tr>
<tr>
<td>Children’s care</td>
</tr>
<tr>
<td>Welfare, other</td>
</tr>
<tr>
<td>Source: Swedish Association of Municipalities - 1999</td>
</tr>
</tbody>
</table>

In Gotland, the effects of insularity and a low population density combine to make the operation of the various services provided by the administration particularly costly. In 9 cases out of ten, these costs are higher than the average for Swedish municipalities, and this differential can be as high as +30%. Local taxes in Gotland are among the highest in Sweden.
Off the coast of Europe

As for the islands, the cost of which is particularly high and the efficiency (cost per beneficiary) low on account of the fragmentation of the island space.

- The obligation on Member States to liberalise public services in the framework of the single market to allow European consumers benefit from better-quality and cheaper services. These services in the field of electricity production, telecommunications, air or sea transport, television etc. were hitherto provided by monopolies, in most cases the State.

This liberalisation fails to take account of the fact that, in practical terms, the islands do not really form part of the single market (and cannot really benefit from it) on account of the efficiency (cost per beneficiary) low on account of the fact that, in most cases the State.

The long-standing basic industries in the Åland economy have been shipping, agriculture and fishing. Tourism has been an expanding sector ever since the 1960s, but is highly seasonal. In pace with the increase in tourism, primary industries have declined, though they are still of importance, particularly for employment on the outer islands.

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Vulnerable and specialised economies

Island economies are characterised by their high degree of dependence on a few activities which reflect the scarcity of their resources. These virtual single activities can fluctuate over time (tourism, fisheries, breeding, mines, etc.), but the islands can never draw on as diversified an economy as most mainland regions. On the mainland, the decline of one sector of activity can be offset by the jobs market in neighbouring regions, while, in an island, any severe crisis in the dominating activity is settled by unemployment or emigration.

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Among the causes for this sad state of affairs is the industry's failure to keep up with the growth in last 12 years, has the Corsican fish farming industry failed to catch up the current backlog in terms of business enterprise R&D (BERD), combined with a lack of publically financed technological support mechanisms. It is this technological progress (spurred by a public research institute, the IFREMER) which has enabled this sector to take off on the national and international plane. For the professionals on the island, the only way they can catch up the current backlog in terms of business enterprise R&D and become competitive by 2005 is by the development of a deliberate policy of technological support. This ambitious programme has been described in the various contractual documents between the Collectivité Territoriale (regional authority) of Corsica, the State, and the European Union.

Moreover, island enterprises are faced with higher costs (mainly due to transport), and a smaller local market. Their profit margins therefore tend to be tighter, and they are particularly vulnerable in case of recession, as the closure of one or two large businesses can have disproportionate effects.

In several islands, the predominance of certain sectors such as tourism leads to a sudden decline in traditional activities, in particular agriculture. This situation is not without consequences on the environment.

The other characteristic of the islands arises from the comparatively large size of the non-commercial sector. This is partially explained by the statutory obligations on regional and local authorities, and by their inability to make economies of scale owing to their islandisation and small populations. A minimum public service has to be provided to small, isolated, communities. In the Azores, on the small island of Corvo, the doctor who looks after the health of the roughly 350 inhabitants is a regional civil servant. 

While the important role played by the non-commercial sector ensures a degree of stability of employment and limits risks of unemployment, it is also reflected in increased dependency on financial transfers from national authorities or, alternatively, in high local taxation. The islands are therefore particularly vulnerable to austerity policies and budget cutbacks.

The structural constraints of insularity are also manifested.
in other fields, such as human resources, or research and development.

A number of islands find themselves in the paradoxical situation of being confronted with high unemployment, while having large manpower needs, particularly for qualified manpower, top executives or private services providers such as self-employed professionals. In fields of activity requiring a high level of competence as well as a constant practice (e.g. a medical surgeon), the volume of activity locally available is sometimes far too low to allow such professional skills to be kept at an acceptable level.

The attractiveness of an island’s environment and lifestyle is not always sufficient to counterbalance the con-

The importance of the public sector in the islands

<table>
<thead>
<tr>
<th>Public services in employment - %</th>
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<tbody>
<tr>
<td>sardegna                        25</td>
</tr>
<tr>
<td>ITALIA                          19</td>
</tr>
<tr>
<td>Saaremaa                        26</td>
</tr>
<tr>
<td>ESTONIA                         20</td>
</tr>
<tr>
<td>Illes Balears                    17</td>
</tr>
<tr>
<td>ESPANA                          21</td>
</tr>
<tr>
<td>Açores                          28</td>
</tr>
<tr>
<td>PORTUGAL                        21</td>
</tr>
<tr>
<td>Shetland                        17</td>
</tr>
<tr>
<td>Isle of Wight                   31</td>
</tr>
<tr>
<td>UNITED KINGDOM                  23</td>
</tr>
<tr>
<td>Corse                           32</td>
</tr>
<tr>
<td>Martinique                      54</td>
</tr>
<tr>
<td>Guadeloupe                      34.6</td>
</tr>
<tr>
<td>FRANCE                          28.8</td>
</tr>
<tr>
<td>Åland                           34</td>
</tr>
<tr>
<td>SUOMI / FINLAND                 31</td>
</tr>
<tr>
<td>Gozo                            41</td>
</tr>
<tr>
<td>MALTA                           41</td>
</tr>
<tr>
<td>Gotland                         45</td>
</tr>
<tr>
<td>SVERIGE                         41</td>
</tr>
</tbody>
</table>

Source: Eurisles

A EUROPEAN ISLAND AND ULTRA-PERIPHERAL CIVIL SERVICE: THE REGIONAL CIVIL SERVICE IN GUADELOUPE

At the same time, we note that, apart from subsidised jobs, 92.3% of the local civil servants in Guadeloupe belong to category C. Of these, the best elements courageously manage their colleagues despite the fact that they do not enjoy category B recognition. They manage an army of temporary public employees and piece-workers, only 60% of which are established.

Even disregarding the history of our overseas regions in explaining attitudes and behavioural patterns, we find ourselves in a context which leads us to assess civil servants who have responsibilities but no recognition.

Category B civil servants represent 4.41% of total staff and only 2.06% are employed in the municipalities. They often show brilliance in discharging responsibilities regularly entrusted to category A officers. As regards the latter category (3.2% of staff numbers), they often find themselves forced to act as political decision-makers rather than exercising the cold impartiality normally incumbent on public functionaries. The result is a fragile edifice which, at the same time, reveals its constructive strengths, its powers of adaptation and the weaknesses which characterise the administration of the overseas territories previously referred to as the Colonies. This group of top civil servants manifests the weaknesses of the system on the basis of two parameters. The first concerns its inter-active modus operandi, which, while it allows it to react to emergencies, precludes it from standing back with sufficient distance and weakens its ability to predict and plan ahead.

Secondly, the fact that it is an island precludes it from comparing itself with the outside with a view to making an objective comparison between the technical or administrative responses. We would also like to make an additional comment with respect to the breakdown of the decision-making level (A), the organisation level (B) and the execution level (C). The Regional and Departmental assemblies show the following internal breakdown: A (14.4%), B (17.8%) and C (67.8%)

While the municipalities show evidence of their flexibility via the following internal breakdown: A (1.26%), B (2.06%) and C (96.68%)

In other words, a basic army of civil servants with little or no management.
strains of insularity, such as poorer accessibility, transport costs, limited choice in terms of health, education, etc. This is especially true given that salaries tend to be lower and promotion prospects more limited. Families are therefore reluctant to settle, and companies or public bodies often have great difficulties in recruiting executives or qualified technicians.

Not unrelated to the previous point, most islands suffer from the weakness of their activities in the field of research and development. In this field, the islands lag far behind the mainland, except where there is a deliberate policy on the part of the public authorities (such as in Crete), or where specialisation in an economically important sector makes it possible to reach a threshold capable of generating or sustaining research activities.

PUBLIC SECTOR ACTIVITY IS A SIGNIFICANT PART OF THE WESTERN ISLES

The impact of major structural change out-with the islands areas often have significant economic impacts. Such cases involve the recent wind down of RAF (Government defence) activity at the Range in Benbecula, the collapse of the seaweed industry in the Western Isles, and the impact of the closure of an oil fabrication company Lewis Offshore Limited in 1997. The total turnover of Lewis Offshore in 1997 was £23,030,000, total factor earnings of the company were £6,280,000 and total employment 450 FTEs. The results in the overall fall in Western Isles economic activity due to closure was higher than this, due to the indirect and induced effects stimulated by the company. Overall figures suggest that the closure of the company resulted in falls of 8.1% in gross output levels and 5.7% in employment across the whole economy. Lewis Offshore itself employed 450 people in 1997 and the results suggest that the total economy-wide loss in employment would be an additional 105 FTE jobs over and above this figure (MILIRI).

THE BALEARIQUE ISLANDS ARE AMONG THE EUROPEAN REGIONS WITH THE LOWEST RATE OF INVESTMENT IN RESEARCH AND DEVELOPMENT

The Balearic Islands allocates only 0.25% of its GDP to research and development, compared with the Spanish and European averages of 0.89% and 1.84% respectively. Total annual R&D investment in the Islands amounts to approximately 32.45 million euro. More than 6 million euro of this is private sector investment, with a similar amount coming from the public sector and the remainder provided by the University of the Balearic Islands.

Among the main causes for this low level of investment are the fact that the industrial sector, which is the main investor in research, is not sufficiently developed in the Islands; a lack of political will; and a lack of social and entrepreneurial awareness. The Balearic Islands’ Government is therefore putting forward the first Balearic Islands’ Research and Development Plan, by means of which it aims to increase investment in this field, doubling the public contribution in the space of one year, and to encourage entrepreneurs to increase their efforts.

In addition, the Balearic Islands’ Technologic Park (BIT Park), designed by the British architect Richard Rogers, will soon open its doors to enterprises working in the telecommunications sector interested in setting up their headquarters in the Park. In this way the Park will also encourage diversification in the economy of the Balearic Islands.

E-COMMERCE IS THE FUTURE OF THE ISLANDS: MYTH OR REALITY?

The services sector is dominated by the tourism industry, which is very cyclical. The cyclicity element poses formidable problems, since the better-trained employees do not generally think highly of a career within the industry. Unlike Malta, Gozo has not registered success in attracting e-commerce-based services. Thus, while Malta is very aggressively marketing e-commerce services, (success has been registered in financial services back-office operations and the provision of services to the betting industry on the elektronischen network) Gozo is not equipped with the necessary promotion and regulatory infrastructure set-up to register any gains in this sphere. At the same time, backup services like back-office operations and the provision of legal, accounting, audit and management consultancy services are exclusively based in Malta, making Gozo a less attractive environment for the establishment of these innovative yet promising tertiary sector services.

RESEARCH IN CORSICA

Corsica, the Cinderella of Research & Development (R&D), in terms of both expenditure and the numbers of persons involved, suffers from a fabric of small enterprises, belonging to sectors which are insufficiently innovative (agri-food, non-specific services, etc.) and a very low level of inter-enterprise relations, both within the region and with the outside. The Island’s backlog in terms of public and private RD is measured by means of the GDERD/GDP ratio.

Public RD: a clear effort

For the national territory overall, this ratio comes to 1.8%, reaching a peak of 4% for the Ile de France and Midi-Pyrenees regions, while the ratio in Corsica is a mere 0.2%. In fact, Corsica is the only French region where this ratio is less than 0.25%. In all, Corsica’s research potential is as follows:

<table>
<thead>
<tr>
<th>R&amp;D Researchers</th>
<th>Public RD Researchers*</th>
<th>Number/10,000 inhab</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corsica</td>
<td>270</td>
<td>10.4</td>
</tr>
<tr>
<td>France</td>
<td>71</td>
<td>12.3</td>
</tr>
</tbody>
</table>

Industrial R&D Researchers

| Corsica         | 255                    | 5.1               |
| France          | 490                    | 9.0               |
| PACA            | 114                    | 3.8               |
| Poitou-Charentes| 104                    | 0.4               |
| Ile de France   | 524                    | 9.9               |
| Auvergne        | 674                    | 8.1               |
| Champagne       | 68                     | 11.8              |


It is therefore clear that, in terms of R&D, Corsica suffers from an under-representation of private R&D. The development of public R&D has not yet generated the locomotive effects that one could have hoped for in the private sector, whether via the creation of research and innovation networks designed to maximize the social yield of research, or via the exercise of cumulative effects which could serve to enhance the region’s competitive edge.

<table>
<thead>
<tr>
<th>Industrial R&amp;D Researchers</th>
<th>Corsica</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>Researchers engineer</td>
<td>25</td>
<td>490</td>
</tr>
<tr>
<td>Researchers/10,000 inhabit</td>
<td>25</td>
<td>490</td>
</tr>
</tbody>
</table>

1. GDERD (Gross domestic expenditure on R&D) = Total RD expenditure by enterprises and public institutions.
2. GERD = Part of GERD made by Enterprises.
3. GDERD / GDP = Ratio illustrating the share of Gross Domestic Product spent on RD.
The important part played by the small islands of the Sicilian and of Maltese archipelagoes, including Gozo, is clearly shown in the division of fishing zones and off-shore oil exploitation zones which have ensued two decisions from the International Court of Justice (1978 decision of borderline Italy/Tunisia, and 1987 decision of borderline Libya/Malta).
Islands are privileged with natural and cultural environments which are exceptional, but also fragile and bearing many constraints. Their preservation is not necessarily compatible with the requirements of economic development. 8% of the European sites classified as “World Heritage” by UNESCO are located in Islands. In 8 of the 21 island regions of the EU, the people speak a language different to the national language of their Member State. Half of the European coastline belongs to the Islands, where the concentration of inhabitants along the shores, and the pressures exerted by tourism, result in complex and costly requirements in terms of management. Islands are more exposed than the mainland to environmental disasters, and very vulnerable to climatic or seismic events.

An acknowledged environmental heritage

The environmental heritage of the islands can be a source of both wealth and difficulties for them. Island isolation, a phenomenon familiar to naturalists, has often given rise to original endemisms. It has favoured the preservation of animal and vegetable species, both terrestrial and marine, and has also been a contributory factor in the weakness (if not total absence) of industrial development. This is evidenced by the relatively high number of island sites in the list of areas covered by EU environmental legislation or the number of sites classified by UNESCO as forming part of the world heritage of humanity.

While these classifications can point to a pleasant living environment, be a source of prestige, or act as a tourist attraction, they nevertheless constitute constraints. The areas covered by national or EU environmental legislation in a number of islands account for very high proportions of the territory (or even the entire territory in the case of certain small islands). The obligations imposed by these classifications, while they vary widely in terms of intensity, nevertheless result in a reduction of the surface areas that can be freely used for economic activities or even for human habitat.

Because of the limited nature of the island spaces, man and nature are forced to share a limited space, a factor that generates, sometimes intense, conflicts of interest between the

TAX ON TRANSPORT IN CORSICA

Since 01/07/93, public air and sea transport companies serving Corsica have been required, irrespective of their nationality or legal status, to pay a tax on all passengers boarding or disembarking on their vessels. The tax is due on transactions performed with respect to commercial flights, including “charter” flights, or regular sea routes.

The tax is calculated on the number of passengers who hold a paid ticket, irrespective of their place of residence. The tax is added to the price paid by the passenger and is paid when the tickets are purchased. The amount of the tax is:
- 10 € approximately per passenger, irrespective of the mode of transport used and of the distance travelled (motion No. 92/106 of the Corsican Assembly of 01/10/92).
- 2 € approximately per passenger, for transport of distances less than 20 km (motion No. 94/160 of the Corsican Assembly of 01/10/92).

The transport companies are required to declare and pay the tax due by them at the same time as the VAT. The global amount of the tax should be mentioned in the Appendix declaration under the heading « tax on boarding and disembarkation of passengers in Corsica ». The income from the tax due by public air and sea transport companies comes under a distinct chapter entitled: “Intervention fund for development in Corsica” in the regional authority’s budget, and is managed by a committee chaired by the chairman of the Executive Council.

The total amount of the tax in 2000 came to approximately 25 million €. It is earmarked for expenditure concerning purification, housing and the environment.
Off the coast of Europe

various economic activities. These conflicts are obviously more acute the smaller the territory available or the higher the population density. The construction of a windmill farm, the opening of a quarry, or the creation of a waste disposal or storage centre are all projects which soon come up against widespread opposition, with residents or the law leaping to the defence of the environment, in a context where the alternatives are limited or non-existent.

The problems generated by the tourism industry are well known, both on account of their intensity and their seasonal nature. Seasonal increases in island population over a fairly short period of time have long-lasting consequences for public finances and for the environment. These include overdimensioning of road or sanitary infrastructures, the need to cater for sudden surges in water, electricity or waste management needs; over frequentation of classified sites or fragile ecosystems; pressure on real estate resources, etc.

These extra costs or nuisances are sometimes hidden but must always be taken into account in assessing the actual impact of this activity, apart from its effects on GDP. Their intensity

POTENTIAL AS NATURE RESERVES AND CONSERVATION AREAS

As the Western Isles contain an important natural resource base and varying landscape, there are several different types of environmental designations in place throughout the area, including:
- 53 Sites of Special Scientific Interest covering 37,350.60 ha, or 12.9% of the Western Isles area;
- 4 National Nature Reserves covering 3,237 ha, or 1.2% of the Western Isles area;
- 15 Special Protection Areas covering 90,481.9 ha, or 31.2% of the Western Isles area;
- 11 Candidate Special Areas of Conservation covering 60,904.5 ha, or 21% of the Western Isles area (two new proposed SACs are under consultation at present);
- 5 Ramsar sites;
- 3 National Scenic Areas total area of Western Isles covered being 116,600 ha (includes large marine component);
- 1 World Heritage Site.

The EU Natura 2000 network consists of a series of sites designated as important for nature conservation under the EU Habitats and Birds Directives. The network encompasses areas classified as SPAs (for birds), and SACs (for habitats and species other than birds). The total area of the Western Isles included in the Natura network at present is 92,479.26 ha, or 31.9% - reflecting the high degree of overlap between SPAs and SACs. This figure may change if new sites are proposed.

The 3 National Scenic Areas covering St Kilda, South Lewis, Harris and North Uist; and South Uist Machair; recognise the unique and nationally important qualities of the Western Isles landscape.

<table>
<thead>
<tr>
<th>Summary of Environmental Designations</th>
<th>Lewis &amp; Harris</th>
<th>Uist / Barra</th>
<th>Western Isles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SSSI</td>
<td>48</td>
<td>22</td>
<td>51</td>
</tr>
<tr>
<td>Area of SSSI (ha)</td>
<td>81,252.4</td>
<td>19,098.5</td>
<td>37,350.6</td>
</tr>
<tr>
<td>% of Area</td>
<td>43.8</td>
<td>25.12</td>
<td>12.9</td>
</tr>
<tr>
<td>Number of NNR</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Area of NNR (ha)</td>
<td>735</td>
<td>2,254</td>
<td>3,237</td>
</tr>
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<td>% of Area</td>
<td>6.66</td>
<td>2.97</td>
<td>1.12</td>
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<tr>
<td>Number of SPA</td>
<td>7</td>
<td>8</td>
<td>15</td>
</tr>
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<td>73,779.3</td>
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<td>11</td>
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<tr>
<td>Area of cSAC (ha)</td>
<td>45,232.8</td>
<td>15,671.6</td>
<td>60,904.5</td>
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<tr>
<td>% of Area</td>
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<td>*</td>
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<td>% of Area</td>
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<tr>
<td>% of Area</td>
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</tbody>
</table>

ÁLAND: AN EXTENSIVE AUTONOMY

The archipelago has the necessary means to control the use and ownership of its land. These means, largely due to the extensive status of autonomy of Åland, have been reinforced in the adhesion treaty.

On the one hand, it is necessary to possess land regional citizenship in order to:
- vote in and stand for elections to the Lagting,
- own and hold real estate in Åland,
- carry on business in Åland.

Restrictions upon the right of owning and holding real estate have been imposed with a view to preserving land in the possession of the Ålanders. In individual cases the Landskapsstyrelse may grant exemptions from the rule that only possessors of Åland citizenship may own real estate and carry on business.

Regional citizenship is acquired by a child at birth if one of its parents possesses Åland citizenship. Immigrants who have lived in Åland for five years and have satisfactory knowledge of Swedish can obtain Åland citizenship upon application. Only Finnish citizens and EU citizens may acquire regional citizenship. Persons who have been resident outside Åland for longer than five years lose their regional citizenship.

On the other hand, nature conservation is fairly well developed. Åland has its own conservation law, and there are special regulations for protecting wild flora and fauna. Common right of access in Åland is more limited in certain aspects than in surrounding regions.

In order to monitor these developments, limit seasonal fluctuations and reduce the resulting extra costs, several regional authorities use regulatory or
fiscal instruments, either to safeguard the “birthright” of their residents (e.g. the Åland islands), or to finance the conservation of natural or cultural resources (e.g. Corsica or the Balearic Islands).

**PROTECTED AREA : CONFLICTS BETWEEN EUROPEAN LEGISLATION AND POTENTIAL DEVELOPMENT**

Some 70% of the Isle of Wight is protected by either UK or European landscape designations which reflects the high quality of the island environment. Indeed, the natural environment is a “core” selling point for the island and we must ensure that its intrinsic quality is not undermined by various actions. The total area of the Isle of Wight is 38,028 hectares and the coastline length, including estuaries, is 146 km. Often, due to the designations, UK agencies such as English Nature and the Environment Agency have objected to various development proposals. Difficulties have been particularly experienced in obtaining approval for coast protection and stabilisation schemes, without which property would fall into the sea, and for development adjoining the River Medina, despite the development providing up to 250 reasonably well paid jobs. In pursuing these development proposals, which in some areas are considered vital for the protection of property, more and more extensive and expensive studies are having to be undertaken to convince the various agencies that the particular proposals will not significantly adversely affect their interests. The main problem seems to be that the Conservation (Natural Habitats) Regulations 1994 fail to include properly in UK law Article 2(3) of the Habitats Directive that “measures taken pursuant to this Directive shall take account of economic, social and cultural requirements and regional and local characteristics”. The agencies’ response to the Council is that they have to protect the interest of the designations and nature conservation and are not able to take into account economic arguments. The effect of the designations therefore is to concentrate development into a relatively small part of the Isle of Wight.

### SIXTEEN EUROPEAN ISLANDS INSCRIBED ON THE WORLD HERITAGE LIST

The contribution of the islands to the cultural and environmental wealth of Europe is proportionally much greater than the size of their territories and populations within the EU. UNESCO has inscribed sixteen sites in the Island regions on the World Heritage List. This represents 8% of the sites of the EU, which account for 209 of the 721 properties which the World Heritage Committee has inscribed on the World Heritage List (529 cultural, 138 natural and 23 mixed properties in 158 States Parties). This list was drawn up in December 2001:

- **Azores:** Central Zone of Angra do Heroísmo
- **Balearic Islands:** Ibiza, Biodiversity and Culture
- **Canaries:** San Cristóbal de la Laguna
- **Corsica:** Cape Girolata, Cape Porto, Scandola Nature Reserve, and the Plana Calanches
- **Gotland:** Hanseatic Town of Visby
- **Gozo:** Megalithic Temples of Malta
- **Madeira:** Laurisilva of Madeira
- **South Aegean:** Medieval City of Rhodes; The Historic Centre (Chorá) with the Monastery of Saint John “the Theologian” and the Cave of the Apocalypse on the Island of Pátrmos
- **Orkney:** Heart of Neolithic Orkney
- **Sardinia:** Su Nuraxi di Barumini
- **Sicily:** Archaeological Area of Agrigento; Isole Eolie (Aeolian Islands)
- **Northern Aegean:** Monasteries of Daphni, Hossios Luckas, and Nea Moni of Chios; Pythagoreion and Heraion of Samos
- **Western Isles:** St Kilda
Protected areas occupy a large surface area in the islands. The various classifications, although they vary widely from one region to another, play a vital role in safeguarding a fragile island milieu, often endangered by population and tourism.
Exceptional but fragile and restrictive environments

CORSE

ILLES BALEARS

GUADALOUPE
The size of the interface between the land and the sea which characterises the islands also exposes them to the threats which stem from these two types of environment. It is estimated that, internationally, 23% of the pollution affecting the marine milieu comes from the sea (including 12% from shipping, 10% from dumping at sea and 1% from offshore oil), while 77% is of terrestrial origin (44% from run-off water and landfills, and 33% from the atmosphere).

This problem applies to any coastal zone, but the limited space in the islands means that they are the first to feel the impacts of any change and they feel them more keenly. Situations vary from one island region to another, but in general the greater the ratio between the island’s coastline and its surface area, the greater its vulnerability.

Many different activities can affect the coastal marine ecosystems of the islands. In Guadeloupe, only 10% of the coral reefs, which represent 200 km of the 680 km of coastline, are regarded as in “good condition”. The causes of deterioration can be natural (natural disasters, disease) or man-induced: for reasons ranging from terrigenous deposit caused by deforestation, to deposits of nutrients from fertilizers, pesticides or from drainage of urban wastewater, or pressure from the tourist industry and coastal development works.

In the granite island of Harris (Western Isles) the project for an enormous aggregate quarry on the coast was rejected following a lengthy public survey, despite high local unemployment (this procedure is presently under appeal). One of the arguments raised during the survey was the risk of marine pollution arising from the emptying of ballasts in the Minch strait by ships loading minerals, and the possible consequences for fish farming and local fisheries.

In the island of Bornholm, the Danish Department of Fisheries and Agriculture prevented a fish farm from operating in case the fry from this farm would mix with the endangered wild salmon stocks of the Baltic Sea.

If pollution originating on land can be monitored, such is not always the case for pollution originating in the sea. Some islands are unable to prevent large numbers of ships that present high pollution risks from frequenting their coasts. This applies, for example, to Gozo and Malta on the Suez Canal route, Bornholm and the many small Danish islands in the mouth of the Baltic, or the Ionian islands at the gateway to the Adriatic Sea on a major trading hub between Greece and Italy. The point of passage is sometimes notoriously narrow,

AN EXAMPLE OF THE ACCUMULATION OF THE CONSTRAINTS LINKED TO THE LAND AND THE SEA

The ecosystems of Martinique, an island of 1,075 km² surface area and 350 km of coasts, differ greatly between north and south. The island has 3 major ecosystems of equal importance which are of considerable interest for tourism and from an ecological and scientific point of view:
- Coral reefs
- Mangroves
- Plant communities

The deterioration in the ecosystems has been caused by a number of factors:
- Climatic phenomena (cyclones, tropical storms, El Niño);
- Agricultural pollution (fertilizers, pesticides);
- Pollution par hydrocarbons from the refinery SARA;
- Pollution by heavy metals (zinc, lead, cadmium) high levels of which have been found in sediments and in some marine organisms;
- Discharges from distilleries: distillery residues containing highly acid organic matter, which cause anoxic conditions when they are oxidised;
- Urban pollution (household waste, absence of wastewater collection networks, lack of sewage);
- Terrigenous sedimentation due to deforestation and cut-and-fill work;
- The overexploitation of marine resources: severe pressure by fisheries on reef species and plant communities, use of inappropriate fishing gear (pots, seine nets, etc.);
- Tourism: yachting, open roadsteads, concentration of hotels, widespread diving.

As in the Straits of Bonifacio between Corsica and Sardinia, or Messina between Sicily and Calabria, or the “Ushant lane” for some of the Ponant islands; and this gives rise to significant risks of accident. However, international law lays down a free right of passage for ships and prevents countries from prohibiting them, or makes it extremely difficult to do so.

Similarly, it is difficult to oppose the right of passage of ships containing dangerous waste,
such as nuclear waste. In 1999, the Heads of State of the Caribbean adopted a declaration deploring the “ecological deterioration (of the Caribbean) and (refusing) to allow it be used for the continuous transport of nuclear and toxic waste …”. The adoption of this declaration highlighted diverging positions on the part of the Martinique region and France on this question.

In other cases, the source of the danger lies in the very presence on the islands of high-risk maritime and industrial risks. The presence of oil terminals in Flotta (Orkney) and Sullom Voe (Shetland) generates heavy traffic of methane and oil tankers. Gas and oil from offshore North Sea platforms are conveyed to these archipelagos via underwater pipelines and re-exported. There is a risk that these ships will sink in these waters during the frequent storms (cf. the sinking of the “Braer” in January 1993), not to mention the more “pernicious” risk of ships degassing when approaching the ports.

Such risks are common to all coastal communities in Europe or elsewhere, but in the islands, their potential impact tends to be much greater because activities that depend on the coastal zone or the surrounding waters (tourism, fisheries, fish farming, etc.) represent the lion’s share of the regional economy and of local jobs, and there is very little alternative.

### COASTAL INDEX

**(length of coast/area)**

- **< 0.15**: Large island
- **0.15 - 0.5**: Medium island
- **0.5 - 1**: Small island
- **> 1**: Maritime island

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<tr>
<th>REGIONS</th>
<th>ILES / ISLANDS</th>
<th>Longueur des côtes</th>
<th>Superficie Total area</th>
<th>Indice côtier Coastal index</th>
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© Source Eurisles

The coastal index measures the “maritimeness” of an island on the basis of the principle that the smaller the island, the more it is “geographically insular”. A coastal index of greater than 1 represents the situation of a small island with a very long coastline (very rugged coasts, gulls, bays, headlands, etc.). Depending on whether or not coasts are jagged, this increases or reduces difficulties related to access, the number of available beaches or inlets or the existence of bays suitable for sailing, etc.

For example, Marie-Galante, which is a quite round island, has almost the same length of coastline as Serifos, which is twice as small and has a more uneven coast. Their coastal index varies from single to double.

On the other hand, the Sardinian islands of La Maddalena and San Pietro have almost the same surface area and coastlines ranging from 1 to 5, and therefore their coastal index differs greatly.
Any discussion on the environment of the island regions calls for a long-term or very-long-term vision, taking account of climate changes, in particular those arising from the greenhouse effect.

The situation varies from one geographic area to another. The predominant climate risks vary according to the islands: heavy storms in the North Sea or Atlantic, drought in the Mediterranean, cyclones in the Antilles, etc. Over a period of thirty years, these cyclical events will constitute the main threat to European islands, and their intensity will be heightened by the greenhouse effect.

In the longer term, the rise in the level of the oceans is the most dangerous threat to island populations (in addition to the indirect consequences of the climatic changes such as variations in temperature, rain level, winds, etc.).

In this regard, a distinction should be made between the oceans and the enclosed seas. For example, the Atlantic takes 75 years to regenerate the waters of the Mediterranean from West to East. This means that the rise in the water level is regular and significant in Crete or in the Aegean, while it is insignificant in the Balearic Islands. Conversely, the islands of the Baltic are returning to the surface under the effect of the tectonic plates.

However, all meteorologists agree in predicting dramatic changes in the Atlantic and the Indian Ocean, directly threatening the outermost island regions.

In the Mediterranean, earthquakes are a major problem for all the Greek and Italian islands. From Santorini to Messina in Sicily, up to the recent earthquakes in the Ionian Islands, the Mediterranean island regions pay a high price for their location at the meeting of two continents.

These seismic conditions are sometimes aggravated by the presence of active volcanoes

In other island regions, the rise in sea levels owing to global warming will affect the coastal areas. The Greek islands will be particularly exposed.

The rise in sea levels owing to global warming will affect the coastal areas. The Greek islands will be particularly exposed.

The level of the oceans is rising. However, researchers do not agree on the figures. In the Mediterranean, it rose by between 10 and 15 millimetres per year from 1993 to 2000 in the eastern part, while it dropped to the east of Sicily.

The rise in sea levels owing to global warming will affect the coastal areas. The Greek islands will be particularly exposed.

**FALL OR INCREASE IN THE SEA LEVEL IN THE MEDITERRANEAN FROM JANUARY 1993 TO NOVEMBER 2000**

**IMPACTS OF CLIMATE CHANGE ON THE ISLE OF WIGHT COAST AND OTHER ISLAND REGIONS**

On the coast predicted climate change impacts as a result of human activity expected over the next century are anticipated to increase risks from cliff erosion in two ways. First, the sea level was expected to rise by up to 0.3 metres over the next 50 years, resulting in an increased frequency of wave attack at the cliff foot and more efficient debris removal from the foreshore. Second, modelling by the Hadley Centre in Great Britain has predicted climate changes that are likely to have a marked impact on cliff instability. These changes include an increase in summer temperatures, an increase in the average winter rainfall, a decrease in summer rainfall, an increase in the frequency of wet days and an increase in the frequency of storm events. Research has previously demonstrated that the recorded pattern of coastal instability in some locations is closely linked with the occurrence of wet year sequences. Other research has indicated that soft cliff erosion could increase by between 20% and 130% over the next 50 years. Furthermore, the anticipated sea level rise over the next decade, together with depleted beaches and a declining sediment supply from cliff recession, could result in significant changes in cliff behaviour which have no parallel over the historical time period. The challenge, therefore, is to put in place management systems that will ensure that people, property and the natural environment receive the necessary levels of protection over the next century.

As far as the Isle of Wight is concerned, its 110 km of coastline, the longest of any coast in England and Wales, is likely to be severely affected. Most of the cliff line is composed of relatively soft rocks which are particularly susceptible to landsliding and coastal erosion from Atlantic storm waves. This has been demonstrated through the extensive landsliding and instability that has occurred this winter with an estimated cost to the Council approaching £3 million. The average cost of managing ground instability and coastal erosion over the last 15 years on the Isle of Wight alone has been £2 million per year. A considerable amount of effort, partly funded with the assistance of the European Union, has been extended on instability monitoring and predictive studies examining likely scenarios for future coastal evolution.
such as Mount Etna or Stromboli in Sicily.

Although major earthquakes and volcanic eruptions are, fortunately, not so frequent, their potential threat has a cost. All of these geographic data weigh on the expenditure of the local and regional authorities for their civil security budgets, the protection of their infrastructures and regular reconstruction expenditure. They also increase the costs of business and, therefore, of residential accommodation and generate numerous restoration costs (small walls, terraces, etc.).

**MAIN EARTHQUAKES IN THE IONIAN ISLANDS DURING THE COURSE OF THE 20TH CENTURY**

- **24 January 1912**, magnitude 6.8; maximum intensity 10 in Astrogirákia (Cephalonia)
- **8 persons were killed in Poros (Cephalonia) and 40 injured. Severe damage was also reported in Ithaca.**
- **27 November 1914**, magnitude 6.3; maximum intensity 9 in Lefkada
- **12 villages were almost totally destroyed, while, in six others, a very large number of houses collapsed and others were severely damaged.**
- **27 January 1915**, magnitude 6.6; maximum intensity 9 Exoghi (Ithaca)
- **7 August 1915**, magnitude 6.7; maximum intensity 9 in Ithaca
- **In Ithaca and in 6 villages, and also in Sami (Cephalonia), out of 350 houses, 50 collapsed, 100 made uninhabitable and over 100 others presented large cracks.**
- **19 August 1915**, magnitude 6.1; maximum intensity 7 in Paxi
- **20 September 1939**, magnitude 6.3 in Cephalonia
- **22 April 1948**, magnitude 6.5; maximum intensity 9 in Vassiliki (Lefkada)
- **2 persons were killed and 45 injured in the southwest of Lefkada where 244 buildings were completely destroyed, and 998 suffered severe damage.**
- **2 persons died and 145 were injured in four villages: 189 houses collapsed right down to their foundations.**
- **30 June 1948**, Intensity 6-4 in Lefkada
- **7 dead, 100 injured in 5 villages. 280 houses collapsed in the capital of the island, 880 severely damaged and 150 showed slight cracks. In all in the island, 1,290 buildings were destroyed and 1,869 suffered severe damage.**
- **12 August 1953**, magnitude 7.2; maximum intensity 10+ in Argostoli
- **455 persons were killed, 21 missing and 2,412 injured. Series of catastrophic earthquakes, the worst occurring on 12 August (7.2 Richter). Preceded by severe shocks on 9 August (6.4) and 11 August (6.3), followed by after-shocks the greatest of which (6.3) occurred on the same day as the main quake.**
- **These earthquakes caused considerable damage, especially in Cephalonia, Zante and Ithaca, which were almost completely destroyed. Out of the 33,000 buildings on these islands, 27,659 were totally destroyed, 2,780 suffered extensive damage, 2,394 were slightly damaged and only 647 were spared.**
- **27 August 1958**, magnitude 6.4; maximum intensity 5 in Zante
- **15 November 1959**, magnitude 6.8; maximum intensity 7 in Volímés (Zante)
- **10 April 1962**, magnitude 6.3; maximum intensity 6 in Volímés (Zante)
- **17 September 1972**, magnitude 6.3; maximum intensity 7 in Havriata (Cephalonia)
- **The quake caused damage in the southwestern part of Cephalonia. 108 houses suffered reparable damage, cracks appeared in 57 buildings and 2 bridges. One person was injured.**
- **11 May 1976**, magnitude 6.5; maximum intensity 5 in Ambelokipi (Zante)
- **17 January 1983**, magnitude 7.0; maximum intensity 6 in Argostoli
- **18 November 1997**, magnitude 6.6 in Zante.

**SEISMICITY IN THE ISLANDS**

The region of the Ionian Islands is the highest seismicity area in the whole of Western Eurasia (i.e., from Gibraltar to China). This region constitutes the limit where the Adriatic and mainland Greek plate (from Corfu to the North of Lefkada), come up against the Cephalonian fault line (region of Lefkada and Cephalonia), and against the subduction of the Eastern Mediterranean lithospheric plate under the Aegean microplate, in the sector of the famous “Greek Arc“ (from Zante and further to the South). This relative movement of all the above-mentioned lithospheric plates frequently causes violent earthquakes in the region. Apart from violent destructive earthquakes which often shake the region, average-magnitude earthquakes (between 4.5 and 5.9 R) also frequently strike, making their presence specially felt when their epicentre is located close to inhabited areas. An example in point was the earthquake of 25 February 1994, which read 5.4 on the Richter scale and occurred in Lefkada causing some damage.

Owing to the high seismicity of the region, most of the Ionian Islands are classified as maximum seismic danger zones, in conformity with the new Greek anti-seismic regulations of 2000. To be more precise, Seismic Danger Zones (SDZ) are classified, in ascending order, from I to IV and the Ionian Islands are therefore classified as follows:

- **Argostoli (Cephalonia)**: SDZ IV
- **Zante**: SDZ IV
- **Ithaca**: SDZ IV
- **Lefkada**: SDZ IV
- **Sami (Cephalonia)**: SDZ IV
- **Corfu**: SDZ III
- **Galos (Paxi)**: SDZ III

No other region in Greece has SDZ classification IV. The combination of the SDZ in which a region is situated with respect to the provisions of the Greek anti-seismic regulations also conditions the precise building modalities in this region, from the point of view of both planning and the type of construction, in conformity with Greek anti-seismic regulations.
The cultural heritage of the islands owes its wealth and originality to factors which are similar to those of the environmental heritage. The geographic position of some of them have, at various periods in their history when shipping played a dominant role, made them centres of trade between cultures, urban centres of Kingdoms, outposts of empires or even the melting pots of civilisations. This heritage can be seen, inter alia, in the architectural heritage.

Examples in point are the fortified city of Rhodes, the many ancient monuments or monasteries on the Greek islands, the Hanseatic city of Visby in Gotland, Angra do Heroismo in the Azores, the fortified towers (Nuraghe) of Sardinia, the island of Ibiza in the Baleares, etc. Many of these cities or monuments are now registered as world heritage monuments. Added to this are the languages, customs, and traditions which reflect the intermixing – owing to sometimes dramatic causes – of populations between several continents. Creole in the Antilles or Reunion is a perfect illustration of this phenomenon.

In several other islands, geographic isolation and, in many cases, a favourable economic substrate (in particular the importance or persistence of agricultural or fisheries activities) have so far enabled the preservation of languages or traditions whose survival was under threat. If we limit ourselves to languages having an official status, or taught in the schools, it is worthy of note that, in 8 of the 21 island regions of the EU, the people speak a language different to the national language of their Member State: Gaelic in the Western Isles, Catalan in the Balearic Islands, Swedish in Åland, Sardinian in Sardinia, Creole in Martinique, Guadeloupe and Reunion, and Corsican in Corsica.

The wealth of the linguistic, architectural and cultural heritage of the island regions acts, in fact, as a tourist attraction. The increasing tourist traffic in the islands, or, in the case of the languages, the penetration of the media, often contribute to weakening, or even endangering, them.

THE OUESSANT ISLAND BOOK FAIR
Set up in 1999, the “Island Book Fair” each year attracts several dozen authors living in an island or writing on the theme of the islands to this small island off the coast of Brittany. This event, in which some thirty publishing houses participate, is accompanied by exhibitions and conferences. The crowning event of the fair is the award of several literary prizes (poetry, beautiful books, scientific works, fiction), including a major prize for an island book.

The works presented come from all around the French-speaking world, with writers from Reunion rubbing shoulders with their counterparts from Corsica, Tahiti or the Ponant islands. The organisers eventually hope to broaden this fair to works of island interest published in other languages.

http://perso.club-internet.fr/jacbayle/livres/salon.html

CREATIVE ARTISTIC CAPACITY AT THE ISLAND LEVEL

The Azores are well known for the large number of musicians living on the islands. Each of the 104 active orchestras has an average of 30 musicians. Of these 104 orchestras, 79 have schools for wind instruments (with an average of 10 students each), and 36 of them give classes for string instruments (with an average of 12 students per class). In total, around 4,650 people are involved in musical activities, outside the framework of official education provided in the state schools and Conservatories.

1 Source : Direcção Regional da Cultura
Insularity is an especially acute constraint when it is exacerbated by multiple fragmentation, as is the case with archipelagos, or when it is added to other geographic or demographic constraints. 17 Island Regions are archipelagos, and as such may be regarded as “exploded” territories. Providing their population with an acceptable level of public services results in a multiplication of financial costs. The fragmentation of a territory happens in another way in those Islands which are mountainous, and whose hinterland, poorly accessible, becomes a near-desert. A number of Islands show extreme densities of population: some are sparsely-populated areas (<20h/Km²), while others have a scarcity of space.

Complex to manage, territories

If insularity is a constraint, an archipelago represents an accumulation of difficulties where each island represents a unit. Of the twenty-one island regions in EU 15, seventeen are archipelagos with several inhabited islands. While in some regions, archipelago-type fragmentation is limited, in others it is spectacular. Such is the case, in particular, with the Aegean islands, Guadeloupe, the Azores, the Ionian Islands, the Balearic Islands, the Canary Islands, and the archipelagos of Scotland or Åland.

Whether owing to the large number of small, sparsely populated, islands that go to make them up, or owing to their being spread over geographic spaces of several hundred kilometres, sometimes as vast as the territory of a large Member State, the archipelagos are highly fragmented territories. In their day-to-day lives, their inhabitants suffer, not only from insularity, but also often from “dual”, or even “triple” insularity. The transport system is sometimes so designed that islanders have to travel, by boat or by plane, from a minor island to a medium island, to the regional capital, and from there
Off the coast of Europe

In the Western Isles, the determination to reduce the constraints of insularity has been reflected in the construction of several bridges or causeways interconnecting most of the islands in the archipelago. Since WW2, especially since the creation of an island regional authority in 1975, this process has made it possible to reduce the number of islands or groups of islands from twelve to a mere three. The crucial need for this policy is illustrated by the fact that, since the last century, almost ten small isolated islands had to be completely abandoned.

Managing these spaces sometimes comes with an exorbitant price tag, because the provision in each island of a port or airport, a school, administrative offices or health services, water or energy supplies, waste management infrastructures, etc. generates additional costs out of all proportion to the size of the populations served. Moreover, it is rare that economies of scale can apply.

Ensuring this cohesion also requires, in the field of transport, the implementation of a “territorial continuity” policy at the infra-regional level. The cost of this normally falls on the regional authorities, who have to disburse large sums to subsidise domestic shipping or air services so that the residents can afford them or (where possible) build fixed links between the islands.

This fragmentation of the territory takes on another aspect in mountainous islands (such as Corsica or Crete), where the population tends to concentrate along the coasts, leaving the interior deserted. Cut off from each other by rough terrain, the communities living on the plains cannot share the same infrastructures, because access times are too long. This leads to the need for a large number of ports and airports, while the road network suffers from the additional costs that affect all isolated mountain regions. As an example in point, the 260,000 inhabitants of Corsica manage 4 international airports and 7 trading ports.

To bolster the fragile cohesion of the archipelago, or to prevent the total depopulation of the most vulnerable communities, it is essential that each of them enjoy an acceptable level of public service, responsibility for providing which falls to the managers of each of the islands, including the smallest and most remote.

To the mainland, while the same scenario applies to commercial transactions.

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Municipalities under «Mountain» and «Shore line» legislation

Source : DRAF et DIREN Corse. Cartographie : DIREN Corse.
DOUBLE-INSULARITY OF THE ARCHIPELAGOS:
POLITICAL REPRESENTATIVITY AND PUBLIC INVESTMENT IN THE SMALLER ISLANDS

The concept of double-insularity comprises, among other elements, the fact that a small population (240,000 residents), equivalent to a quarter of that of a large city, is spread out over small islands within a range of 600 kilometres of ocean. Not only is this population remote from the large centres (1,500 km from the closest mainland) where potential markets are located, but the costs of trading are also higher because of the transport costs. These conditions necessarily have an adverse effect on economic costs, since economic activity is divided into nine micro markets. Economies of scale are impossible in this situation, and alternative solutions have not yet been tried due to the financial compromise which is necessary simply to maintain public expenditure (basic equipment and infrastructure for nine airports, nine commercial ports, electricity supply, health services, etc.). Public investment in these nine portions of territory, inhabited by small numbers of people, is so high that it leaves no other capacity for other investment.

To appreciate the true geographic dimension of archipelagos, a useful exercise is to superimpose the map of some of these territories over that of some of the larger Member States. One may notice that the chain of the Lesser Antilles, where Martinique and Guadeloupe are located, stretches over an area similar to that between Cornwall and the Mediterranean. Moreover, these two French Overseas Regions, and specially the archipelago of Guadeloupe, are literally interwoven in a scattering of Small Island States or Territories, who obviously do not belong to the Single Market area, and with whom trading is very limited.

In Greece, the Aegean islands cover a surface area as large as that of Germany, but there the comparison stops. Their total population is 454,000 spread over some sixty islands, while, in Germany, 80 million citizens share a homogeneous territory. Moreover, the Aegean islands border Turkey, a third country with which relations have long been tense for historical and political reasons, and with which there have been frequent border incidents.

In contrast, the reunited Germany has found itself, since the fall of the iron curtain, at the very heart of a free trade area ranging from the Atlantic to the Urals.

As for the Azores, by superimposing their map over that of the Iberian Peninsula, we can gauge the mutual isolation of 9 islands of an archipelago, which is itself isolated in the middle of the Atlantic Ocean.
The population density of a region is a factor which has many consequences. Low population density is a severe handicap for isolated islands which do not have a hinterland to provide manpower, or absorb excess population.

Five island regions in the European Union (Western Isles, Orkney, Shetland, Gotland and Åland) have population densities equal to or less than thirty inhabitants per km², as have the two island regions of Estonia, Saaremaa and Hiiumaa. In the case of the Western Isles, the population, whose density is already less than 10 inhabitants per km², continues to decline at an accelerating pace.

Low or very low population density has the effect of increasing the relative cost of infrastructures and services for the authorities. It severely undermines the profitability of businesses relying on the local market, thus exacerbating the dependency of these regions, forcing them to import most of their goods or services from the mainland. This problem also concerns most of the hundred odd small coastal islands, verifiable “micro-insular” spaces, dotted around the EU from the

OVERPOPULATION IN THE ISLAND OF GOZO

Unlike a number of islands and peripheral regions in Europe, one of the main problems facing the island of Gozo is not the low population inhabiting the physical space available. Rather, it is the high population per square kilometer of land space available which is presenting Gozo with formidable challenges. In this aspect, Gozo reflects the conditions prevailing in the larger sister island of Malta. In the years preceding and following the acquisition of independence from the UK in 1964, the national government resorted to policies which encouraged emigration from the Maltese islands towards the USA, Australia and Canada. However, as the economy successfully managed the transition from a fortress economy to an economy built upon a significant manufacturing sector and a sizeable services sector, both Malta and Gozo tended to experience a reversal of past trends. Presently, the number of Maltese returned migrants tends to generally exceed the number of emigrants. In response, the population of the Maltese islands is increasing. The population of Gozo and Comino, with a combined area of only 69 sqr. kilometers, increased from 26,064 in 1990 (13,455 females and 12,609 males) to 29,349 in 1999 (14,852 females and 14,497 males). As a result, the population density, already at a relatively high figure of 377 persons per square kilometers in 1990, increased to 427 persons per square kilometers in 1999. (Source: Demographic Review, Central Office of Statistics, Malta).
When difficulties accumulate: archipelagos, mountain, desertified areas

Baltic to the Mediterranean. These coastal islands and the archipelagos share the same situations of demographic decline which can, in the medium to long term, jeopardise the very existence of certain communities.

Paradoxically, while a high population density solves certain problems, a too high density raises others. Four EU island regions (Martinique, Madeira, Reunion and the Isle of Wight) have a population density close to or over 300 inhabitants/km². The island of Gozo, in Malta, has a record density of close to 430 inhabitants/km².

Demographic pressure generates various difficulties in fields related to habitat or the construction of infrastructures. These include scarcity or high cost of building land, water supply and waste management problems, etc. This situation is naturally exacerbated if the region suffers from oceanic isolation, or where a large part of its territory is an unbuildable mountain (or volcanic) area.

The demographic evolution of islands is of course not homogeneous.

- Some single-island regions, such as Martinique, Isle of Wight and Corsica, have recently seen their population rise, a trend which has been accompanied by the positive growth of the main towns and by disparities of development within the territory.

- In archipelagos dominated by a large island, the main islands draw people from the smaller islands. This occurs in Sardinia, Crete, or Guadeloupe, where the minor islands seem to act as “satellite” islands. In these regions, the profile of the “mainland” island is similar to that of non-archipelago islands. The same positive population trend...

DEMOCRATIC CHANGE IN THE IONIAN ISLANDS BETWEEN 1951 AND 1991

ISLANDS THREATENED BY DEMOGRAPHIC DECLINE

In some forty years, the Ionian Islands lost a high percentage of their inhabitants. Corfu (Kerkira), where most of the population is concentrated, is the only island to record a positive balance, although this balance has not offset the overall loss suffered by the island region.
AN EVOLUTION OF DEPOPULATION IN THE AZORES?

There would appear to be a reversal of the falling population trend in the Azores. Contrary to the trends observed in previous years, there has been a slight increase in population on the archipelago, as shown in the following table:

<table>
<thead>
<tr>
<th>Islands</th>
<th>1991 (1)</th>
<th>1999 (2)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Maria</td>
<td>5,923</td>
<td>6,120</td>
<td>3.3</td>
</tr>
<tr>
<td>São Miguel</td>
<td>125,915</td>
<td>132,910</td>
<td>5.6</td>
</tr>
<tr>
<td>Terceira</td>
<td>55,766</td>
<td>57,420</td>
<td>3.1</td>
</tr>
<tr>
<td>Graciosa</td>
<td>5,189</td>
<td>4,830</td>
<td>-6.9</td>
</tr>
<tr>
<td>São Jorge</td>
<td>10,219</td>
<td>15,901</td>
<td>-3</td>
</tr>
<tr>
<td>Pico</td>
<td>14,522</td>
<td>14,981</td>
<td>1.6</td>
</tr>
<tr>
<td>Flores</td>
<td>5,189</td>
<td>4,830</td>
<td>-6.9</td>
</tr>
<tr>
<td>Corvo</td>
<td>1,345</td>
<td>2,006</td>
<td>48.9</td>
</tr>
<tr>
<td>Region</td>
<td>237,795</td>
<td>246,030</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Source: Instituto Nacional de Estatística (INE) et DREPA (1) Last sense (2) Estimation

However, the effects of depopulation can also be observed on the islands of Faial, Pico, Graciosa and Corvo. The causes are not yet identified.

Although smaller islands are theoretically supposed to have greater difficulties in maintaining their population, this theory would appear to be contradicted by the facts. The populations of Santa Maria and Flores, for example, which are both the remotest and smaller/medium-sized islands, are actually increasing, while on Pico, one of the largest islands, the population is falling. The same is true of Faial (an island larger than Flores or Santa Maria), which despite being situated in the centre of the archipelago and having a busier port than most of the other islands, is also experiencing a fall in population.

An analysis of the data concerning the population increase shows that this is highest in the 15-64 years age group, while the population group comprising children and young people (0-14 years) is not growing to the same extent. Over the last eight years, the average birth rate has been 2.1 children per woman, which is lower than the replacement level1.

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>1991</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14</td>
<td>26.4%</td>
<td>22.4%</td>
</tr>
<tr>
<td>15-64</td>
<td>61.7%</td>
<td>65.7%</td>
</tr>
<tr>
<td>65 and +</td>
<td>12.5%</td>
<td>11.9%</td>
</tr>
</tbody>
</table>

Source: DREPA Direcção Regional de Estudos e Planeamento dos Açores

1 DREPA – Direcção Regional de Estudos e Planeamento dos Açores

Crossing times remain long because they depend as well on the infrastructures available as on distance, or weather. It is easier to maintain a satisfactory number of turnarounds if the island has a good-sized population. At this level, low density, small size and demographic structure by age accumulate to make for situations which can jeopardise the viability of the territory.

In general, an observation of the island regions of the EU reveals the existence, not of a single natural constraint (insularity), but of several constraints linked to the nature of their territory (archipelago type fragmentation, isolation due to rough terrain) or to population trends (desertification, or over-population). The cumulative nature of these constraints contributes to their mutual aggravation. For the weakest and most vulnerable communities, this situation often leads to a worrying degree of demographic decline.
Between the last two available censuses, the population growth of the islands has differed according to their respective size. Our sample comprising 112 islands shows three uniform groups:

- Among the 81 (small) islands with a population of less than 15,000, depopulation is the main trend, with only less than half of them experiencing an increase in population.

- Among the 21 islands with a population of between 15,000 and 100,000, population drain is much less common phenomenon, since only 4 islands have a negative growth.

- All the islands with over 100,000 inhabitants have experienced an increase in population. This equally concerns the main islands of archipelagos such as Mallorca, Kerkira, Rhodes, São Miguel and mainland Guadeloupe, as well as non-archipelagic islands such as Martinique, Corse and the Isle of Wight, or those whose minor islands have only a very small weight such as Gotland or Crete.

Nota bene: In order to produce these graphs, we have used the censuses carried out between 1990 and 2000. Only the figures for the Greek and British regions refer to the two previous censuses (1980 – 1990).
Off the coast of Europe
Most islands have, during their history, constituted outposts for the European States, defending their maritime frontiers, guaranteeing the security of their trading routes, allowing for the control of natural resources or anchoring the expansion of colonial empires. Have the disappearance of major conflicts between European powers, the end of their colonial adventures and the process of European construction changed this situation? Have they had the effect of marginalising the islands? Owing to the lack, or poor quality, of precise statistical data, it is not always possible to give a quantitative answer to these questions, but there are other evaluation or assessment instruments.

Zones of peace, zones of tension

While the end of the “Cold War” and the fall of the Berlin Wall overturned frontiers and upset balances in Europe, they have not, unfortunately, meant the disappearance of all conflicts. In the Balkans or Near East, there are war zones, or at least zones of tension, on the Union’s very doorstep. These contrasting situations have had consequences for the offshore islands of these regions.

In the Baltic, the removal of the Warsaw Pact forces and the independence of the Baltic States...
led to the opening of a new zone of cooperation. The Estonian islands of Saaremaa and of Hiiumaa, hitherto off limits, even to their own inhabitants, entertain increasingly close relations with the rest of the Baltic, while the military installations on Gotland or Bornholm have been reduced or dismantled. Similarly, the end of the East-West conflict has led to a sharp reduction in the military presence on the Scottish islands, which acted as NATO listening posts for the Northern Atlantic sea and air approaches. While this has had very negative repercussions on employment in some islands, the very isolation of the Western Isles has enabled them to hold on to some training and equipment experimentation activities.

In the Eastern Mediterranean, on the other hand, recurrent tensions in Cyprus or the Aegean have brought the region to the brink of armed conflict on several occasions in recent years. Trade between the islands of the Aegean and the neighbouring mainland remains highly tenuous, although relations between Greece and Turkey have improved significantly recently. These islands which, historically, served as major trade centres and the cradle of western civilisation, are now, owing to international tensions, restricted to the role of extreme peripheries and isolated territories. In Crete, Malta or Cyprus, the proximity of the Suez Canal, a major trading route, is combined with the relative proximity of renowned zones of tension on the Southern and Eastern shores of the Mediterranean (Libya, Israel). The determination of these islands to increase trade with the outside can be suddenly jeopardised by renewals of tension in the region.

In the Ionian Islands, the proximity of Albania and of the former Yugoslavia has placed this region on the threshold of one of the most violent conflicts in Europe in recent decades. This archipelago has been subjected to severe pressure, notably with the influx of illegal immigrants. Paradoxically, by disrupting land routes between Greece and Northern Europe, the Balkan conflicts have encouraged the development of a strong maritime trade route with Italy via the Ionian archipelago.

<table>
<thead>
<tr>
<th>CONVERSION OF MILITARY JOBS IN REMOTE ISLAND AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>When the military establishment KA3 (coastal artillery) at Fårösund was closed down in October 2000 as a result of national defence cuts in the wake of the end of the cold war, the small community of Fårösund on the northern coastline of Gotland, 50 km away from the main centre Visby, was heavily affected. Fårösund is one of the very few communities in sparsely populated northern Gotland with a significant population and local economy. For some hundred years, the military has been the dominant source of employment in the area. Other job opportunities are provided by some small industries (shipyard), shops, schools, social care and administration, and in tourism (the popular summer resort of Får Island is 10 minutes away by ferry). Fårösund has a population of about 900, and about 500 jobs, which have been steadily decreasing in number even before recent events. 200 out of the 500 jobs will disappear directly through the loss of military jobs and some 200 more in Fårösund and the surrounding area are likely to be affected. The closing of the military base will therefore cause serious problems for the community of Fårösund, since it is so heavily dependent on this one activity. The community has great ambitions, however, to make the most out of the crisis. One very concrete advantage of the new situation is that, with the departure of the military, attractive areas of coastline are being opened up for tourism and new activities, not only at Fårösund itself but also in the more remote surrounding areas used for training. An even larger part of northern Gotland was previously closed off to visitors of foreign nationality, who needed a special permit to travel to Fårösund or Får Island. The cold war is ended. Now the local war against out-migration and to prevent the disappearance of the community is being fought. The situation is certainly bad, but not hopeless. The area has a lot of potential waiting to be used.</td>
</tr>
</tbody>
</table>

ESTONIAN ISLANDS IN BALTIC IN TRANSITION

After World War II some small islands became totally depopulated, and Saaremaa and Hiiumaa lost one-third of their pre-war population. When Estonia’s Baltic Sea islands became part of the westernmost border of the Soviet Union, all traditional overseas contacts were broken off and the sea no longer brought peoples together but separated them. Estonians were allowed only restricted access to the islands and coastal regions were closed even to the islanders themselves. The fall in the number of inhabitants, the sparse population density and the geographical isolation created the feeling of being cut off. The traditional landscape changed as well; thousands of former farmsteads were closed, and meadows became overgrown with bushes; at present nearly half of the territory of Hiiumaa and Saaremaa is covered with forests.

When Estonia regained independence in 1991, the islands opened their doors to their fellow countrymen and to foreigners. With freedom, some of the former weaknesses of island life turned into strengths: thanks to their “special status”, the islands were spared the problems of excessive in-migration, and many attractive and nostalgic features of traditional rural life “of the good old days” remained visible. Last but not least, life on the islands has always been considerably safer than on the mainland and the crime rate has been extremely low. The numerous military bases and constructions now lie in ruins, littering the landscape both literally and figuratively, but on the other hand, because of the military, the coasts of Estonia’s islands have to a large extent conserved their natural environment and there are relatively few recreational or accommodation establishments along the seashore. With the break-up of the traditional rural lifestyle, several plant species have become rare, but in the absence of human intervention, many landscapes have remained in their natural state.
Sardinia is the region of Italy on which military constraints and activities (including demonstrations and testing of new weapons) as well as military facilities have the greatest impact. The latter are made up to a large extent of military-owned land and to a lesser extent of military-controlled land.

The area is sub-divided as follows:

<table>
<thead>
<tr>
<th>PROVINCE</th>
<th>SURFACE AREA</th>
<th>MILITARY-OWNED LAND</th>
<th>MILITARY-CONTROLLED LAND</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>hectares</td>
<td>hectares</td>
<td>hectares</td>
</tr>
<tr>
<td>CAGLIARI</td>
<td>6,895,760</td>
<td>230,430</td>
<td>64,416</td>
</tr>
<tr>
<td>SASSARI</td>
<td>7,519,780</td>
<td>5,916</td>
<td>51,613</td>
</tr>
<tr>
<td>ORISTANO</td>
<td>2,630,570</td>
<td>217</td>
<td>16,829</td>
</tr>
<tr>
<td>NUORO</td>
<td>7,043,720</td>
<td>1,089</td>
<td>3,217</td>
</tr>
<tr>
<td>TOTAL</td>
<td>24,089,830</td>
<td>237,652</td>
<td>136,075</td>
</tr>
</tbody>
</table>

The largest military bases are situated at four strategic points and cover the whole perimeter of Sardinia:

**NORTH Sardinia:**
- The American naval base of La Maddalena, run in collaboration with the Italian Navy, has been operational since 1972 when a treaty was signed between Italy and the United States. The base employs 2,500 Americans, of which 1,300 are military personnel and 1,200 civilians employed in firms and businesses working for the military base at Santo Stefano, the American naval base which is used for support operations for nuclear submarines. Santo Stefano also houses an underground munitions depot and a NATO fuel depot.

**SOUTH Sardinia:**
- Capo Teulada, the “CALC” range (a training camp for armoured vehicles divisions) which is run in collaboration with the Italian Army. This military range is the largest training camp in Europe, and is used for international training exercises by NATO and the Sixth Fleet air and air-and-sea forces (coastal attacks, air bombing, group tactical firing exercises, helicopter fire, etc.). It also includes a training centre for armoured vehicles. Nearly 7,200 hectares of land was expropriated at the beginning of the 1960s in order to build the base, and 20 km of coastline was closed to the public.

As can be seen from the data which goes to make up this approximate but revealing picture, Sardinia is the region which has to bear the heaviest military constraints. These appear to be both qualitatively and quantitatively disproportionate and iniquitous – even respecting the principle of joint participation of all the regions in the defence of the nation – and this is recognised by the Decree of the President of the Council of Ministers dated 2 February 1993.

The State, by virtue of Article 4 of the law 104/90, has made the following compensation payments to Sardinia:
- 13.9 million euro for the period 1990 to 1994, by virtue of the Decree of the President of the Council of Ministers dated 2 February 1993, which recognises that, given the scope and nature of the recurrent activities and constraints (expropriations, restrictions, mobilisation of training areas, etc.) to which the region is subjected, the prejudice it suffers can be estimated at 30% in comparison with other regions: Friuli-Venezia Giulia (19.98%), Trentino-Alto Adige (13.89%), Latium (13.83%), Venezia (8.80%), Apulia (7.23%) and Piedmont (6.17%).

The region has shared this money out among the districts with the largest areas of military-owned or controlled land to enable them to undertake civil engineering works and create social services. These districts include notably La Maddalena, Arbus, Teulada, Villaputzu and Ulassai.
- 7.7 million euro for the period 1995 to 1999, under the terms of a Defence Ministry Decree dated 20 December 1999 which put Sardinia, without any justification, back into second place in the list of regions the most heavily penalised by the military presence. This decision is inexplicable; since 1993 no military-controlled land, training area or restricted area on the island has been closed down whereas the most remunerative elements of the military presence have disappeared.

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**BORNHOLM AND THE ORESUND BRIDGE**

The Danish island of Bornholm is linked all-year-long by ferry to three countries: Denmark, Sweden and Germany. It is of course the Ronne-Copenhagen route which has the largest share of the freight traffic since it links the 47,000 islanders to the Danish capital and the largest harbour in Denmark.

Nevertheless, since the opening of the Oresund bridge in 2000, the maritime route to Ystad, in Sweden, then by road to Malmö and over the bridge is faster than the maritime route Ronne-Copenhagen and preferred by passengers. This is why this route is being subsidised by the Danish government, an exceptional procedure which will require the European Commission’s agreement.
The intensity of the links between an island region and the surrounding territories can be revealed by the existence or absence of regular sea links.

In this regard, it is observed that several islands have links, not only with the mainland of their State but also with other EU destinations, and with third countries. It is possible, for instance, to reach Sweden or Finland from the Åland islands, to go from Bornholm (DK) to Sweden or Germany, to hop from Corsica (F) to Tuscany and Sardinia, or to access Italy from the Ionian Islands (GR).

The existence of these routes is mainly due to the geographic location of these regions: Corsica is closer to Italy than to mainland France, Åland is located between the Swedish and Finnish coasts, and it is easier to go from Bornholm to Copenhagen via Sweden and the Oresund bridge, than via a direct sea link ... EU construction, by opening, or even eliminating, borders, has undeniably strengthened this type of opportunity, although it has also been helped along by certain policies. For example, the specific tax system in the Åland islands which allows for certain duty-free sales on the ships, explains the exceptional quality of the shipping links enjoyed by this archipelago. Similarly, the links between Bornholm, Sweden and Co-

Transport networks: national or European?

These examples, however, represent a minority of cases, and many European islands remain

A MARINE PARK IN AN INTERNATIONAL STRAIT

The traditional conflict between economy and environment has taken on a new dimension since the creation of the international marine park of Bonifacio. The strait of Bonifacio is governed by the rules of international law designed to monitor marine traffic and to strengthen environmental protection in the existing legal framework. Since 1979, the International Maritime Organisation (IMO) has adopted several resolutions regulating traffic in the Bouches de Bonifacio, the coasts of which it describes as “vulnerable”. The IMO recommends that governments discourage loaded oil tankers from travelling through the straits and has approved a ship monitoring and information system. To the international Resolutions of the IMO are added the regulations made in 1993 by the French and Italian governments prohibiting oil, chemical and gas tankers flying the French or Italian flag from sailing through the straits when loaded. These regulations are deemed to be insufficient because they are not comprehensive. It is difficult to apply penal measures in case of infringements owing to the lack of qualified agents in situ to note the offences. French law authorises legal proceedings to be taken against Italian ships only if the infringements have been noted in French territorial waters. Similarly, the Italian decree of March 1993 is impracticable and does not contain any list of polluting substances, which makes it difficult to apply.

Having said that, the prohibitions on French or Italian oil, chemical and gas tankers from sailing through the strait have been fairly well respected and have played a dissuasive role with regard to similar tankers flying the flags of other States, as seen from the fact that their numbers dropped sharply from 369 for the period from April 1992 to March 1993 to 191 for the period from April 1995 to March 1996. From 1 December 1998, traffic of all ships in transit has been governed by a new IMO Resolution (see figure) designed to improve safety in the Bouches de Bonifacio: - Creation of a two-way recommended route combined with a caution zone at each end. These caution zones are two circular sectors with a radius of five nautical miles. - Creation of a system of mandatory reports for all ships with a gross tonnage equal to or greater than 300 tonnes. The current system is designed, not to prohibit navigation in the strait, but to canalise it in a single zone to facilitate monitoring. Like commercial traffic in general, shipping of dangerous substances through the Bouches de Bonifacio has dropped. This drop concerns all flags.

As things stand in international law, the strait cannot be closed to international shipping solely to protect the environment via the marine park. The solution of a “total freeze” of the strait is neither realistic nor feasible. There seems to be an increasing trend worldwide towards making a distinction between minor straits and major straits. This distinction would allow the IMO to subject each strait to an organisation and monitoring system which would take account of the configuration and shipping frequency of each strait.
isolated. Apart from isolated traffic of cargo ships, cruise ships, and, sometimes short seasonal links, they enjoy regular shipping services only with the ports of their mainland. This is true of Gotland, the Ionian Islands, the Scottish archipelagos, the Isle of Wight, the Balearic Islands, Gozo, Crete or the Aegean islands. In particular, there is a lack of direct services between the islands of the Mediterranean and the Southern Mediterranean countries or the Near East. Similarly, there is no transversal route linking all the islands of the Mediterranean, including in the field of air transport. For example, to go from the Balearic Islands to Corsica, one often has to go via Paris, just as going from Sardinia to the Ionian Islands is akin to intercontinental travel, etc.

Having said that, the isolation of many islands has been eased in recent years thanks to the use of high-speed ships, which have greatly cut crossing times. Crossing times between Iraklion (Crete) and Piraeus have been slashed to 6 hours from 10 to 12 hours previously. Corsica (departure Bastia) is now only 2 hours from Livorno as against 4 hours by regular ship, or 3 ½ hours from Nice instead of 7 ½ hours. The use of these technologies, however, requires acceptable climatic conditions, and sufficient large traffic to offer a return on these highly costly investments.

Increasing population movements

Has the free movement of persons guaranteed by the Treaty led to a sort of melting pot in the islands? It is difficult to give a uniform answer to this question, because the migratory movements proper to each island have historical roots. Furthermore, a distinction should be made between the migratory balance as revealed in the census, seasonal movements of tourists, and illegal immigration.

A study of demographic trends since 1950 gives an idea of the upheaval experienced by certain islands, some of which (Guadeloupe, Martinique and Balearic Islands) have seen their population almost double, while others have suffered a sharp drop in their population with the loss of one quarter (Western Isles and Azores) or one third of their inhabitants (Northern Aegean islands).

Immigration in the North Aegean Region

Increasing illegal immigration (principally of Kurdish and Afghan immigrants) constitutes without doubt one of the major challenges facing the North Aegean region as far as its regional defence and security policy is concerned. The tragic situation in the Middle East, the length of the maritime borders in the Aegean Sea and the inherent difficulties of surveillance and control are key factors here. Immigrants arrive illegally via Turkey in tragic conditions, risking their health and often their lives.

As far as the humanitarian dimension is concerned, considerable efforts are made to welcome, support and provide medical treatment for the immigrants, the local population is not overly concerned by the phenomenon of illegal immigration. The increasing militarization of the islands over the last 25 years (due to constant tension in relations with neighbouring Turkey), the fact that these immigrants are nearly always transferred to Athens (where they either apply for political asylum or are deported, etc.) and the government’s plans to extend the scope of the special corps of border guards (introduced initially to control the borders with the Balkan countries) to the maritime borders considerably reduce the fears of local inhabitants. The latter, paradoxically, are more concerned by the presence of foreign workers on the islands. When the new law on foreigners’ rights (Law 2910 of 2001), which puts stricter controls on the presence and the employment of foreigners on Greek territory, was brought into application recently, foreigners (especially from the Balkan countries or the former Soviet Union) in the region numbered approximately 4,000, i.e., 2% of the population. The contribution made by foreign workers to agriculture and the construction industry remains undeniable however, and programmes to facilitate their integration will soon be put in place.

### Some island crossing times in hours, in 2001

<table>
<thead>
<tr>
<th>Crossing</th>
<th>Ferry</th>
<th>High-speed ferry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illes Balears</td>
<td>Palma Barcelona</td>
<td>7:00</td>
</tr>
<tr>
<td>Illes Balears</td>
<td>Palma Ibiza</td>
<td>4:00</td>
</tr>
<tr>
<td>Bornholm</td>
<td>Rönne Ystad</td>
<td>2:30</td>
</tr>
<tr>
<td>Corse</td>
<td>Bastia Livorno</td>
<td>4:00</td>
</tr>
<tr>
<td>Kerkira</td>
<td>Kerkira Brindisi</td>
<td>7:00</td>
</tr>
<tr>
<td>Gotland</td>
<td>Visby Nynäshamn</td>
<td>5:00</td>
</tr>
<tr>
<td>Sardegna</td>
<td>Olbia Genova</td>
<td>13:00</td>
</tr>
</tbody>
</table>

*In the Mediterranean or in the Baltic, high-speed boats modify the relative isolation of the islands.*
though the Azores and the Ionian islands seemed to have stopped the haemorrhage, the figures remain a cause for concern.

Leaving aside Estonia, all the countries have seen their population rise by 1 to 4%, with a slightly higher increase for Malta (7%). Over the same period however, the Northern Aegean islands (GR), the Western Isles (UK), Bornholm (DK) or Hiiumaa (EE), lost 3 to 8% of their population, while the population of Guadeloupe (FR), Gozo (MT) and the Balearic Islands (ES) rose significantly (over 10%).

A more refined analysis, at the level of each island in the case of the archipelagos, points to more complex realities. In general, notwithstanding some exceptions, the population of the small isolated islands has tended to decline, while that of the larger islands has grown. Similarly, islands with a developed tourism industry, or those located close to the major urban centres of the mainland, tend to see their population grow.

In the Western Isles, Bornholm or the North Aegean islands, population stagnation, or even decline, is due to an unfavourable natural balance. Moreover, Hiiumaa, Martinique and Guadeloupe suffer significant emigration, although in the French islands this loss of population is offset by a high birth rate.

The destinations of this island emigration are difficult to evaluate but seem to mainly concern the mainland, and rarely other Member States of the Union, with the notable exception of the Azores where the population is still more attracted to Boston than to Lisbon or London. Emigration to the “new world” (USA, Canada, Australia, etc.), which was high up to the beginning of the 90’s, is now less so since these countries have clamped down on immigration. In the other direction, it seems that immigration has played a major role in the rise in the population of the Balearic Islands and Ionian islands.

The seasonal migration flows related to tourism can have size-
The number of tourists visiting an island region (and, especially, a small island) can be ten, or even twenty, times its permanent population. Sometimes, most of these visitors come from other Member States (they represent 88% of tourist nights in the Balearic Islands), the islands of the Mediterranean, the Canary Islands or Madeira being favoured destinations for holiday-makers from Northern Europe. Tourists from outside the EU remain a small minority, in some cases a tiny one, especially if one excludes members of the diasporas.

The extent of illegal emigration, by nature difficult to quantify, depends on the geographic, geopolitical, and geo-economic context of each region. Those islands located close to areas of tension, or situated along the major illegal emigration routes, are, naturally, the most exposed, examples being Albanians in the Ionian islands, Kurds in the Aegean islands, North Africans in Sicily, Africans in the Canary Islands or, in the French Antilles, Dominicans, Haitians, etc.

In this regard, a distinction should be made between “transitional” migration, where the island is only a stage in a longer trek to the major economic centres of the EU, and illegal emigration, where the immigrants seek to settle in the island because it is a source of employment, generally in the tourism or building sectors.
The determination of the European islands to overcome their isolation is shown in the multiplication of cooperation networks in the last ten years. The creation of many of these networks has, at one time or another, received the support of Community funds, such as Article 10 of ERDF, RECITE, INTERREG II and III, MEDA, PHARE, SAVE, 5th and 6th framework programme for R&D, etc.

These cooperation actions have concerned both inter-island trade, and projects with mainland EU regions or with third countries. They deal with a wide variety of themes, including the environment, technology transfer, energy policy, information society, etc., a full list of which is impossible to give here. As an example in point, Crete has participated in some twenty different cooperation networks, involving over 24 European regions and 8 third countries, together with various bodies.

Worthy of note, however, is the existence of several permanent cooperation structures, with both technical and political goals, between these regions. These include:

- The Islands Commission of the CPMR, set up in 1980, which currently brings together all the island regions of the EU and several European islands belonging to third countries.

A willingness to cooperate

PROXIMITY OF THIRD COUNTRIES AND OF SHIPPING ROUTES

The geographic situation of Crete is one of its “potential” advantages which does not automatically lead to a dynamic of development with the neighbouring countries in the South-East of the Mediterranean.

These latter years have seen the emergence of a dynamic linked to the development programmes, and cooperation tools between border regions, such as INTERREG II. These programmes have promoted the blooming of commercial relations, mainly with Cyprus, Egypt and Israel. This dynamic was also expressed in a large number of contacts and relations, in the form of partnerships, which were established in 2000 by Cretan companies keen to extend their activities.

In each of these countries the number of Cretan companies concerned was as follows:
- 17 in Israel,
- 30 in Egypt,
- 35 in Cyprus.

Several Cypriot companies invested in Crete, especially in Tourism. It is worthy of note that the Bank of Cyprus has a highly dynamic network of branches in Crete.

Visitors arrive by charter from Israel all through the tourism season, while Israeli businessmen have expressed an interest in investing directly in Crete, mainly in tourism and agriculture. It should also be noted that, in parallel to this development, there are isolated movements of which we are not aware, because they form part of companies’ strategies which are announced only when the results have been obtained. Moreover, owing to the lack of direct links with the South-East Mediterranean, which means that traffic has to go via Piraeas, the Iraklion customs service does not have accurate figures for commercial traffic. According to meetings and interviews with Cretan businessmen and businessmen from the South-East Mediterranean in general, one can conclude that interest is fairly keen and that the main problem resides in the lack of permanent transport links between the island and the South-East Mediterranean.

Re-establishing these links would be a determining factor for increasing the dynamism of development between Crete and the regions concerned.

INTER-REGIONAL COOPERATION IN THE MEDITERRANEAN AND THE ISLANDS

The question of North/South cooperation in the Mediterranean is one which has fundamental implications. The integration of the Mediterranean basin is a strategic objective, whether between the European Regions including the islands, or between the latter and other third-country Mediterranean Regions. With regard to this point, the conclusions of the “Inter-Regional Mediterranean Workshops” (AMI) cooperation projects and the projects developed under the terms of Article 10 of the ERDF with Northern Africa constitute important contributions for improving cooperation with these spaces in the framework of Interreg III.

Despite the ambitious goals expressed during the so-called “Barcelona” process, progress remains modest. Following the work of the Inter-Regional Mediterranean Workshops (AMI), a series of strategic priorities for decentralised cooperation in the Mediterranean has been identified. It is to be noted, however, that the level of mutual knowledge on territorial issues and needs remains disparate. The participation of Corsica and of Sardinia in the AMI project made it possible to set up a common platform for decentralised cooperation and for the definition of:
- Geographic priorities for North/South cooperation, and
- Thematic priorities (islands and free-trade area, transport, civil society, SME-SMI, etc.).

The modus operandi of the “Inter-Regional Mediterranean Workshops (AMI)” has been acknowledged for the quality of its results and operating procedures. It seems appropriate to renew this modus operandi, while extending the process to partners in Mediterranean Third Countries, especially those on the southern shore.

- IMEDOC, set up in 1995, initially to bring together the three island regions of the Western Mediterranean (Balearic Islands, Corsica, Sardinia). This network opened up to Sicily and is gradually spreading to all the islands of the Mediterranean.

- “B7”, set up in 1989 between the 7 islands of the Baltic Sea.

- The outermost regions network (which extends beyond the context of the islands alone), following the signature in Guadeloupe in 1996 of a cooperation Protocol between the presidents of these seven regions.

To this is added networks with a technical purpose (EURISLES, ISLENET, etc.) or bringing together sectoral interests (Association of Island CCIs, etc.).
ix of the twenty one EU Island regions (Açores, Madeira, Martinique, Guadeloupe, Réunion and Canarias) are “outermost” or “ultraperipheral” regions and defined as thus by Article 299.2 of the CET.

An extreme remoteness from the European mainland, a totally different spatial environment, a strong degree of economic dependency, generally very difficult social and economic conditions, a special vulnerability to natural disasters ... The “ultraperipheral” dimension is a case apart.

**Absolute remoteness**

The distance of the outermost regions from their mainland can range from a minimum of some one thousand kilometres up to 9,400 km for Reunion. This explains why, with the exception of the Canary Islands, these regions do not have regular and continuous passenger shipping links. They are therefore totally, or at least massively, dependent on air transport to get to Europe, a fact that distinguishes them from those island regions closest to the European mainland.

This situation has many consequences. Choices in terms of means of transport, or transport companies, are even more limited in these regions. For passengers, the minimum price to get to or from the region is higher, owing to the lack of “cheap” alternatives, and, in some of these regions, it is the equivalent of almost one month’s salary. For goods, the predominant use of cargo ships or container ships generally entails much longer loading and unloading times than for routes served by “Roll-On/Roll-Off” ships. Given the length of the crossings, shipping times are measured in days rather than hours.

Some ten years ago, Martinique was connected to the European Continent and mainly to France / Paris. This trans-Atlantic traffic was the main source of passengers with 63% of the traffic, carried by five airlines on average:

*Air France, Minerve, Aéromaritime, Air Liberté, Air Martinique, Corsair, Star Europe, and Aeroylon.*

Now, owing to restructuring in the sector, only three carriers remain:

*Air France, Corsair and AOM/Air Liberté, which merged recently.*

Charter Aeroylon has announced that it will cease serving the Antilles Martinique-Guadeloupe as from April 2001. However, this restructuring in the number of airlines has not led to a drop in seat numbers.

For example, it takes 12 days to deliver goods from the mainland to the Antilles. This severely handicaps shops and companies in these regions, forcing them to store very large quantities.
The nature of the “remoteness” of the outermost regions is not the exact same everywhere, however. The French Overseas Departments and the Canary Islands are far from Europe and their mainland, but belong to other spaces (Caribbean, Indian Ocean), lie close to other continents (Africa, America) or even adjoin third countries (Brazil, Surinam), while the Azores and Madeira, on the other hand, lie in the middle of an ocean. Be that as it may, in all cases, these regions lie several hundred, or even several thousand, kilometres from any major industrialised and developed area, which could act as a customer base or local market. Their nearest neighbours are the Amazonian forest, the Sahara desert, or dispersed and generally sparsely populated archipelagos, a factor which distinguishes them fundamentally from the island regions closer to the European mainland.

**A totally different spatial context**

This map represents the virtual distances of the islands from the Centre of the EU, symbolised by Maastricht. We added the travel time of a semi-trailer by road, the crossing time by ferry, the waiting time and a frequency coefficient. This total travel time was converted into Km on the basis of the average speed of 60 Kph for a truck on the Continent.

**Problem of delimitating the fisheries zones**

The action by the authorities of neighbouring islands in boarding Guadeloupe fisheries boats in the last two years, in areas which appear to lie outside French territorial waters, highlights the gaps in terms of delimiting fisheries zones in the smaller Antilles Arc. However, it is to be noted that the close geographic proximity of the islands of the Minor Antilles Arc makes it particularly difficult to delimit the territorial waters and exclusive economic zones. However, this problem of maritime frontiers must be dealt with between the relevant countries and their competent authorities so as to identify the possible fisheries zones, the main habitat zones, breeding grounds, etc.

As a prerequisite to such negotiations, it is essential that the islands clearly define their claims, most of which remain fairly vague. To this end, it might be a good idea to carry out global negotiations by setting up a system of regional cooperation with these third countries which, as regards the fisheries part, would provide for:

- A harmonization of the fisheries regulations in this zone which might be necessary for the issue of a fisheries licence,
- A map designed to forecast preferential zones for the fishing of certain species,
- An exchange of technique and know-how,
- The implementation of a coherent strategy designed to obtain the appropriate monitoring resources: for example, the location of the ships and knowledge of their catch.
In many ways, the future of all these regions is closely linked to international law and relations. For example, the interweaving of the French Antilles within the Caribbean and their proximity to the American continent affect large areas of their existence. The exploitation of the region’s fisheries resources (often a source of conflict, owing to the depletion of fish stocks) is subject to agreements between Martinique, Guadeloupe, Santa-Lucia, Dominica, Venezuela and the Dutch Antilles.

Similarly, the organisation of air transport in the Antilles involves the regional airlines of the French regions of America, French national airlines, the regional airlines of the various countries of the Caribbean (BWIA, LIAT, Jamaica Airways, etc.) and even US national carriers and their subsidiaries. The result of this complex, and ever changing web (crises, mergers or variable synergies) is that the major airlines limit themselves to operating the most profitable routes, leaving the others to the small regional airlines, which are highly fragile financially.

The Caribbean space comprises islands with widely varying statuses, ranging from sovereign states to associated territories, regional authorities, etc. To deal with problems that concern the region in its entirety (environment, renewable energies, economic trade, cultural action, etc.), it is essential to overcome these institutional differences. Martinique and Guadeloupe therefore strive to increase their participation in cooperation structures, which raises political problems when trade, negotiation or decision-making circuits go via the States and their administrations, and where the regional level is “short-circuited” or simply ignored.

In the Azores, however, the absence of such neighbouring spaces does not mean that the archipelago has a marginal po-
Off the coast of Europe

The archipelago’s position in the middle of the Atlantic also imbues it with major geo-strategic importance for monitoring routes between America and Europe. The US air base in Lajes, on the island of Terceira, has long been regarded by the US government as being one of the most important external installations for the country’s security, together with the Keflavik base in Iceland. The facilities of this base were recently used to refuel US Air Force aircraft in flight and allowed the rapid intervention of US military forces on the theatre of conflicts in the Near and Middle East, for example during the Gulf War.

Guadeloupe, owing to its insular nature and the fact that it is an archipelago, suffers from major handicaps. It has a very high household refuse ratio, 413 kilogrammes per inhabitant per annum, which is in excess of the national ratio (378 Kg/inhabitant per year). This figure covers part of the packaging waste of the commercial and craftwork sector (which constitutes the lion’s share of the economic fabric of Guadeloupe) whose waste is collected together with the household refuse. This factor serves to increase the ratio per inhabitant. Conversely, and for the same reasons, the ratio of ordinary industrial waste (131 Kg/inhab.), which corresponds exclusively to ordinary industrial waste actually collected by the companies, is low.

Proposals for joint action

To increase awareness among the European institutions, not only of the insular situation of our regions, but also of their archipelagic character. To modulate certain European directives so that they take account of the specific constraints linked with insularity.

To grant specific aid to the outermost regions for the transport of waste to the final disposal or storage units. Furthermore, in light of the total absence of initial equipment in Guadeloupe; in light of the fact that the municipal solid waste elimination plan is expensive and difficult to operate; and in light of the financial situation of the municipalities with responsibility for household waste collection and disposal in Guadeloupe, it is important that account be taken of:

- The need to stagger investments in relation to fume treatment (almost 30% of total investment) in the household refuse disposal plants.
- A system for financing the operation when setting up the PDMA equipment during the first five years on heavy equipment.

The international dimension of the outermost regions is not limited to diplomatic or strategic questions, but is also manifested via the phenomenon of the “diasporas”. These are inhabitants of these regions or their descendants living overseas (sometimes for generations), but who maintain close links with their country of origin. Some of these communities settled in the former colonies of their State, while others were driven by poverty to clearly defined countries or regions.
regions in the New World, and yet others sought employment on the very soil of their mainland. Communities of Azorean origin are thus found in Canada or Rhode Island, descendants of Madeira in Angola or South Africa, of Canarians in Venezuela, and large numbers of people of Antilles origin are found in mainland France. Conversely, the population of some outermost regions include Diasporas from other countries or continents (for example Hindu or Chinese communities in the French Overseas Departments).

A considerable economic dependence

The economy of the outermost regions is characterised by a small productive base, heavily dependent on a few unprocessed agricultural products (historically, the dairy industry in the Azores, or bananas and sugar in the Antilles). It is affected by several factors such as an imbalanced local economic fabric, the poor absorption capacity of the local market, problems of dimensioning of infrastructures, procurement costs and times, stock size, the financial fragility of companies, etc.

<table>
<thead>
<tr>
<th>AVERAGE OF RATES</th>
<th>GDP per capita in PPS (EUR1000)</th>
<th>Unemployment rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Island regions other than Déméter Island Regions</td>
<td>64</td>
<td>9.1</td>
</tr>
<tr>
<td>Outermost regions</td>
<td>61</td>
<td>19.1</td>
</tr>
<tr>
<td>All Island Regions</td>
<td>70</td>
<td>12.1</td>
</tr>
<tr>
<td>EU AVERAGE</td>
<td>100</td>
<td>9.4</td>
</tr>
</tbody>
</table>

Source: Eurisles, EUROSTAT, Offices statistiques régionaux.

The possibilities for development and expansion are severely limited. On their local market, producers in these regions have to compete against European producers who enjoy much greater economy of scale. Above a certain threshold, which varies according to the goods in question, shipping costs are offset by the difference in production costs. For this reason, food produce imported from Europe often suppliants local produce, even everyday goods, on the shop shelves. On the neighbouring markets, companies in these regions must, not only try to sell goods economies of scale are difficult to obtain, in light of the small size of the islands. For example, with a few exceptions (Haiti, Porto Rico, Trinidad and Tobago), the population of these countries does not exceed one million, a factor which limits the size of the local market and economic performance.

- Costs: Guadeloupe is also handicapped by the fact that the other Caribbean countries enjoy lower production costs owing to lower labour costs. Moreover, being an island, Guadeloupe is dependent for supplies on sea and air transport, a factor which generates particularly high transport and charter costs. However, the low volume of regional trade precludes competitive freight prices with neighbouring countries. Only significant growth in trade could reduce freight costs. However, to do this, the financial obstacle must be overcome.

- The financial obstacle: the lack of direct convertibility between the French franc and the Eastern Caribbean dollar and the need for triangular conversion via the USD is a major inconvenience which does nothing to facilitate trade with the other Caribbean countries.

In short, according to the study carried out by the Union Economique des Régions Ultrapériphériques’ among the five main obstacles to trade listed by entrepreneurs, especially Guadeloupe entrepreneurs, when asked about the obstacles which prevent them from accessing external markets, are: the cost of commercial follow-up, costs of advertising and promotion, the cost of canvassing, and the lack of cost competitiveness.

In any case, the major challenge facing Guadeloupe today is to find sufficient external outlets, both to fully utilise its production capacities, and to reduce its vulnerability to imports. Guadeloupe has a role to play as a major relay or intermediary between the countries of the Caribbean region and of the EU.
and services while labouring under European social and wage costs, but also overcome customs barriers, including tariff barriers, imposed by third countries.

Finally, producers in the outermost regions have great difficulty in competing on the European market. They are forced to compete, either against the production of their neighbours, which is much cheaper because social welfare and salary costs are lower, or production scales much greater (for example bananas, sugar or tropical produce), or with producers established on the European continent, which are not subject to the same constraints in terms of transport, and whose local market is much larger.

One of the consequences of this situation is that trade is highly unbalanced in favour of imports, giving a massive advantage to trade with the mainland or with the European continent, despite their great distance, while trade with third countries, including trade with the neighbouring zone, remains marginal. To get an idea of the problem, imagine the situation of Sicily, Normandy, or Jutland if they were under the sovereignty of the United States, Iceland or Canada, and if, for similar reasons, 90% of their trade took place, not with Europe, but with a mainland located on the other side of the Atlantic.

The effects of this situation are reflected in the economic and social indicators of these regions, which are, in most cases, among the lowest in the EU.

### Share of main production in exports in 1998

<table>
<thead>
<tr>
<th>Region</th>
<th>Products</th>
<th>% in value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martinique</td>
<td>banana</td>
<td>40</td>
</tr>
<tr>
<td>Guadeloupe</td>
<td>banana</td>
<td>35</td>
</tr>
<tr>
<td>Açores</td>
<td>dairy products</td>
<td>57</td>
</tr>
</tbody>
</table>

*Source: Eurisles*
The outermost regions: a separate dimension

The outermost regions: a separate dimension

LIST OF THE REGIONS WITH
THE LOWEST GDP PER CAPITA:
GDP (in PPS) per capita as % of EU average (1999)

<table>
<thead>
<tr>
<th>Region</th>
<th>GDP as % of EU average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Réunion (F)</td>
<td>51</td>
</tr>
<tr>
<td>Ipetos (EL)</td>
<td>51</td>
</tr>
<tr>
<td>Guyane (F)</td>
<td>51</td>
</tr>
<tr>
<td>Extremadura (E)</td>
<td>52</td>
</tr>
<tr>
<td>Açores (P)</td>
<td>53</td>
</tr>
<tr>
<td>Dytiki Ellada (EL)</td>
<td>53</td>
</tr>
<tr>
<td>Peloponnissos (EL)</td>
<td>55</td>
</tr>
<tr>
<td>Guadeloupe (F)</td>
<td>56</td>
</tr>
<tr>
<td>Anatoliki Makedonia, Kai Thraki (EL)</td>
<td>56</td>
</tr>
<tr>
<td>Centro (P)</td>
<td>57</td>
</tr>
<tr>
<td>Alentejo (P)</td>
<td>58</td>
</tr>
<tr>
<td>Tiona Nisia (EL)</td>
<td>60</td>
</tr>
<tr>
<td>Thessalia (EL)</td>
<td>60</td>
</tr>
<tr>
<td>Andalucia (E)</td>
<td>60</td>
</tr>
<tr>
<td>Norte (P)</td>
<td>61</td>
</tr>
<tr>
<td>Calabria (I)</td>
<td>63</td>
</tr>
<tr>
<td>Martinique (F)</td>
<td>64</td>
</tr>
</tbody>
</table>

In 1999, the 4 outermost regions, the 4 Greek Regions, 2 Portuguese Regions and Extremadura were still on less than 60% of the EU average.

LIST OF EU REGIONS WITH
THE HIGHEST UNEMPLOYMENT RATES:
The EU average is 8.4% (in 2000)

<table>
<thead>
<tr>
<th>Region</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Réunion (F)</td>
<td>33.1</td>
</tr>
<tr>
<td>Calabria (E)</td>
<td>27.7</td>
</tr>
<tr>
<td>Martinique (F)</td>
<td>27.7</td>
</tr>
<tr>
<td>Guadeloupe (F)</td>
<td>26.1</td>
</tr>
<tr>
<td>Ceuta y Mellila (E)</td>
<td>25.5</td>
</tr>
<tr>
<td>Andalucia (E)</td>
<td>25.3</td>
</tr>
<tr>
<td>Extremadura (E)</td>
<td>24.8</td>
</tr>
<tr>
<td>Sicilia (I)</td>
<td>24.2</td>
</tr>
<tr>
<td>Campania (I)</td>
<td>23.6</td>
</tr>
<tr>
<td>Guyane (F)</td>
<td>22</td>
</tr>
<tr>
<td>Sardegna (I)</td>
<td>20.5</td>
</tr>
<tr>
<td>Halle (D)</td>
<td>19.2</td>
</tr>
<tr>
<td>Dessau (D)</td>
<td>18.1</td>
</tr>
<tr>
<td>Asturias (E)</td>
<td>17.9</td>
</tr>
<tr>
<td>Puglia (I)</td>
<td>17.6</td>
</tr>
<tr>
<td>Basilicata (I)</td>
<td>17.4</td>
</tr>
</tbody>
</table>

The French Overseas Departments are also among the regions most affected by unemployment.

Exceptional vulnerability to natural risks

Owing to their geographic location, most outermost regions are extremely vulnerable to natural risks.

Seismic or volcanic risks have caused spectacular damage in the past. The complete destruction of the town of Saint-Pierre (then capital of Martinique) and of its population by the eruption of Mount Pelée in 1902, or the partial destruction of the town of Angra do Heroismo in the Azores, in 1980, causing some 574 million Euro worth of damage, are among the best known examples.

Located on fault lines, the Azores and Martinique and Guadeloupe are liable to suffer major disasters at any time. The statistical probabilities of such events are relatively high, and their potential conse-

EXAMPLES OF THE COSTS OF NATURAL CATASTROPHES/REGIONAL BUDGET FOR INVESTMENT
(REPORT: EARTHQUAKE IN THE AZORES)

The Azorean region is periodically affected by seismic activity, but the earthquake that took place in 1980 is considered a highly significant example, due to the fact that the city of Angra was afterwards classified as a World Heritage Site. This meant that closer attention was paid to the reconstruction process. The total cost of the reconstruction was then calculated and published; this was evaluated at 279.3 million euro. A further study carried out by Dr Correia Guedes, the results of which were presented at the PLANET International Congress, organised by the Instituto Superior Técnico in Ponta Delgada, Azores, in October 1999, came up with different figures: “573.6 million euro was the estimate of overall losses at 1998 prices. The private housing reconstruction effort has amounted to 309.3 million euro, representing 54% of total losses”.

In 1998 another earthquake caused vast destruction on the islands of Pico Faial and S. Jorge. The Regional Government of the Azores received financial assistance from the Central Portuguese Government and from the EU (QCA II reserve, and also PEDRAA II). Several sectors were affected, namely agriculture (roads and division walls), education (school buildings needed to be rebuilt), culture (churches and other buildings considered as public heritage) and other sectors. A Legislative Decree (15-A/98/A) introduced provisions to assist the housing sector, and a further Resolution (230-A/98) granted financial support to help victims’ rebuild their homes.

Estimated expenditure for 2004 (in euro) to repair the damage caused by this event, which was aggravated by the severe storms of 1996/1997, is shown in the following table:

<table>
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<td></td>
<td>18 122</td>
<td>32 665</td>
<td>62 653</td>
<td>81 028</td>
<td>77 559</td>
<td>79 051</td>
<td>31 798</td>
<td>29 703</td>
</tr>
</tbody>
</table>

Source: Subsecretaria Regional de Planeamento e Assuntos Europeus

The estimates refer to the reconstruction and rehabilitation of damaged structures.

1. Published in 10 Anos Após o Sismo dos Açores de 1 de Janeiro de 1980, by the Secretaría Regional de Hábitacion y Obras Públicas, and Laboratório Nacional de Engenharia Civil, Lisbon, 1992
2. From the Gabinete da Zona Classificada de Angra do Heroismo
Off the coast of Europe

sequences for persons and property all the higher due to population growth in the urban areas in recent decades.

The presence of active volcanoes in the Antilles, the Azores and in Reunion is a tourist attraction, but is also a potential threat for these regions, and sometimes severely reduces their habitable surface area.

While the islands of Macaronesia (Group formed by the four archipelagos of the Atlantic Ocean, i.e. the Azores, the Canary islands, the Cape Verde Islands and Madeira) are buffeted by strong Atlantic storms, Guadeloupe, Martinique and Reunion periodically suffer tropical storms, and even cyclones. With winds as high as 300km/h, the latter disrupt all activity and cause considerable damage.

As the Indian Ocean and the Atlantic are more sensitive to rising sea levels than closed seas such as the Baltic or the Mediterranean, these regions are, in the long term, more vulnerable to the predicted consequences of the greenhouse effect.

ULTRAPERIPHERY: A DISTINCT AREA

«The ultraperiphery is characterised by two specific features – size and isolation. The outermost regions do not have access to the main European centres on which they rely at political, economic and historical level, nor are they linked to the major world centres. (...) Their small size make them totally dependent on external resources, markets and services, and their absolute remoteness increases significantly their overall costs, condemning them to extreme isolation.» First contribution to the future of social and economic cohesion. Conference of the presidents of the RUP, Las Palmas, February 2002.

Similarly, the Conference of the Presidents of the RUP in Funchal on 31st March 2001 stressed that “the implementation of common policies should not jeopardise the growth of basic economic activities for each of the outermost region, but on the contrary strengthen them by drawing on their comparative advantages”. The opinion of the ECO SOC on the outermost regions (rapporteur Mr López Almendáriz) expresses views along the same lines.
The E.U. has intervened in the Islands through its Regional policy, and, more recently, by a certain evolution of the legal framework. Nevertheless, the limits of this intervention are obvious: the Structural Funds have hardly managed to solve the economic and social difficulties of these regions, since their position in the classification of regional GDP/head has moved very little during the last twenty years. Legislation in fields such as competition, taxation, fisheries or farming seldom mention the Islands, or if so insufficiently. Introducing competition sometimes brings more problems in these regions than it is supposed to solve, as shown by the liberalisation of transport services.

The development of the legal framework

What steps has the European Union taken to respond to the problems raised by its islands and outermost regions, and with what results?

The first point to be made is that, for a long time, the problem of the islands was virtually ignored. During the first twenty years of the Community’s existence, the legal instruments (with the exception of a brief reference to the French Overseas Departments in Article 227.2 of the Treaty of Rome) contained neither the financial means (the ERDF did not appear until 1975), nor the necessary political will to deal with the specific situation of these regions.

This situation changed very gradually, thanks to several factors, including the accession to the Community of an increasing number of States with islands, the creation and strengthening (from the end of the 1980’s) of the Structural Funds, and, especially, the political emergence of regional powers, with a growing number of island regions enjoying autonomy or specific arrangements.

Community intervention manifested itself in two fashions: by developments in the legal framework, including the Treaties and secondary law, and especially via the action of the regional policy and the interventions of the Structural Funds. What effects have these had?

This is not the place to undertake a detailed discussion on the legal developments, which, individually or collectively, have differentiated the islands and the outermost regions during the course of their integration in the Community. We will limit ourselves to a few major factors.
The acceptance of islands as a special case in EU law

The specific dimension of the island territories has generally been recognised within the Member States of the EU, as evidenced by the political/administrative statuses granted to them.

Leaving aside the case of those islands which, while belonging to a Member State, are not members of the Community (for example French Polynesia, the Dutch Antilles, the Channel Isles or Faeroe), it can be seen that, of the 21 island regions forming part of EU15, the vast majority have a specific status. Seven regions currently have a degree of autonomy including legislative or tax arrangements. Six others, while not being autonomous, nevertheless have a distinct status or special powers. The other 8 island regions, governed by common law, are almost all small communities (generally some tens of thousands of inhabitants), which would not form fully-fledged regional authorities but for the fact that they are islands. Furthermore, in several States (in Greece via the Minister for the Aegean, and also in Ireland, Finland or Denmark) specific structures have been set up at national level to deal specifically with the problems of certain island groups. In the countries applying for accession, the island of Gozo has a specific Minister in the Maltese government.

The successive accession of the States to the European Community raised the delicate problem of transposing this recognition of the islands into Community law.

In a number of cases (France, Netherlands, UK, Denmark, Spain, Portugal, Finland, etc.) The Accession Treaties allowed for special provisions in relation to such and such a territory. These provisions cover an extremely broad range of arrangements, ranging from minor adjustments to actual exclusion from the field of application of the Treaty, or of certain of its provisions.

As a factor of collective differentiation (in contrast to this gamut of individual provisions), the island phenomenon was not referred to in the Treaty until the 1990’s. A distinction should be made, however, between two different approaches: one concerning the islands in general, and the other specific to the outermost regions.

The problem of insularity or island nature was initially raised by the Greek government at the European Council in Rhodes in 1988, but it was not expressed in the fundamental law of the Community until 1992, on the occasion of the Maastricht Treaty (Article 154 dedicated to the trans-European networks). The island phenomenon was accorded greater acknowledgement in 1997, via the Amsterdam Treaty (amendment of Article 158 in relation to economic and social cohesion, and the adoption of a Declaration No. 30).

The question of the outermost regions gradually came to the fore following the accession of Spain and Portugal, which gave rise to the integration of the Canary Islands, Madeira and the Azores, which, owing to their highly specific geographic, climatic and economic characteristics, were quite similar to the French Overseas Departments.

Moreover, these regions were subject to distinct legal arrangements, both as regards national law (ranging from autonomy, to special status, to specific or customs arrangements, etc.), and via
the arrangements contained in the various Accession Treaties.

This shared legal substrate, combined with the extreme nature of their situation, contributed to the emergence of specific arrangements proper to them in EU law and policies. This was first given concrete expression towards the end of the 1980’s, with the appearance of the Programme of Options Specific to the Remote and Insular Nature (POSEI) authorising a number of derogations or adaptations in the field of the CAP, the CFP, and taxation and customs. The adoption of the POSEIDOM (1989) followed by the POSEIMA and the POSEICAN (1991) thus introduced the concept of “parallelism” between the treatment granted to the French Overseas Departments, Azores, Madeira and the Canary Islands, and made a distinction between these regions and the other islands of the Community. Finally, explicit reference was made in the Treaty to ultraperipherality, firstly with the adoption of a Declaration at the time of the Maastricht Treaty, and then by the inclusion of a new Article 299.2 at the time of the Treaty of Amsterdam.

This means that there is now a distinct legal framework for the islands and for the outermost regions, although the provisions in relation to the islands can also, ipso facto, apply to the 6 outermost regions which are also islands.

The question which all these regions need to ask now is how will the provisions adopted in Maastricht and Amsterdam be applied concretely, and whether these provisions will enable them to develop the specific measures required by their situation.

In the case of the outermost regions, the Commission, at the request of the Council, drew up a catalogue of measures intended to implement the provisions of Article 299.2 of the Treaty. Some have already been implemented, while others are pending.

In the case of the islands, the provisions adopted in Amsterdam have not yet been applied. This has given rise to various protests and, on the occasion of the Nice Inter-Governmental Conference (2000), the Conclusions of the Presidency saw fit to recall that: “On the basis of Declaration No 30 annexed to the Treaty of Amsterdam, the European Council confirms the need for specific measures for the benefit of island regions, in accordance with Article 158 of the CET, in view of their structural handicaps which impair their economic and social development, within the limits of the budget resources available.”
The number of references to the islands in EU legislation has grown in line with the increase in the Treaties. Island status is virtually absent up to the 1970’s, then appeared with the entry of the UK, Denmark and Greece, and with the birth of a Community regional policy. The arrival of Spain and Portugal in the middle of the 1980’s, followed by that of Finland, resulted in a qualitative and quantitative leap in the 1990’s, with an apogee in 1995 followed by a significant drop.

The emergence of the concept of ultraperipherality, the adoption of the POSEI’s, followed by the provisions of Article 299.2 adopted in Amsterdam explain why almost 60% of the references in secondary legislation concern legislation dealing with the outermost regions. Most of the references arise from the introduction of special arrangements in the field of customs, agriculture (procurement systems, etc.) or taxation in these regions.

Some of the bodies of legislation which refer to the islands do so in broadly general terms only, or with respect to minor provisions, sometimes merely recalling the statements contained in Articles 154 or 158 of the Treaty. Others, on the contrary – rare in the case of the islands, more numerous in that of the outermost regions – contain substantial measures or explicit derogations. We will not attempt to give a complete description here of the situation, or carry out a detailed critical examination, but simply to underline, by means of a few examples, the unsuitable, disparate or insufficient nature of certain bodies of legislation.

As the situation of the island regions in terms of excise and VAT arises from their historical heritage and the conditions of their accession to the Community, it presents a widely varied picture. Some regions are exempt from EU legislation in terms of indirect taxation (e.g. the French Overseas Departments, the Canary Islands, Åland). Others enjoy the possibility, whether on a permanent basis or for a “transitional” period, of applying certain reduced rates (e.g. Madeira, the Azores, Corsica and certain Greek islands). All the others are subject to common law.

Reduced VAT rates in the Azores play a large part in reducing price differences with the mainland. If the VAT rates of mainland Portugal were to be applied in the Azores, the price index (base = 100 in Lisbon) would increase from 102.95 to 107.6. Furthermore, these figures, which are average values, vary greatly in the different islands of the archipelago.

The application in the islands of indirect taxation identical to that on the mainland raises various problems.
On the one hand, applying identical rates actually accentuates inequalities, because consumer prices in the islands are very often much higher, whether on account of transport costs, the small size of the market, or limited competition. This impact is particularly perceptible in all transport-related services. While the application of VAT to shipping and air transport has little effect on the companies, who can recover it, it directly affects private vehicles and passengers, who are the end consumers.

Similarly, given that the distribution networks in the islands are isolated or fragmented, taxation increases the price of fuel at the pump, which is often very high.

State regional aid

According to the Second Periodic Report on Economic and Social Cohesion, State aid comes to approximately 1.12% of EU GDP, as against 0.31% only in 2006 for the Structural Funds. This means that the arrangements governing such aid, in particular those governing State regional aid, are of great importance for the islands.

The specific situation of the islands is, however, given little recognition, because, with the exception of a minor derogation concerning the zoning of eligible territories, the guidelines concerning State regional aid grants derogations only to the very low population density areas and the outermost regions.

In the case of the very low population density areas, it is to be noted that the Commission acknowledged the existence of a permanent structural handicap, quantified in terms of a population of less than 12.5 inhabitants/km². This recognition is independent of any socio-economic criterion such as unemployment or per-capita GDP. As an example in point, the very low population density regions in Northern Sweden have a GDP per head close to the EU average.

Classification as a “very low population density area” grants entitlement to two major derogations. The first consists in much higher rates of assistance (or NGE - net grant equivalent rates) in regions governed by Article 87.3.c of the Treaty, up to 20% or 30% (for SMEs), instead of 10% to 20%. The second consists in authorizing direct and permanent aid designed to partially offset the additional costs linked to transport.

This can be regarded as discrimination against the islands, because, in spite of their permanent structural constraints, especially their difficulties in terms of transport, they are subject to common law.

As regards the outermost regions, the guidelines justifiably recognise their aggravated constraints and authorise three types of specific provision:

- Higher NGE rates;
- The possibility of granting permanent aid designed to offset additional transport costs, similar to that allowed for the low population density areas.
- The additional possibility of granting such aid in order to offset “the additional costs arising from the exercise of the economic activity inherent to the factors identified in Article 299, paragraph 2, of the Treaty, the permanence and combination of
which severely restrain their development (remoteness, insularity, small size, difficult topography and climate, economic dependence on a few products)."

It is noteworthy that such operating aids are under no obligation of degressivity, nor under any time limitation.

As regards the islands, other than those that belong to the outermost regions, the current system is much more restrictive. First of all, unlike the low population density regions and the outermost regions, they are at the present time not allowed receive the direct aid designed to offset additional transport costs. Furthermore, even if they were allowed receive this aid, it would only apply in the national context. However, a number of the islands could usefully develop trade with the States bordering their maritime space, especially in light of the fact that some of them are closer to their coasts than to their mainland (Corsica with respect to Italy, Bornholm with respect to Sweden). One wonders at the paradoxical nature of this prohibition, which seems to be in contradiction with the concept of a Community space.

Finally, the islands, unlike the outermost regions, are prohibited from granting permanent aid to offset the additional costs linked to their remoteness, their insularity, their small surface area, their rough terrain or difficult climate or their economic dependence on a few products. We will argue that such a provision could equally apply to them, in so far as the islands suffer from all or several of the factors referred to. In this respect, the distinction between them and the outermost regions seems to relate, not to end purpose, but to intensity. It should not be forgotten, however, that the State regional aid regulations stipulate that “The aid envisaged should be justified in terms of its contribution to regional development and its nature; its level should be proportional to the additional costs which it is designed to offset.” The mere application of this rule would make it possible to respect the principle of proportionality, because the extent of the additional costs must be automatically demonstrated.

Agricultural and fisheries aid

Community aid for fisheries and agriculture, granted under the terms of the CFP or the CAP, is governed by a specific system, distinct from the State regional aid system.

These policies have taken the specific situation of the outermost regions and of certain islands into account on various occasions. Aid mechanisms or structural derogations have been granted to the outermost regions, or to the minor islands of the Aegean under the terms of the POSEIs.

However, it cannot be claimed that these policies have truly taken the island dimension into consideration because the fact that the islands suffer from situations which are clearly different in terms of transport costs for production or incoming goods, sometimes implying a doubling of the costs, the ceiling for this aid remains identical.

As EU legislation prohibits any “de minimis” aid, or State regional aid, in the case of the products referred to in Annex I

COST OF AGRICULTURAL FEED

There are significant costs involved in transporting goods by ferries to and from the Western Isles and for example the cost of buying imported livestock feed for agriculture is significantly higher (cover 100%) in the Western Isles than the Scottish average for these goods (see table below).

<table>
<thead>
<tr>
<th>Product</th>
<th>Local Cost - Stornoway</th>
<th>Local Cost - Unit</th>
<th>Scottish Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hay</td>
<td>£169 per Tonne</td>
<td>£1.70 per Tonne</td>
<td>£71 per Tonne</td>
</tr>
<tr>
<td>Barley for Feed</td>
<td>£146 per Tonne</td>
<td>£1.46 per Tonne</td>
<td>£78 per Tonne</td>
</tr>
<tr>
<td>Beet Pulp</td>
<td>£145 per Tonne</td>
<td>£1.45 per Tonne</td>
<td>£70 per Tonne</td>
</tr>
</tbody>
</table>

(Source: Comhairle nan Eilean Siar and Scottish Farmer 1999)
of the CET, it is impossible to offer additional aid.

It is similarly extremely difficult to grant operating aid in the islands to small transformation or marketing structures dealing with certain types of products (slaughterhouses, dairies, etc.), despite the fact that they play a vital role in maintaining both agricultural activities and quality of life. Their closure, and the absence of an alternative solution in the smallest islands, forces farmers to export unprocessed production to the mainland, thereby exposing them to much higher transport costs. In extreme cases, companies are driven out of business. It is not rare for small-scale local produce, which not only provided jobs, but also allied freshness and quality, to be replaced by goods produced on a large scale by the food industry on the mainland, even on the shop shelves in the islands themselves.

**Liberalising transport**

The policy of liberalising air and sea transport implemented by the Community during the course of the 1990’s is clearly crucial for the island regions, owing to their dependence on these modes of transport.

Legislation concerning the liberalisation of air and sea links explicitly recognise the specific situation of the islands, notably by authorising public service obligations. With various nuances on which we will not expound, the procedure adopted consists in imposing public service obligations, and, where necessary, opening up a tender procedure at European level.

In practice, the application of these rules to island transport comes up against a number of difficulties.

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<th>EUROPEAN UNION PROHIBITIONS ARE LINKED TO THE PROBLEMS OF AGRICULTURE</th>
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In the light of the difficulties currently faced by the primary sector in the Balearic Islands, the state and regional governments have granted various subsidies to help this sector survive. However, because of differences in the way the problems of insularity are dealt with under the Spanish legal system and under EU regulations, these grants are severely limited. As a result, agriculture and cattle-raising in the Balearic Islands are seriously affected.

The specificity of the island factor is recognised in the Spanish Constitution, under Article 138.1. This was the basis for the adoption in 1998 of the Law establishing the Special Regime of the Balearic Islands, which includes provisions for economic measures to compensate for insularity. The Royal Decree No. 1034/1999 develops this Law, establishing subsidies for sea and air transport of goods exported from or imported into the Balearic Islands.

The draft version of the above-mentioned Royal Decree included subsidies for the transport of cattle feed. However, following the European Commission’s recommendations, subsidies for agricultural produce and semi-processed food products had to be cancelled, because they are banned under Common Agriculture Policy regulations. Consequently, grants for the primary sector were removed from the text of the Royal Decree.

The absence of subsidies is therefore the result of the fact that the Common Agriculture Policy is not adapted to the specific needs of the islands, although this is required under the Joint Declaration nº30 annexed to the Amsterdam Treaty.

The first is that the guidelines drawn up by the Commission for the tender procedures insist on the need to grant the contract to the company making the lowest bid. This ignores the fact that its success can have negative implications if account is not taken of other parameters, such as the risk of closure of regional companies not big enough to realise economies of scale and win the contract, leading to a risk of losing local jobs, with the ensuing social costs: risk of unreliable service, if the carrier goes out of business, etc.

One can imagine a scenario whereby a shipping company or airline from outside the region, and with interests in other domains, might win a tender procedure thanks to a particularly competitive pricing policy. Its selection would drive the local operator out of business, leading to the loss of numerous local jobs and the ensuing disappearance of specialised know-how and personnel. Some time later, the successful carrier, faced with external difficulties, itself goes out of business. The island region is then left with no local carrier capable of taking over the service. A new tender procedure, apart from the delay it implies, then takes place in a much less favourable position than before.

A second difficulty, proper to the maritime sector, arises from the restrictive nature of public service contracts, limited to a maximum of 5 years. This is too short a timescale for shipping companies, forced to invest in ships adapted to the characteristics of the service, to recoup their investment.
Finally, the guidelines require that public service subsidies be calculated for each service, so as to avoid the situation whereby profitable services receive public aid. This requirement seems ill-suited to the island regions (particularly the archipelagos) where the same carrier serves a whole range of routes. The advantages of liberalising the most profitable lines should be counterbalanced by taking account of those procured by the presence of an operator responsible for the whole network: flexibility in the use of the fleet and the crew, ability to rapidly respond to technical incidents or unforeseen traffic peaks, etc.

While not denying the benefits for the islands of the policy of liberalising shipping and air transport, it is obvious that island services require tender procedures or conditions better suited to their realities.

PROBLEMSPOSED BY THE TENDER PROCEDURES FOR PUBLIC AIR SERVICES FOR AN ISLAND: THE EXAMPLE OF CORSICA.

According to European legislation, a Member State can subject an air service to public service obligations and can, if necessary, impose on the carrier(s) that agree(s) to provide this service financial compensation. No public service obligation may generate a distortion in the competition between carriers, and public service franchises should be granted in a transparent manner and subject to competition at European level.

With 4 island airports (Ajaccio, Bastia, Calvi, Figari) and 5 selected cities on the mainland (Paris, Nice, Marseilles, Lyons and Montpellier), public service obligations with regard to Corsica in 1999 were broken down into two installments. The services with Paris first of all, followed by Shore to Shore services with Nice, Marseilles, Lyons and Montpellier. The services were subject to a route-by-route invitation to tender.

The Paris service

For Ajaccio and Bastia and Calvi, only Air France responded to the invitation to tender. The Collectivité Territoriale of Corsica considered that the compensation sought was too high and asked that the sums be lowered. Air France agreed to this and has been running the service since then, subcontracting part of the traffic to the Compagnie Corse Méditerranée (CCM), a company set up in France.

For Figari, only Air Liberté, a subsidiary of Swissair, submitted a bid. At present, these two sole candidates share 13.1 million euro per annum between them. It is debatable, therefore, that competition has really made its entrance onto the routes with Paris.

The Shore to Shore services

Several airlines applied, the cheapest being three subsidiaries of the Swissair group, Air Littoral, Air Liberté and AOM. The CCM accused these airlines of submitting under-valued bids. Faced with risks of industrial dispute and real doubts as to the health of the three Swissair subsidiaries, the CTC cancelled the invitation to tender procedure and changed to a system of passenger-based subsidies known as “social” fares for residents. The three airlines and the CCM de facto shared the services and the compensation between them.

In October 2001, following Swissair’s problems, and the merger of AOM and Air Liberté to form Air Lib, the group ceased serving Figari and asked the CCM to provide the service. The CCM, feeling that it had been unfairly supplanted, and having redeployed its fleet on other routes following an alliance and a code-share with Air France on other services, refused to comply.

Air Littoral is now the only airline to serve Figari, sharing the Shore to Shore services for Bastia and Ajaccio with the CCM. The result of this is to severely restrict competition.

The case of Corsica is a good illustration of the inadequacies of the public service obligations procedure for an island. The constraints imposed by European legislation are ill-suited for island situations where the routes are not of sufficient interest for the air carrier market. Although these services are expensive, they are the ones most in need of a public service owing to the lack of an alternative. Ironically, the bids for half the routes of the first public service obligations received a single application each, which leads to a de facto total lack of competition.

A number of questions to be raised in the interest of the islanders:

1/ What happens if no company, or only one company, makes a bid? The probability of this occurring is highest for the least profitable island services. Where is the advantage in terms of competition?

2/ What happens if the successful tenderer abandons the service or goes out of business? What penalties can be imposed on subsidiaries of Swissair in liquidation? How is it possible to ask a regional company, weakened by the dumping of competitors since gone out of business, to reposition itself? Answers to these questions are currently in short supply, which shows the extent to which European legislation, with all its constraints, is ill-suited to solving the concrete problems it generates.

The sole criterion of the “lowest bidder” is not sufficient in the case of island services, and the public air service would be better guaranteed if the concepts of continuity, permanence (financial survival) and regularity (maintenance) were also adopted as selection criteria.
The responses of the EU and their limitations

The impact of the regional policy

When the island dimension is raised with EU authorities, a frequent response is that the islands already receive adequate treatment because they have benefited a lot from the Structural Funds. While this is undeniable, does it constitute special treatment? Have these measures been sufficient to fundamentally change the situation of these regions with respect to the rest of the Community?

Of the 21 island regional authorities in the EU at present:

- 12 currently belong to the “Objective 1” zone. These are Sardinia, Sicily, Crete, the islands of the North and South Aegean, the Ionian Islands, Canary Islands, Madeira, the Azores, Martinique, Reunion, and Guadeloupe;
- 4 are (since the 1999 reform) in “phasing out”: Corsica and the Highlands & Islands which includes Western Isles, the Orkneys and Shetland;
- 4 are wholly or partially in Objective 2: Bornholm, Gotland, Åland, and the Balearic Islands;
- One, the Isle of Wight, is in no category.

This means that 99% of the island population of the EU is covered by Objectives 1 and 2 together. Objective 1 concerns 57% of the regional authorities, but, as these islands have a large population, this corresponds to 89% of the total population of the island regions. Furthermore, islands belonging to States eligible for the Cohesion Fund benefit from the latter fund.

However, far from reflecting special treatment, this situation corresponds to common law.

As can be seen in the Regulations laying down general provisions on the Structural Funds (1260/1999), there are no specific measures to define the eligibility of the islands. Their eligibility for Objective 1, for example, is based solely on the criterion of a GDP per head lower than 75% of the EU average. This rule applies to the islands in the same way as to any other region ... although an exception is made for former Objective 6 regions which are now included in Objective 1. The situation of the islands therefore falls way behind the situation of the very low population density regions in the North of Sweden and Finland, the per-capita GDP of some of which is close to the EU average.

As regards Objective 2, the legislative situation has even weakened somewhat with respect to the previous system, with the removal of the explicit reference to island status contained in the rules governing eligibility for the former Objective 5b (least favoured rural areas) up to 1999.

While it is true that the islands benefit massively from the Structural Funds, the extent to which the island dimension is recognised remains very limited. In light of the fact that, with some variations, the island regions have benefited from similar arrangements on the part of the Structural Funds since the

THE ISLE OF WIGHT A NON-ELIGIBLE ISLAND

A noteworthy example of the inflexibility of the regulatory framework governing the Structural Funds concerns the Isle of Wight, which does not qualify either for Objective 1, or for Objective 2, despite the fact that its per-capita GDP corresponds to 73% of the EU average. In spite of the request by the British Government, the European Commission has refused to allow the Isle of Wight to constitute a distinct NUTSII Statistical Territorial Unit, and has granted NUTSIII classification only. The result of this is that the island is statistically amalgamated with the wealthy mainland region of Hampshire, whose GDP per head is much higher. Since the regulations governing the Structural Funds require that NUTSII level serve as a basis for selecting Objective 1 regions, the Isle of Wight has been attributed a GDP per head much higher than the 75% threshold, with the result that it has been deprived of any chance of being eligible for this Objective. Furthermore, as the Isle of Wight is neither a fully rural area, nor an area undergoing economic and social conversion, nor an area dependent on fisheries, it is not eligible for Objective 2 either.

The only specific measure allowed by the Regulation adopted in 1999 is that which authorises higher ceilings for contributions from the Funds, but only “for the outermost regions and for the outlying Greek islands which are under a handicap due to their distant location”. Finally, references to the situation of the islands and of the outermost regions appear in the texts in relation to the Community Initiatives in the framework of INTERREG III.
Off the coast of Europe

There are several levels of response to this question. However, by sticking strictly to the Commission’s analysis, we can look at the problem in terms of GDP and the amount of the Structural Funds. An analysis of the last 10 years, during which period the amount of the Structural Funds grew substantially to reach 0.46% of the EU budget in 1999, shows that the backlogs are still significant.

The “Second Report on Economic and Social Cohesion (2001)” claims that: “...there was significant convergence (between the regions) over the period 1988 to 1998... In the bottom 10% of regions, GDP per head rose from 55% of the EU average to 80%, though in the bottom 25%, it only rose from 66% of average to 68%.” These increases are not as dramatic as reported in some studies, but they are significant.

The evolution of average GDP per head (PPS) is illustrated in the chart. Most regions, it would take them 33 years to catch up mechanically on the EU average. Here again, such an analysis (which is only an average based on disparity realities) is not very meaningful, but it provides a clear illustration, drawing on the tools used by the Commission itself (per capita PPS GDP), of the extent to which excluding the island regions from most regions, it would take them 33 years to catch up mechanically on the EU average. Here again, such an analysis (which is only an average based on disparity realities) is not very meaningful, but it provides a clear illustration, drawing on the tools used by the Commission itself (per capita PPS GDP), of the extent to which excluding the island regions from

Convergence within the Member States, as measured by per-capita GDP, is a reality which has meaning in the single European market. They generate a GDP which is much lower than the EU average (58%), suffer from high unemployment, and have an economy which is dependent on a limited number of sectors. Finally, they are subject to very stiff competition, in terms of labour costs, from neighbouring countries.

Owing to their considerable backlog, they tend to grow at a faster rate than their respective Member State, but this growth remains slower than that of the average of those Member States which have islands (+ 11.3% as against + 14.6%). In addition, they still lag far behind the EU average. As things stand at present, and based on the mechanical trends of the last 10 years, it would be a conceivable objective for them to close this gap... in 60 years time... This analysis does not, moreover, take account of the effects of enlargement.

Although substantial, the financial effort granted in favour of the outermost regions by all the Structural Funds, should, therefore, not only be maintained, but also further increased via a series of specific and coherent measures. It is also essential to adapt current regulations in favour of the outermost regions, because even the arrangements applicable to the most heavily subsidised regions are not sufficient to catch up the backlog and overcome the constraints of their environment.

The other island regions

As regards those island regions which are not outermost and Objective 1 cannot but aggravate the adverse trends which have marked recent years. The figures show that the Greek Islands, which started from a very low level, have so far made faster progress in catching up. This is especially true for those islands with a strong tourism potential, such as the major islands of the South Aegean (Rhodes, Kos, etc.) and for Crete (which has already moved ahead of mainland Greece). On the other hand, the situation is not so rosy for the Ionian Islands and is even a cause for concern for the North Aegean islands. For their part, Sardina, Gotland, Bornholm or the three Scottish archipelagos have, to various extents enjoyed favourable development, albeit, in all cases, less than that of their Central State.

Finally, it should be pointed out that, in the case of four island regions, trends have been negative over the last 10 years. The regions of Sicily (-4.6%), Corsika (-2.6%), Åland (+4%) and the Isle of Wight (+1.3%) have all experienced decline. These represent one Objective 1 situation, one “phasing out” situation, one Objective 2 situation, and one situation where a NUTS III level region has been denied classification. It appears difficult to find common explanations for the evolution of the most populated island regions of the Community, and of one of its most sparsely populated and most fragmented archipelagos... except for the fact that the tool seems to be somewhat ineffective.

With respect to the other regions of the European Union, the 21 Island regions are not, in terms of GDP, systematically the poorest. Having said that, however, about half (10), mostly amongst those with the highest populations, have a level of less than 100% of the EU average, while 11 others have a equal or higher level. Three island regions only have a GDP/h equal or above the 100% EU average. Furthermore, a distinction should be made between the outermost regions, which have an average GDP equal to 58% of the EU average, and the others the nature and extent of whose problems are different.

Convergence within the Member States, as measured by per-capita GDP, is a reality which has meaning on the national level. At this level, discrepancies are of the order of 1 to 2. At NUTS II level, disparities are of the order of 1 to 6 and at NUTS III level, 1 to 12. This simple observation shows what extent the GDP per head tool is of limited use for zone levels with less than 100,000 inhabitants and illustrates that it is ridiculous to base a policy exclusively on this indicator.


Source: PIB EUROSTAT (estimation when data is not available at Nuts2 level as in 1997)


1 A strict prolongation of the 1988/1998 trend curve has no great meaning on the economic plane, given the structural effects of GDP trends. Having said that, however, it gives a general idea of the caricatural nature of a policy based on the GDP threshold.

end of the 1980’s, can it be said that their situation with respect to the rest of the Community has substantially improved during the course of this period?

Seen in the light of infrastructural backlog, the answer is clearly in the affirmative. Roads, ports, and airports in the islands have been developed or modernised, and essential services such as water or electricity introduced to the most isolated communities. However, the impact of the Funds on the absorption of economic and social backlog seems to have been much more limited.

What conclusions can we draw from this observation?

Firstly, it is difficult to reduce the success or failure of the economic and social development of the island regions to the role of the Structural Funds alone. These constitute no more than a supplement to national funding mechanisms, the amounts of which are proportionately much greater. To assess the situation of each region, it is necessary to proceed on a case-by-case basis and measure how public expenditure funded by the State or by local government has evolved over the period. Did the Community effort actually strengthen the national effort, or did it merely replace it?

Secondly, a more general reflection, and one more specific to the Community framework, concerns the concepts of “structural adjustment” or “economic and social” conversion, which underpin the regional policy. Are these concepts pertinent for regions confronted with natural constraints of a permanent nature? Can one really expect an island economy to catch up in socio-economic terms in the same way as a mining or industrial region on the mainland suffering from the decline or disappearance of its traditional activities?
While it is true that the islands suffer from permanent constraints, this is not to say that they are bereft of economic opportunities. Some of these opportunities arise from the exploitation of their geographic positioning, while others are related to the natural or human resources intrinsic to them. However, be it tourism, transport, the fishing industry or renewable energies, there is a need for an appropriate framework for these assets to be exploited in a sustainable way. This generally requires proactive policies, and suitable means of control and management.

The future of transport

The situation of the islands with respect to the maritime frontiers of the EU (both internal and external) can sometimes be an asset in terms of transport. While some island regions are severely isolated, at the confines of the European continent or in the middle of the Ocean, others adjoin several States, are located at the mouth of a closed sea (Baltic, Adriatic), or are located close to a major shipping route.

Åland drew on its central position in the Baltic between Sweden and the Finland to develop an economy based on shipping and ancillary services (40% of regional GDP), and on tourism. The special taxation arrangements enjoyed by this region (where EU provisions on excise and VAT do not apply) have helped to ensure that the archipelago remains attractive for shipping companies that stop over there and provide numerous local jobs. Åland’s population is currently growing, unlike the other islands of the Baltic whose population is declining or at best stable like Gotland.

In a number of island regions, the introduction of direct shipping links with the rest of the Community or with third countries is seen as a potentially important development factor: in Crete with respect to the eastern Mediterranean, in the Estonian islands with respect to the Baltic, etc.

In the Orkneys, for example, the port of Scapa Flow (anchorage for the British fleet during both World Wars, and currently host to an oil terminal) can take very high draft ships. The regional authorities, drawing on this natural advantage, are looking into the possibility of developing port activities by making the archipelago a “hub” for Megaship traffic (super container ships of over 10,000 TEU, or even 15 to 18,000 TEU) between Europe and Halifax. Transhipped in Scapa Flow, the containers would be routed via Feederships to the Northern European ports, saving costly dredging and infrastructure costs. According to simulations, this could allow for the creation, over ten years, of between 600 and 2,100 jobs in this archipelago of 20,000 inhabitants.

Paradoxically, distance from the busiest sea or air routes can sometimes be an asset. It is this very factor that justifies the presence of a defence industry testing and evaluation centre in the Uist archi-
pelago in the Western Isles, where a firing range extending out to 250 km from the coast is used to test missiles, far from electronic interferences and with maximum safety. Almost 25 million GBP have recently been invested in the radar and telemetric installations of this firing range which will be used to test the equipment for the Eurofighter. Directly or indirectly, a very high percentage of local jobs in this group of islands (up to 40% at peak periods) depend on these activities.

**Tourism, a necessary, albeit destructive, evil**

Tourism, the dominant activity in most European islands, in terms of both its direct and indirect effects (building, commerce), has the potential for greater development in a number of these islands. However, because it mobilises a large number of players, because it brings important interests into play and because it exploits resources which are sometimes fragile, tourism needs all the players, can erase these damaging effects of tourism and satisfy the need of the islands for sustainable development.

**Does tourism have disruptive effects on the economic and social fabric?**

A sudden and rapid expansion in the demand for leisure has generated multiple effects, accentuated by the fact that they are brought to bear on fragile island societies, which are undergoing many changes or where the development process is not completed. One cannot ignore the impact of tourism on the resident populations, the appearance of modifications in social structures and the emergence of adverse mercantile and moral perversions. Demographic imbalances, such as an influx of outside manpower or a disproportionate number of tourists in relation to the residents, are liable to create cultural tensions. Not to mention the fact that that, by modelling spaces, tourism accelerates or changes the direction of migratory movements.

Apart from the construction of tourist facilities and heightened urbanisation, the massive influx of outside populations also imposes changes in the field of transport networks, telecommunications, drinking water distributions, and so on.

**Tourism Numbers**

<table>
<thead>
<tr>
<th>ILLES BALEARS</th>
<th>CORSE</th>
<th>MARTINIQUE</th>
<th>NOTIO AGIOAD</th>
<th>GOTLAND</th>
<th>ISLE OF WIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>821 820</td>
<td>260 196</td>
<td>381 427</td>
<td>271 355</td>
<td>57 313</td>
</tr>
<tr>
<td>Number of tourists</td>
<td>10 800 300</td>
<td>2 300 000</td>
<td>607 303</td>
<td>-</td>
<td>564 000</td>
</tr>
<tr>
<td>Number of tourists staying in hotel accommodation</td>
<td>6 979 672</td>
<td>917 000</td>
<td>545 400</td>
<td>5 634 934</td>
<td>123 472</td>
</tr>
<tr>
<td>Nights spent by tourists in accommodation</td>
<td>53 422 303</td>
<td>10 836 000</td>
<td>2 625 000</td>
<td>41 952 525</td>
<td>317 298</td>
</tr>
<tr>
<td>Share of nights spent by foreigners %</td>
<td>88</td>
<td>40</td>
<td>20</td>
<td>87</td>
<td>8</td>
</tr>
<tr>
<td>Pressure from tourism (Number of tourists by inhabitant)</td>
<td>13.0</td>
<td>7.0</td>
<td>1.6</td>
<td>20.8*</td>
<td>9.8</td>
</tr>
</tbody>
</table>

* Calculated on the basis of the number of tourists in the hotels

**Tourism, the other side of the coin**

Almost 500,000 tourists visit Bornholm each year. During the summer season, especially between June and August, it is almost impossible for local residents to travel to and from the island because ferry and air services are fully booked. In addition, the ferry prices (for passenger and car transport) are almost 20% higher during the summer, without any compensation for the islanders. The structure of tourism and the relatively short season does of course mean good incomes for those working in the tourism industry and related sectors. However, it also has disadvantages which affect the daily life of other islanders, including higher prices, parking problems, lack of proper goods and other commodities, long queues in shops and restaurants, hospitals etc., and, last but not least, the deterioration of our natural resources and to some extent the tourist hotels and tourist sites that stand empty, like ghost towns, for the other eight months of the year.
Prospects for development

It is widely acknowledged that the sea represents one of the few natural assets with which Gozo is endowed. The quality of the sea surrounding Malta and Gozo is marketed extensively in the context of the islands’ attempts to attract a higher number of tourists. But again, the limited length of shoreline is seriously restricting the potential for further economic growth on the island of Gozo. And conflict on the most proper and suitable usage of limited shoreline space between competing claims tends to penalise both the tourism industry and the potential for the development of aquaculture. People on the island of Gozo seem to appreciate that aquaculture should be an industry which is more extensively exploited. Consultants have repeatedly harped on examples of islands with thriving aquaculture and fishing industries (for example Shetland Islands). However, plans which on paper seem very promising are inevitably abandoned due to very significant debates between environmentalists and tourism industry proponents on one hand and the aquaculture industry entrepreneurs on the other. To illustrate, one needs to mention the proposal for a fish hatchery farm in a bay on the North East part of the island, which had to be abandoned in the face of very heavy opposition by locals and tourism industry operators. The latter group argued that the attractiveness of an attractive bay was to be eroded if the development proposals went under way. Similarly, a proposal for a tuna penning facility off the Southern part of the island had to be abandoned in face of vociferous protests by the local environmental lobby groups which claimed that the proposed project would disrupt a unique but fragile ecosystem feeding off the Ta’Cenc cliffs in Gozo.

Developing Tourism

Whatever the reservations that can be expressed, tourism still seems to have a high potential for expansion. But is there a limit? While tourist volumes seem set to rocket over the next twenty years (international tourism in Europe is set to triple by 2020), the islands are not necessarily the best placed to benefit from this growth. While it is true that these regions are highly attractive on account of their identity, their environment, or their climate, they are also disadvantaged in other fields, especially transport.

Moreover, destinations which constitute tourist markets of a certain size can command extremely competitive transport and accommodation prices (charter flights, “packages” etc.). With some notable exceptions such as the Balearic Islands, the Canary Islands or certain Greek islands, the island regions are not necessarily big enough to be able to offer the most competitive prices on the market. This phenomenon is set to accentuate with the growth of the tourism industry in those developing countries which also enjoy sunny climates, where wage costs are much lower.

Furthermore, the most promising sector of European tourism no longer seems to be long-term family stays reserved long in advance, but imports to satisfy tourists’ needs, are also put forward by critics of tourism.

Problem of aquaculture and tourism existing side by side

It is widely acknowledged that the sea represents one of the few natural assets with which Gozo is endowed. The quality of the sea surrounding Malta and Gozo is marketed extensively in the context of the islands’ attempts to attract a higher number of tourists. But again, the limited length of shoreline is seriously restricting the potential for further economic growth on the island of Gozo. And conflict on the most proper and suitable usage of limited shoreline space between competing claims tends to penalise both the tourism industry and the potential for the development of aquaculture. People on the island of Gozo seem to appreciate that aquaculture should be an industry which is more extensively exploited. Consultants have repeatedly harped on examples of islands with thriving aquaculture and fishing industries (for example Shetland Islands). However, plans which on paper seem very promising are inevitably abandoned due to very significant debates between environmentalists and tourism industry proponents on one hand and the aquaculture industry entrepreneurs on the other. To illustrate, one needs to mention the proposal for a fish hatchery farm in a bay on the North East part of the island, which had to be abandoned in the face of very heavy opposition by locals and tourism industry operators. The latter group argued that the attractiveness of an attractive bay was to be eroded if the development proposals went under way. Similarly, a proposal for a tuna penning facility off the Southern part of the island had to be abandoned in face of vociferous protests by the local environmental lobby groups which claimed that the proposed project would disrupt a unique but fragile ecosystem feeding off the Ta’Cenc cliffs in Gozo.

Secondly, the frequently chaotic occupancy pattern (often concentrated on coastal zones which are therefore disfigured) and the uncontrolled exploitation of resources can generate nuisances at both the ecological and economic and social levels. It is this type of excess which is meant by the pejorative term “balearisation”. Inappropriate or aggressive developments, marine and land-based degradations and pollution and irresponsible behaviour, the increase in

Secondary residences as percentage of total housing

Secondary houses represent up to one third of total housings. They are often the property of foreign tourists or of nationals from the mainland. In the Aegean sea, in Corsica or in Gotland, they correspond to a seasonal family tourism of people, which do not go to hotels. These number of these houses also depends of the distance to the mainland. On some islands of the Aegean sea, easily accessible from Athens, they reflect the importance of week-enders.
short-term holidays, decided on the spur of the moment and organised with flexibility. The average length of stay in the establishments is currently 3 to 4 days. At the same time, the combination of smaller family sizes and population ageing gives grounds for believing that this is a long-term trend. In this context, approach costs will play an important role in determining whether the offer is attractive, because accommodation will make up a proportionally lower share of the total selling price. Those islands which labour under high fares, especially airfares, will obviously not be the best placed to capture this type of market.

A reduction in transport costs is therefore one of the key elements in the ability of the islands to benefit from the evolution in tourist markets.

Another aspect of tourism is the controversial one of secondary residences. On the one hand, the acquisition of real estate by wealthy outsiders can, if it reaches a certain level, generate or aggravate a housing crisis to the detriment of the local population, or generate local inflation. On the other hand, secondary residences are a source of employment and income for the building, commercial or services sectors, and can even dynamise certain communities. There is no simple and uniform answer to the question of the “point of equilibrium”, above which the presence of secondary residences ceases to be an asset and becomes a problem.

Over the medium to long term, the ageing of European populations will lead to a significant increase in the number of retired persons for whom the islands, especially the most sunny islands, can be attractive destinations. This is certainly a development potential in so far as this type of population requires a whole range of services (health, leisure, various home help and other services, etc.). However, while a glance at demographic statistics will allow us assess the quantitative importance of this market, what about its profitability?

If the services required by retirees and senior citizens are financed by the State, national social welfare bodies, or by private funds, there is real potential for transfer of resources and activities and this can benefit a number of island regions. If such services are paid for mainly out of the budget of the regional and local authorities, there is a risk of collective impoverishment. This is especially so in those islands which suffer significant population ageing, and which already have problems in meeting the sanitary and social needs of their citizens.

Finally, two questions remain. The increasing imbalance between active and inactive population which will affect Europe during the first part of the 21st century will result in a sharp drop in pensions. Will future retirees be able to afford homes in islands where they will, furthermore, labour under higher consumer prices? Furthermore, is the setting up of a large community of retirees in a closed environment such as an island, with the imbalances that that im-
Prospects for development

L’évolution démographique et l’essor touristique dans les îles Sud Égée

© Eurides

DEMOGRAPHIC CHANGE AND GROWTH IN TOURISM IN THE SOUTH AEGEAN

Of the 42 small islands in the South Aegean archipelago, only ten recorded positive change from 1951 to 1991. Over twenty recorded such growth in the last decade.

A parallel with the density of hotel beds points to a correlation between the positive growth in these islands and the presence of large numbers of tourists. Moreover, those islands with the highest numbers of beds such as Mykonos, Rhodes or Kos never experienced a demographic decline. Some of them, such as Santorini (Thira), whose population was stagnating, saw a return to satisfactory growth between 1981 and 1991. Yet others, such as Kea, and Megisti, which were suffering from a clear demographic decline, have returned to positive growth.

Towards sustainable development

What, therefore, is the future for island tourism. Operating in an international context, this promising sector must also take local specificities on board. To be accepted by everyone in the island, it is essential that a development policy reconcile the divergent interests of the multiple players and decision-makers, and weigh the disadvantages and advantages of tourism to ensure maximum cohesion.

The idea of maintaining an acceptable level of visitors, of promoting local products, of training qualified personnel locally and of encouraging island investors are highlighted to better integrate tourism in the regional economy. Tourism, like other sectors of activity should promote sustainable development and benefit the local population.

To achieve this, it is especially important that sustainable tourism development treat the particularly rich, attractive, and fragile, environment in the islands, as an essential support.

Island authorities in charge of tourism now realise that the environment should not be subject to galloping speculation or unrestrained commercialisation, because the ecological aspect and the natural heritage are tourism selling points, and island tourism itself is highly dependent on the environment. Conversely, the conservation of the natural and cultural milieus is dependent on a controlled expansion of tourism. The environment is a vital “resource” as part of a long-term strategy for the integrated development of the local tourism industry.

Sustainable island development is designed to safeguard the human heritage, protect nature and its resources, so as to ensure their long-term viability, thereby catering to the needs of present and future generations. It is therefore important to make the different players involved in tourism aware of the role they can play and their responsibility.
to combat the negative effects of tourism on the environment.

Environmental law is an indispensable tool for implementing this type of policy. Legislative and regulatory constraints designed to protect and conserve ecosystems and the historic and cultural heritage make it possible to manage the environmental resources with an eye to long-term development. These regulations should be regarded, not as an obstacle to economic activities but as a management and monitoring tool designed to ensure the long-term future of these very activities. The “eco-tax” in the Balearic Islands and the tax on transport in Corsica are examples in point.

The commercial exploitation of natural spaces can be increased, provided that the natural milieu is not damaged. So-called “green” tourism or eco-tourism or cultural tourism are designed to reconcile economic and environmental interests and the common good and private business.

Many island regional authorities are conscious of this, and their actions in favour of sustainable tourism are designed to affect the rules of the international tourism market and modify the strategies of the large air carriers and tour operators. The equilibrium, indeed the very survival, of island communities will depend to a large extent on the ability to promote partnership between the local authorities and the major players on the market, capable of taking account of the long-term interests of residents and tourists alike.
Fisheries and agriculture are sectors which, in the islands as elsewhere, suffer significant crises for various reasons. Island status can however, in certain circumstances, constitute an asset.

In the field of agriculture, the epizootic diseases which struck European herds in recent years ("mad cow" disease, foot and mouth, etc.) open certain prospects for the islands. Island isolation can constitute an advantage because it can, by constituting "disease free zones", offer the species under threat better protection than on the mainland. To exploit this asset, however, two conditions must be met. Firstly, the technical and regulatory resources capable of guaranteeing the quality of island production must be in place. This implies the ability to strictly control, and, if necessary, restrict access to the islands, in spite of Community principles of free movement of persons and goods. Secondly, island productions originating in these disease free zones must be directly marketable free from the prohibitions affecting all national productions without discrimination between the situation of the islands and that of the mainland.

There are, obviously, no simple and uniform solutions in this field, as the steps to be taken vary according to the animal or vegetable species. However, the potential for using the islands as disease free zones should be looked into and the implementation of specific regulatory mechanisms envisaged.

In the fisheries sector, the island regions, like the coastal regions, suffer from the decline in the stocks of numerous species, and the overcapacity of fishing fleets (which is as high as 40% at EU level). However, the economic and social importance of this activity in various islands, especially the lack of viable alternatives, highlights the vital need to pay particular attention to stock management in the waters surrounding the island regions.

The need to ensure the long-term future of fisheries in the islands requires the exploitation of stocks in renewable condi-
Fish farming experienced spectacular growth in various islands over the last twenty years, and multinational companies heavily invested in those island regions offering the best quality sites (purity of water, protected anchorages). This trend initially concerned the islands of the North Atlantic, and is currently being pursued in the Mediterranean.

The intensive exploitation of certain species such as salmon, however, raises a number of problems (diseases, environmental impact, falling prices), and there is a need to diversify to other species such as cod, halibut, etc. There is a need to develop technologies capable of tackling the damage that storms can cause to installations set up in open sites. The way forward now is for new offshore systems.

We do not know whether “off-shore” drilling for oil or gas will continue to enrich certain islands because the profitability of the fields depends on parameters such as their size and accessibility, trends in world oil prices and international tensions. It is, moreover, likely, in light of the increased sensitivity of public opinion to environmental questions, and the growth in renewable energies, that drilling for new off-shore oil or gas deposits will be monitored in a more critical manner than heretofore, especially by certain pressure groups.

Will the exploitation of renewable energies (bio-mass, wave energy, solar energy, hydraulic energy, wind power, geothermal energy, tidal power, etc.) be a determining factor for the development of the islands? The answer varies widely, not only according to local conditions (exposure to wind, swell force, nature of subsoil, etc.), but also according to whether or not there are fixed infrastructures for conveying the energy.
Prospects for Development

The Western Isles Renewable Energy Resources

It is widely acknowledged by industry that the marine energy resources to the West of the Hebrides are significant. The Western Isles are an island chain some 210km long, with direct access to the vast resources down the west coast of the islands and this offers the best opportunity for the development in of wave resources in Scotland. The wave energy density on the West Coast of the Western Isles has been estimated at 67 to 70 kw/m. Tidal stream speeds in the Western Isles are estimated at over 1 knot at the Butt of Lewis. 1.5 knots in the Sound of Barra, and are greater in the Sound of Harris. Mean wind speeds throughout the Western Isles are well above the UK average, and are also recognised in European terms.

However, electricity transmission and distribution systems will not allow our renewable energy sources in the Western Isles to be fully exploited. The replacement and upgrading of the electricity inter-connector (via cable) to the islands will therefore be required in the medium term. Presently, a £500 million project, involving the construction of 250 of the world’s largest wind turbine is presently being considered in Lewis. This massive windfarm would have the potential to generate 2,000 megawatt – the equivalent of 3 nuclear power stations –. This energy would be exported via to the UK mainland a sub-marine cable of some 350 miles.

Source: http://www.w-isles.gov.uk/

Energies in Crete

Crete is confronted with the same energy problems as other European islands (high cost, provisioning problems, etc.). Energy consumption in Crete comes to 20,603 Tj. The breakdown of energy consumption per sector is as follows: 22.56% domestic energy, 4.32% agriculture, 10.56% industry, 10.15% tertiary sector, 50.41% transport.

The breakdown of consumption per type of fuel is as follows: 11.75% biomass, 19.07% electricity, 33.80% petrol, 28.32% diesel, 2.39% solar energy, 2.48% oil, and 2.19% gas.

In Crete, approximately 20% of the total demand for energy is covered by electricity. Breakdown of electricity consumption per type of use: domestic use 38.16%, commercial 39.69%, industrial 9.22%, agriculture 4.18%, public lighting 1.45%, public use 7.30% analyses. In 2000, total electricity consumption in the region came to roughly 2,139 GWh. 90.4% of which was generated by the two DEI stations in Iraklion and Khania, and 9.6% from renewable energy sources (9.55% wind power and 0.05% from small hydroelectric units).

The development of renewable energy sources in Crete

A total of nine wind farms operate in the island, generating 69.9 MW. A new 2.3 MW farm is under construction in Lasithi. The Crete Region has just agreed to the construction of 13 additional wind farms, with total power of 54.45 MW.

At the same time, the Greek electricity board (DEI) uses two small hydroelectric units generating a total of 0.6 MW (a study has shown that Creta’s total potential in small hydroelectric units does not exceed 6 MW).

Exploitation of biomass is widespread in Crete (biomass derived mainly from agricultural products derived from olive growing and wine growing) for supplying energy. 12% of the energy consumption is thus covered by biomass, in particular via olive kernels (in oil presses, houses and glasshouses, for reheating premises and drying agricultural foodstuffs). However, there are several possibilities for further developing such uses of biomass and its exploitation in order to produce electricity.

The existing solar energy potential has led to the rapid development of solar heating in the island. It is estimated that there are 45,000 such installations in the island. Photovoltaic technology has begun to penetrate into Crete’s energy system, particularly in hotels and isolated houses.

In parallel development, the island of Gávdhos, close to Crete, gets most of its electricity from photovoltaic systems. Furthermore, all the lighthouses in Crete are powered in this manner.

In the context of the 1994-1999 Energy Operational Programme, several photovoltaic investments have been approved while, as part of a special measure under the same programme, targeted exclusively at solar energy and at Crete, the construction of 25 photovoltaic installations has been approved for the island (in hostels, factories, SME’s, etc.) generating a total of 2,066 MW and with an energy production capacity of 3,088.3 MWh.

At the same time, this programme has also seen the realization of numerous investments designed to save energy. The possibilities of making greater use of Renewable Sources of Energy are considerable and Crete is already a pioneer among European islands in this regard.

In islands where such infrastructures are not technically or financially feasible, the impact of renewable energies will probably remain limited to reducing energy dependency, and to lowering production and distribution costs in the region. In those islands where it is possible to distribute electricity, the renewable energy potential could be used to supply the mainland.

Ambitious projects already exist in some parts of Europe. In the Orkneys, a wave and tide energy exploitation centre will be created. In the Western Isles, the idea of an underwater cable connecting the archipelago to the south of England, and of an important 600MW windfarm development are under study. In Gotland, where electricity produced from wind power accounts for 100 GWh per year, or 15% of the region’s needs, the potential exists for generating 3,600 GWh per year. Such developments obviously require considerable investments, and their profitability can only be calculated over the long term. Their impact on the environment (for example, the visual effects of large windmill farms) need obviously be taken into consideration.

The manner in which certain technical or environmental obstacles can be overcome will obviously have significant consequences. For example, the transformation of renewable electricity into liquid hydrogen could solve the problems of storage and distribution. The construction of sufficiently weather-resistant “off-shore” installations could solve the nuisance of installing massive infrastructures in inhabited areas ...
Over recent decades there has been a very substantial increase in wind power production on Gotland, unparalleled elsewhere in Sweden. It started in 1984, when a state-owned test machine was built on the south-west peninsula of Näsudden; some private machines were later built nearby. The exploitation of this peninsula and other sites in South Gotland rapidly expanded, with private interests backed up by quite heavy subsidies from state government. Production increased from 3 MW 1984 to 15 MW ten years later, and today about 48 MW is installed, mostly in south Gotland, with an output of 100 GWh/year. This means that about 15% of all the electricity used in Gotland now comes from wind power.

The established policies adopted both by central government and the local authorities are that renewable energy resources should replace nuclear power. Gotland is recognised as being one of the areas in Sweden with the best wind conditions for large scale development of modern windmills. The Näsudden Peninsula has particularly good conditions in this respect and the area is now more or less “packed” with windmills. In other places there are mostly only one or a few machines scattered about the landscape. Plans are also under way for large scale installations off the coast of Näsudden and at other sites – locating wind power plants in the open sea is gradually becoming seen as the best way of avoiding conflicts as well as maximising use of the wind. However, if the machines are installed a long way from the land, the costs of electricity transport are very high. If on the other hand they are located close to the coast, they can still cause the kind of nuisance that more and more people seem to be complaining about.

There is in fact a heated debate about the development of wind power going on at present, in the local papers for example, although a majority of the population seems to be in favour of large-scale use of this source of energy. And large-scale development is probably needed to compensate for the relatively low output of wind power plants compared to other sources of power, especially compared to atomic energy plants.

The development scenario is a doubling of recent production levels within a period of 5-6 years and up to 500 GWh/year some years later. A 1 MW plant can produce about 3 GWh/year, which means about 200 more plants during this period. A government investigation has proposed large-scale development of wind power along the Swedish sea coast, on Sweden’s large lakes and also in mountain areas of northern Sweden. For Gotland the report says that possible future production in Gotland could be as high as 3,600 GWh/year. After the early years of relatively unrestricted development, major efforts are now being made to control the installation of new plants and to confine these to sites without too much conflict with the environment and people living near the plants. National and local plans for the development of wind power are being produced, to provide the necessary investment guidelines for the firms involved and for the authorities which have to deal with each new application for a building permit that involves the raising of a new wind power tower. The general public’s acceptance of future development will probably depend on effective and reasonable guidelines and regulations.

Wind power issues are increasing the workload of the authorities concerned, not least because of all the appeals. Formal protests are lodged and appeals made against nearly every building permit granted by the Municipality for a new wind power plant. The appeals, most of which are rejected, are brought before the County Administration or alternatively a higher national Court – the latter being the case if a substantial group of plants is being planned, rather than just a few or only one.

Wind power is given as an example of one of the many interesting features of Gotland as an ecologically advanced region in a brochure recently published by the Municipality.

In the Gotland County Administration 1998 report “Policy and guidelines for the localisation of wind power mills and telemasts in Gotland countryside”, it is however acknowledged and stressed that:

-Wind power plants of present modern design and scale are completely new elements in the traditional landscape and affect people in many ways and to a larger extent than was at first thought likely. Psychological factors are more important here than is usually imagined. The noise is often a disturbance although attitudes towards the plants and wind power as energy resource are important. There is a continuous noise from the rotors a – a conceivable disturbance for many people even if the sound level is not too high. Another disturbance is from the visual effect of “flashes” of sunlight from the blades hitting nearby buildings. These effects are particularly noticeable indoors.

There should be a minimum distance of 500 meters between the plant and nearby houses, and a longer distance if several machines are placed in a group.

Later on, the report looks at the question of conflicts with Gotland’s important natural and cultural assets, including the coastline with its relatively few buildings apart from old fishing villages, the beaches, and further inland an ancient open and flat farming landscape.

-Wind power plants can be attractive to look at and visit, but large-scale exploitation significantly alters and could even destroy the qualities of the landscape for recreational activities. The attraction of Gotland for tourism as a natural and cultural environment, largely unaffected by (other) exploitation of modern times, must be maintained and it is therefore essential to think carefully about the use and development of wind power.

The building of plants off the coast, in the open sea, could also have negative effects that must be taken into consideration, the report summarises.

RENEWABLE ENERGY IN THE ARCHIPELAGOS

In 2010, the Autonomous Region of the Azores should fulfill its goal to produce 63% of its electrical energy through renewables (geothermic power, hydro-electricity and wind power).

The EU should actively support the conditions for such a growth in renewable energy in the archipelago. This effort will be an example of positive discrimination, allowing the principal of equal opportunities to be translated into tangible action, since for the RUP (and island regions), it will compensate on the one hand for the fact that they are unable to join the single energy market and the energy transmission networks, and on the other, for the extra difficulties involved in the production, distribution and sale of energy, especially in the archipelagos.

The list of selected projects is already in Brussels with an analysis of the savings in terms of fossil fuel imports and reductions in CO2 emissions.
Research, development and new information technologies

The potential impact for the islands of research and development activities, and the new information technologies, depends on several parameters.

One of these is the existence of a local context favourable to the development of research activities in a specific field. This applies, for example, to renewable energies where many islands can be used for experimental purposes. This can also apply to activities linked with the study or protection of ecosystems, or communications.

\[\text{THE ISLANDS AS CENTRES OF EXCELLENCE: THE CASE OF CRETE}\]

RTD activities in Crete are carried out in around one hundred research and technology units (centres / laboratories) employing 250 researchers, 70 of whom hold permanent posts. In addition to the various research bodies, organisations belonging more widely to both the public sector (development organisations, etc.) and private sector play a major role in these RDT activities, mostly with regard to applying their results. Scientific collaboration between the region’s various research bodies / organisations is highly productive: a number of sectors of scientific and technological activity in the Region are particularly dynamic and present on the international scene. Fields in which there is an offer of services in new technologies as well as a high level of know-how are listed below:

- An especially important area is the development on the island of telecommunications infrastructures, with the installation of an optical fibre system along the northern corridor further extended to the hinterland. The installation of optical fibres linking Crete with Cyprus and France and the link-up between Germany-Crete-Japan-Australia (Seame We3) have also been completed. At the same time, networks designed to connect up different service providers in the tourism, culture and healthcare sectors have already begun to be developed within the framework of projects funded by various Community Programmes.

- The rapid expansion and dissemination of know-how developed by the university community and research institutes is encouraging the creation in Crete of a third centre of development, in addition to those already constituted by the farming and tourist industries.

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DEVELOPMENT AND PROMOTION OF THE ICT INDUSTRY

Despite the very low level of research and development activities in Åland in general, one interesting project started during 2000 which might even be important for future development in the mobile telecommunication sector. It is a pilot project to test new equipment and new services concerning the mobile Internet. The Åland Islands, with a population of 26,000, have been considered to be a suitable test area due to the high penetration of ICT. The local Mobile Telephone company has made a deal with one of the biggest telecom companies in the Nordic countries to invest in the infrastructure for the third generation mobile net, 3G, in Åland and has also signed a strategic partnership. The latter will ensure that Åland has access to the latest technology and services concerning the mobile Internet. The project will also stimulate local enterprises to increase research and development and to find new business opportunities.

During 2000 a new submarine cable was laid to import electrical power from Sweden and at the same time infrastructure for fibre-optic communication was installed to improve access to the digital world. The investment will support ICT development in Åland.

In certain cases, the very isolation of the islands and their small population make them ideal locations for research activities. An example in point is the role of Iceland in genetic research.

Another factor is the simultaneous existence in the island of sufficient infrastructures, services and human potential to enable the growth of research activities: sufficiently high level of education, acceptable accessibility and communications, etc. This pre-supposes a deliberate policy on the part of the authorities in the above-mentioned fields, significant resources, and long-term action.

The economic impact of research and development activities in the islands depends heavily on their capacity to attain a “critical mass”, above which the various centres of activity support each other and generate new enterprises. It is then possible to invert polarities, and to turn the island region into a place where R&D is concentrated on account of intrinsic qualities, instead of being decentralised solely as a matter of public policy.
In this context, the use of new information technologies has undeniable advantages for the islands, in so far as they offer at least a partial solution to problems of distance. They do not, however, represent a panacea, because the constraints of insularity come into play once more when people need to travel physically. Furthermore, information technologies require a good rate of equipment in computer hardware, and acceptable communication costs.

Although there is unanimous agreement in acknowledging the capacity of information technologies to overcome many constraints and to significantly reduce transaction costs, inequalities between territories continue to worsen. As regards Guadeloupe specifically, the role of the information and communication technology sector in the Guadeloupe economy remains limited. At the end of the first half of 2000, the sector had 1,463 employees (statistics compiled for the consular district of Pointe-à-Pitre), an increase of 21.3% between December 1997 and June 2000. The ICT sector does not, therefore, currently constitute a buoyant segment of the Guadeloupe economy.

Having said that, Internet penetration rates have experienced strong growth since 1997. In September 2000, local access providers counted 21,349 subscribers in Guadeloupe. Of these, private individuals represented 70% of all subscribers. The barometer of chartered accountants in Antilles-Guyane recorded that 44% of companies have an Internet connection and 28% have a web site. The result is that the use of Internet for e-mail purposes remains to be developed in Guadeloupe.

Source: Economic observatory of the Chamber of Commerce of Pointe-à-Pitre

### Flexible University Education on Gotland

In 1986 a two-and-a-half-year degree course in economics was started in Visby at Development Center of Gotland (UGC). Small regional universities had been established in the 1980s in nearly all of the 24 counties of Sweden that did not have a traditional main university such as Lund or Uppsala. This was partly due to the new view which saw higher education as a regional development factor of prime importance. Many county authorities also made efforts to deal with the problems of distance. They create something like a small college-university, provided a working model for low-budget, high-quality activities could be produced. The organisation of university education on the island in the early years meant a completely new structure for higher education. It was called the Gotland Model. Its success was probably the necessary pre-condition for the recent establishment of the school as an independent body, now with a staff of about 100. Until then the structure was very small – and was part of the County state administration of Gotland. The method chosen was close cooperation with high-status university institutions in Stockholm and elsewhere.

All education was bought in from outside. Teachers from the economics faculty of Stockholm university and other places flew in to Gotland to give lectures and provide educational support. This cooperation ensured that the university studies in Gotland were of a high quality and created a nationwide interest in the activities. Good results were achieved with a relatively small budget and almost as many students came to Gotland from elsewhere to study as those originally from the island.

A new site for the College University of Gotland - including technology, teaching and archeology - was opened in the early years of the Gotland Model in 1986. It is a former malt factory - in the harbour area of Visby. It is now a fully-fledged institution, like the other small state regional universities. The flexibility of the original set-up was beneficial in many senses and there was a lot of the vitality and enthusiasm of a new and not too highly-structured activity. One of the disadvantages, however, was the difficulty in building the local competence that was needed to ensure continuity and long-term quality in the teaching provided. Other problems were the extra cost, for example the travel costs and dual administrative costs arising from the fact that all teachers were brought in from outside. As a result, the regional authorities need to make a significant effort to improve equipment rates.

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**Off the coast of Europe**

In 1986 a two-and-a-half-year degree course in economics was started in Visby at Development Center of Gotland (UGC). Small regional universities had been established in the 1980s in nearly all of the 24 counties of Sweden that did not have a traditional main university such as Lund or Uppsala. This was partly due to the new view which saw higher education as a regional development factor of prime importance and a facility for driving development, rather than as being for educational purposes only.

In Gotland – by far the smallest county in Sweden, with its 57,000 inhabitants – special arrangements would obviously be needed to provide higher education locally. The state did not want to take on the costly responsibility for a fully-fledged university institution in small Gotland. It would however support efforts made by Gotland to create something like a small college-university, provided a working model for low-budget, high-quality activities could be produced. The organisation of university education on the island in the early years meant a completely new structure for higher education. It was called the Gotland Model. Its success was probably the necessary pre-condition for the recent establishment of the school as an independent body, now with a staff of about 100. Until then the structure was very small – and was part of the County state administration of Gotland. The method chosen was close cooperation with high-status university institutions in Stockholm and elsewhere.
Regional or local identity products and the community economy

The fact that the islands are places with a distinct identity, an original culture and living traditions is an economic asset which transcends the various sectors of activity. This is expressed in various manners.

The symbolised map of the island, its historic coat of arms (emblem, crest, flag, etc.), or original “logos” underlining the island origin of a product constitute effective signage, which rapidly draws the consumer’s attention to goods produced in a known and limited space. Combined with an origin and good-quality production, the island’s image helps marketing. It even happens that certain products which do not originate in the island use the image or name of an island more or less discreetly in order to stand out on the market (such as Estonian vodka or Scotch whiskies, etc.).

The musical, artistic, or even linguistic originality of an island similarly constitutes an asset. In the context of the tourist economy, they enable it to stand out from destinations with analogous geographic or climatic characteristics, but which do not boast as strong an image. However, the existence of this cultural potential is based on the social substrate which it becomes difficult to preserve in regions which entertain heightened exchanges with the outside, and experience, just like mainland regions, albeit somewhat later, phenomena such as the decline in agricultural activities, increased urbanisation, or the natural disappearance of the age groups most impregnated with the traditional language or culture. Island cultures are therefore faced with a delicate phase of transition and adaptation, not only in conserving their originality, but also in promoting it and increasing awareness of it.

Finally, most islands have a strong “Community economy” tradition, based, not on classic monetary relations, but on solidarity and barter. Although this type of relations persists, it also takes on new forms with significant growth in the “third sector”, that of the associations and non-profit-making structures. Particularly present in activities linked to social services, environmental protection, or educational or cultural actions, this third sector not only has a direct impact on the local economy by creating jobs, but also indirect effects because it complements the action of the public and private sectors. It also contributes to the quality of life, and helps retain populations.

CORSICAN HONEY

Corsican honey “Miel de Corse – Mele di Corsica” under the terms of the AOC (Appellation d’Origine Contrôlée – registered designation of origin – decree of 30 January 1998) is broken down into a range of six categories of different tastes thanks to the island’s varied and endemic vegetation (close to 3,000 plant species, 127 of which are proper to the island). This range, which is governed by the AOC system is the result of scientific work conducted with a view to describing the various honeys on the basis of the pollens and constructing a regional reference pollen library. The quality policy followed by Corisican beekeepers drew them out of a veritable development plan based on ancestral know-how. The manner in which the development of the Corinse bee-keeping industry has been based on the AOC system is a guarantee of the quality of the honey. For example, the honey must be made from nectar or honeydew foraged by bees belonging to the species Apis Mellifera Corsica (Corsican ecotype).

The AOC system certifies the traceability of the product, that is to say the fact that all the production stages can be monitored and certificated. It has its constraints, such as the prohibition on importing bee, which complicates pollinisation and leads to the need for a more strenuous effort to prevent intoxications. On the other hand, the local bee population is less affected by varoa mites than their cousins on the mainland and is, for the moment, shielded from the effects of certain pesticides such as gaucho. The profession is organised in a syndicate with close to 100 members registered with the AOC system, and production of AOC guaranteed honey comes to some 200 tonnes per year.

THE HARRIS TWEED

The textile industry is primary based upon the weaving of Harris Tweed which is an industry indigenous to the Western Isles. Harris Tweed is a woollen cloth made from pure virgin wool produced in Scotland, spun, dyed and finished in the Outer Hebrides and hand woven by islanders at their own homes. Authentic Harris Tweed is stamped with the Harris Tweed trade mark consisting of the Orb and Maltese Cross with the words “Harris Tweed” underneath. In the mid-sixties, demand for Harris Tweed came from all over the world and peak production was reached in 1966. By the 1980’s, this hard-wearing but heavy cloth fell out of fashion and demand fell. Harris Tweed is now enjoying a revival due to the availability of double-width tweed, new fashionable colours and softer, lighter tweed which is now finding favour with the fashion houses of the world. There are currently around 350 weavers in the Western Isles. However, this figure compares to around 1,300 weavers employed in the 1960’s and around 350 in the 1980’s. The production of Harris Tweed will continue to fluctuate based on external demand.
The geographical position of islands may have a considerable impact upon the shape of their country’s territorial waters, or Exclusive Economic Zone. Thanks to the Scottish archipelagos, the UK was able to increase substantially its share of North Sea oil resources, and to lay claim to large areas in the Atlantic.

These developments have had a major impact upon the economy of the Orkney and Shetland islands, which were used as a base for building or servicing off-shore installations, or for bringing oil and gas onshore via pipelines. The Sullom Voe oil terminal, in Shetland, is the biggest of its kind in Europe. This plant, which stretches over 400 hectares, represents a £1,200m investment and is designed to cope with a throughput of 1.4m barrels of oil per day. A smaller terminal also exists in Orkney, in the island of Flotta.

Although these archipelagos have drawn economic and financial benefits from these developments, fluctuations have nevertheless been brutal. In Shetland, for example, the population which was 17,000 in 1971, increased +35% in ten years. Another example was when technological changes in the field of air transport in the 1990’s brought the sudden decline of airport infrastructures which had just been built at great expense. Last but not least, those islands are made very vulnerable to pollution because of the heavy oil tanker traffic.
In spite of the integration of Island Regions such as Gozo, Saaremaa or Hiiumaa, the enlargement process will bring a double evolution. Firstly, a further reduction of the demographic weight of islands in the Community; second the fact that the E.U. territory will become even more “mainland” based. Moreover, this phenomenon is likely to have direct consequences for these Regions in areas such as the Cohesion policy, the State Aid regime, or even the evolution of the Community’s statistical nomenclature.

Will the enlargement prove to be a factor of disintegration for the Islands? Such a prospect would not be without risks, including in the field of Common External and Security Policy.

A Community increasingly «mainland based»

In a 15-Member State European Union, where the islands represent a mere 3.5% of the population, they already experience significant difficulties in getting across the specific characteristics of their situation and, especially, in having these characteristics taken into account.

What will be the case in a European Union enlarged to 27 members with a population of 500 million, where the island population will represent less than 3%?

Despite the integration of the Estonian island regions, or of Gozo (Malta), and even taking account of the fact that two of the enlargement countries (Cyprus and Malta) are small island states, it is clear that the 27-member Union will be much more centred on the heart of the continent, both geographically and demographically.

This “continentalisation” of the territory of the Union, together with the increase in its population, will be of special benefit to those regions which, owing to their geographic location, are best placed to benefit from it. The south-easterly shift in the Community’s centre of gravity will favour territories like the south of Germany which will be able to gain access, rapidly and at lower cost, both to the old major centres of production and consumption, and to the most heavily populated new centres (Poland, Czech Republic, Slovakia, Hungary, etc.). Apart from the Baltic Sea, which will be open from one shore to the other, this will be of little benefit to the island regions, which will find themselves at an even greater distance from the new markets than they currently are from the major economic centres of the Union.

The consequences of enlargement on EU policies are, furthermore, liable to directly or indirectly affect the situation of the islands in various fashions.
In the context of a Union with almost 500 million inhabitants, the statistical nomenclature will inevitably be based on much larger units. The Commission currently plans to raise the threshold for NUTS II regions to a minimum of 800,000 inhabitants. If this threshold were to be applied indiscriminately, the result would be that most island regions would be statistically integrated in more heavily populated mainland regions. Only 4 island regions currently exceed this population threshold: the Canary Islands, the Balearic Islands, Sicily and Sardinia. All the other island or outlying regions will, therefore, have to be either attached to a mainland statistical territorial unit, or amalgamated to exceed the 800,000 mark. This is in contradiction with the specific realities of these regions, and would severely hinder their access to the resources of the cohesion policy, because NUTS II level is required for calculating eligibility to Objective 1 of the Structural Funds, and for calculating the areas eligible for the cohesion policy.

The place of the islands in the EU’s statistical nomenclature
With enlargement, average EU GDP will drop, owing to the development backlog of the candidate countries, with the result that, by a simple mathematical effect, the per-capita GDP of the regions of EU15 as a percentage of average GDP will increase. This will affect the islands, which will automatically post a growth in GDP, without any actual improvement in their situation or any reduction in the constraints of their insularity.

The impact of this mathematical growth in the per-capita GDP of the islands will not be limited to eligibility to the Structural Funds. Unless new regulations are drawn up, all those island regions with a GDP per head in excess of 75% of the EU average will automatically be deprived of the exemptions in terms of State aid provided for in Article 87.3.c of the Treaty. This will prevent national or regional authorities, supposing they have the resources and determination, from implementing sufficiently energetic policies to offset the constraints of insularity.

Countries and regions of this map refused to join EU, and Greenland even left it deliberately. For the Northern Atlantic Islands (Faeroe, Greenland) the main concern was to safeguard the resources of the neighbouring fishing areas upon which rest most of their economic activity. But in these islands, as well as in Jersey, Guernsey, and the Isle of Man, the fear to witness a gradual erosion of the island’s state of autonomy by Community legislation was a decisive factor.
Off the coast of Europe

While the solidarity effort undertaken by the Community on behalf of the islands is liable to be reduced after 2006, a number of public expenditure heads could increase. This especially concerns all expenditure relating to environmental (reduction of polluting emissions, waste disposal, development of renewable energies, etc.), sanitary (and food) or even social standards (such as working time in the transport sector). The constant trend of EU policies and EU legislation over the last twenty years has been to strengthen the technical constraints or the performance obligations relating to these fields. Whether owing to the determination of the Member States, or the effect of international agreements, it seems reasonable to predict that this pressure is set to worsen.

In the field of the environment, it would be a poor show for the island regions, whose ecosystems are particularly fragile, to question the appropriateness of rigorous criteria. It is, nevertheless, true that these provisions are particularly costly in the islands, on account both of transport costs and the absence of economies of scale. It is therefore foreseeable that the strengthening of Community standards will generate higher costs in these regions, which, in the final analysis, will have to be paid for by both the public and private sector. In the absence of structural aid or offsetting measures (in the field of taxation, or State aid), compliance with EU standards could further handicap the competitiveness of island industries and seriously affect the budget of the local authorities.

Similar questions can also be raised with regard to the consequences of the climatic disruption arising from the greenhouse effect. In the long term, the predicted rise in sea levels will have, not only human and economic, but also considerable infrastructural consequences, in a lot of islands. The colossal investments required to protect exposed areas cannot be measured over one or two Structural Fund programming periods, but must be assessed over several decades. At what stage should this parameter be taken into account in the investment plans?

Although the extent and nature of the variation in sea levels is debatable, specialist organisations feel that one of the short- and medium-term consequences of the greenhouse effect will be the more frequent and more intense appearance of climatic disruptions (storms, cyclones, etc.). The damage caused by such events will obviously have an impact on island populations and island economies. Without even envisaging extreme catastrophes, the question arises as to the effects on the lifetime of the infrastructures most exposed to the elements.

Enlargement will not be without political consequences for the islands. In the current EU, only 3 States out of 15 have no island, and only two have no maritime façade. In the enlarged EU of 27 States, 12 States will have no island territory (Poland, Romania, Czech Republic, Hungary, Belgium, Bulgaria, Austria, Slovakia, Lithuania, Latvia, Slovenia and Luxembourg), 4 of which will have no maritime façade.

In other words, once enlargement is completed, almost half (44.5%) of the Member States will not be directly concerned by the problem of the islands, or even au fait with it. These 12 countries will represent 25.4% of the population of the Union and 35.7% of the votes on the Council (123 votes out of 345). To obtain a qualified...
The islands in an enlarged EU: integration or desintegration?

Limited economic opportunities, possible statistical amalgamation with the continent, decrease or disappearance of structural aid for a number of regions, stricter provisions governing State aid, higher costs of implementing Community standards, increased political vulnerability, etc. Is this particularly sombre assessment of the situation of the islands in the context of an enlarged Europe not excessive? It is, in any case, possible if no steps are taken in time by national and EU authorities. It is therefore not inopportune to imagine the possible consequences.

It is clear that a European policy which promoted the enlargement of the Union but which neglected the disparity of its own territories would generate a degree of frustration. Over the long term, the most serious of these could generate crises, the extent or the consequences of which it is currently impossible to gauge. In this regard, it is worth mentioning the reasons which led a number of island regions in the 1970’s and 1980’s to decide either not to join the Community (Jersey, Guernsey, the Isle of Man, Faeroes), or to leave it (Greenland in 1985).

To what extent – and at what price – will these States, which will inevitably have their own problems and their own demands, be willing to support initiatives of interest to the islands? To what extent will Member States more sensitive to island issues be willing to grant these states concessions to get the required votes?

A high-risk situation

The first reason, shared by these 5 regions, was a question of governance. As they all enjoyed special status, they all had a very clear feeling at the majority on the Council, it will be necessary to obtain 255 votes, which will, moreover, have to belong to 18 States out of 27 if the proposal does not come from the Commission. Any request for legislation or provisions specifically concerning the islands or outermost regions which requires such a majority will therefore have to be supported by at least 33 votes belonging to States which, simply owing to their geographic reality, will be utterly unfamiliar with these questions. A similar situation will prevail in the European Parliament and on the Committee of the Regions.

RIDDLE
- This European island region has succeeded in completely absorbing its developmental gap with respect to its mainland, increasing its GDP per capita from 57% to 101% of the national average in less than 15 years.
- It has an unemployment rate of 0.5%, despite a population growth rate of over 25% in the space of 25 years.
- The average salary of its inhabitants is 96% of the national average.
- It receives no financial support from its State.
- It receives no aid from the EU.
What is it?
time that the process of union would gradually lead to an unacceptable erosion of the political autonomy to which they were profoundly attached, and which they had striven so hard to acquire or safeguard. Fearing a political dispossession, which they would no longer be able to curb once in the Community, they decided not to join. To govern their relations with the Community, they drew on their status of autonomy, and negotiated original provisions in the form of Protocols or agreements.

The second reason, specific to the Faeroes and Greenland, arose from the refusal of the Community to take account of their most vital economic and social interests, and its intention to apply certain principles of the Treaty to them without any major concession. These two regions, almost totally dependent on fisheries, would be forced to accept the principle of “free access” by Community fleets to their 200 mile zones if they joined the EEC. Fearing (justifiably, in light of the performance of the CFP), the overfishing of this essential resource, the Faeroes and Greenland refused to join.

The third reason, the impact of which was only realised with hindsight, is that there was no real regional policy at the time these decisions were taken. Although set up in 1975, the ERDF did not receive significant resources until the middle of the 1980’s, when all these regions had already made their decision.

It can be argued that current developments in EU policies and the prospects for enlargement actually cause these three factors to reappear.

The increasing mass of European legislation (with its some hundred Directives, and between 2,500 and 3,000 Regulations each year), and the problems linked to its application, bring the question of governance to the forefront. In the islands, the prospect of the increasing “continentalisation” of the European Institutions owing to enlargement adds to this general problem the fear of increased dependency on decision-making bodies less and less sensitive to island problems.

Similarly, the lack of flexibility of certain EU policies with regard to the islands, in particular the competition policy, is a continuing cause of friction. Once more, this raises the question of finding a balance between the application of the founding principles of the Treaty, and their implementation in regions with a highly specific territorial context. To what extent can State aid designed to reduce the additional costs of insularity really disrupt the operation of the single market?

Finally, the limitation of the financial resources of the Structural Funds, at a time when Europe has to finance its enlargement policy, leads to the risk of a severe reduction in, or even the disappearance of, the structural policies in a number of islands from 2006. This would have the effect of returning these regions to a situation similar to that which prevailed in the 1970’s.

While being careful to avoid undue comparisons or excessive pessimism, we would argue that these various factors tend to reconstitute a political “substrate” fairly similar to that which drove 5 island regions to disassociate themselves from European construction some 20 years ago. Such a scenario is a serious cause for concern, because in areas as fragile (and, sometimes, as politically volatile) as the islands, such a context could generate serious crises, which it would then be difficult to control. In such a context, it is not impossible that the principle of belonging to the Union would, in certain cases, be called into question.

### The Cost of Mail Service in the Islands

According to Consignia, - the former “The Post Office” public company in charge of postal services in UK - the average cost of a postal delivery is 28p for every 27p stamped first-class letter.

While making profit in the past, the company is losing £1 million a day with some of its most profitable services already opened to competition. If plans to deregulate the postal delivery is carried out, the situation would be very different according to the categories of regions.

Consignia estimates it costs 15p to deliver a letter in London which is a good profit-making route. In the case of Scotland, with a territory of remote areas, mountains and islands, scarcely populated, the average cost of delivery is £2 by letter. In the archipelago of Shetlands, the average cost of an isolated letter goes up to £16 (106 times the cost in London).

In view of a gradual opening to competition that would encompass the entire mail market by 2006, what will happen to postal services in remote rural parts of the country and all the more so in the islands?

Source: « Scotsman », 01/02/02
The islands and the EU’s common foreign and security policy

It would be erroneous to believe that the tensions and crises which are liable to affect the islands if such a negative scenario were to materialise would affect only the islands and would not have repercussions on the Community as a whole. In fact, it is especially likely that they will have an impact on the common external and security policy, as defined in 1992 on the occasion of the Treaty of Maastricht.

Three aspects should be taken into consideration:

- First of all, the islands offer a “strategic depth of field” not only to their States, but also to the Union as a whole. This depth is reflected in the monitoring of maritime and air spaces which extend beyond continental Europe. In the case of the outermost regions, the result is a projection of Europe towards other seas, other oceans and other continents. On the economic plane, this is reflected in the monitoring, by the Member States or by the EU, of large areas of fisheries or oil exploitation, or in major potential in terms of fish farming and renewable energies.

- A number of islands play a defensive role as evidenced by the existence, on their territory, of first-level military installations (air or naval bases, listening stations, etc.). The importance of these infrastructures has fluctuated in recent decades, but, while the end of the Cold War limited the scope of some of them, other types of conflict proved their utility. Although this aspect currently comes under the head, not of EU policies, but of structures such as NATO, the aim of the EU remains “the progressive framing of a common defence policy (...) which might lead to a common defence, should the European Council so decide.” (Title V, article 17). In such a perspective, the role of these regions must not be neglected.

- Finally, the aims of the CFSP are to “strengthen the security of the Union in all ways”; “preserve peace and strengthen international security, (...) including...
those on external borders”; “promote international cooperation” and “develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms” (Title V, Article 2). In this regard, many islands have a clear role to play as external borders of the Union.

On the one hand, these regions, which are often “gateways” to the Union, are often located in extremely vulnerable areas, open to all types of trafficking: drugs, arms, trafficking of human beings, money laundering, etc. Any economic, social or political weakening of the most exposed islands which would render them particularly permeable to these forms of trafficking would inevitably have repercussions on the entire EU territory.

Moreover, owing to their close proximity to third countries labouring under particularly difficult political or economic situations, or even the scene of armed conflicts, the islands can play an active role in projecting the Union’s policy. Development aid, the improvement in the living conditions of the populations, emergency services for the victims of armed conflict, the spreading of democratic principles, or their role as intermediary, are all fields where they have a potential role to play.

Will the island regions have a destabilising effect on Europe or will they, on the contrary, “export stability”? The answer to this question is closely linked to the policies which the Union chooses to apply to them. One thing is certain: the question of the role of the island regions within the Union is one that calls for a global approach, which will integrate the CFSP in the same way as the other policies.
A European policy for the Islands is an essential and justified measure. The European Union must endeavour to re-examine the situation of these Regions, and in particular take their vulnerability into account, as the United Nations have done. A European policy for the Islands must be founded upon principles such as permanence, proportionality, and positive differentiation. Its aims must be at the same time social, economic and environmental.

A necessary and justified approach

The argument most commonly made by the EU authorities when the islands call for specific policies for them is the great diversity of these territories, not only in terms of geography or demography, but also in terms of socio-economic characteristics.

How can one conceive an “islands policy” when the statistical indicators often tend to demonstrate their heterogeneity, and the economic and social statistics which underpin the EU cohesion policy do not, at first glance, make for grouping them in a coherent unit?

To answer this question, it is necessary to underline the confusion which arises from the practice which consists in reducing the evaluation of the integration of a territory in the Union to the information provided by its GDP per head or unemployment rate. While these data are vital evaluation elements (albeit sometimes imperfect in the islands) for revealing the social and economic backlogs of a region, they do not allow a satisfactory assessment of its actual situation and of the manner in which Union policies are applied in it.

The need for a re-examination

Although the island regional authorities have, on several occasions, referred to the excessively restrictive nature of this approach, this criticism has been largely hidden to date, owing to the fact that, with one exception, all the island regions of the Union have hitherto benefited from the Structural Funds one way or another. Moreover, since the 1980’s the great majority of the populations of the island have been covered by Objective 1 because their per-capita GDPS were lower or much lower than the EU average. This has contributed to lending a theoretical, rather than a practical,
character to the debate on the appropriateness of drawing on criteria others than conventional socio-economic indicators because with some notable exceptions, the latter gave more or less the same results, at least as concerns Structural subsidies and State Aids.

With the prospect of enlargement, this practice comes up against its limits: according to the most recent projections (European Commission, First progress report on economic and social cohesion, 30/01/02.), in a 27-member EU, only the French Overseas Departments, the Azores, the Ionian Islands and the North Aegean Islands will continue to be eligible for Objective 1 on the basis of a per-capita GDP lower than 75% of the EU average (although an enlargement to 25 would have a less drastic effect, it would still exclude Sardinia, South Aegean, Corsica, the Canary Islands and all the Scottish archipelagos which currently benefit either from Objective 1, or from “phasing out”). Unless the legislation is changed, this will also affect the state regional aid systems, whose impact is greater in the islands, because once again the most substantial exemptions are based on GDP per capita.

As such a statistical evolution would be based, not on objective socio-economic objectives but on a mere mathematical effect (a drop of at least 13% in average EU GDP per capita owing to the lesser development of the new Member States), a re-examination of the evaluation criteria is necessary. Moreover, this concerns, not only the islands but also most of the regions of EU15 currently regarded as “least favoured”.

However, other factors highlight the need to re-examine the intervention criteria of the future EU cohesion policy, for example the need to incorporate the EU’s objectives in terms of transport, competitiveness, environment, and the evolution of the CAP and the CFP.

The aim of the transport policy is to improve the accessibility of island, landlocked and peripheral regions and to link them with the central regions of the Community (article 154 of the CET on TEN). The realisation of this objective relies partially on a specific, relatively modest, budget allocated to the Trans-European Networks, most of which go to a very limited list of major projects, regarded as having priority. Most of the funds are provided by the ERDF or the Cohesion Fund, which provide joint funding for maritime, road and air infrastructures in eligible regions or countries.

As enlargement implies ending the eligibility of a lot of these territories to the Structural Funds, Article 154 of the Treaty will be deprived of the necessary resources and, therefore, of meaning. If the Community is to have the financial resources to intervene in the island, landlocked and peripheral regions, other than those that will remain eligible for Objective 1 post 2006, new instruments must be implemented. In the context of a European transport policy, it is legitimate that these be based on criteria such as the level of the infrastructures and the degree of accessibility with respect to the rest of Europe.

Similarly, the objective of economic competitiveness which constitutes one of the fundamental policy ambitions of the Union need not necessarily be associated with productivity and employment indicators. The equation: heightened competitiveness = heightened productivity and full employment unfortunately often does not apply at regional level. There are numerous examples of companies improving their competitiveness by reducing their personnel or relocating their activities to areas within or outside the EU where costs are lower.

For a territorial approach to the concept of competitiveness to be equitable, it must take account of factors such as the nature of the natural and human resources available in a region, the size of the local market and the conditions of access to outside markets. Only such a refined approach will be able to generate real equality of opportunities, anticipate crises and effectively exploit local development potential.

In recent years, EU environment policy (referred to in Title XIX of the Treaty) has taken on increasing importance, owing both to the international situation (Agenda 21, Kyoto accords, etc.) and pressures within the Community (consumers, users….). This trend affects a broad swathe of the life of the citizens: water quality, waste disposal, food health, condition of manufacturing of equipment, use of energy, transport safety etc. There are many indications
However, the extent to which the territorial policy has been taken into account can be measured simply by comparing the unemployment rates and GDP per head with the EU average. The situation of the EU islands is obviously different from the mainland, and shows that the situation of the islands is more closely related to their wealth and their economic difficulty. In this perspective, the elements of transport accessibility, etc. are necessary. These elements are not the same as those of the mainland, and the fiscal incentives affect the various forms of export duties. What will be determined is that these reductions in the CAP need to be measured by the objectives of Community fleets.

Finally, the Common Agricultural Policy is set to undergo major changes over the coming years. Although the CAP does not provide direct support for producers and the EU average, although the Community fleets will be more competitive in the world market, and may offset the reduction in the protective measures in the various regions. The impacts of the CAP and the fiscal incentives affect the various forms of export duties. What will be determined is that these reductions in the CAP need to be measured by the objectives of Community fleets.

Why a policy for the islands of Europe?

In Japan, the Okinawa Prefecture. Around the four very large islands of Japan, mostly through subsidies and tax breaks on certain activities. A Free Zone has been set up in the Okinawa Islands. The fiscal incentives affect the various forms of export duties. What will be determined is that these reductions in the CAP need to be measured by the objectives of Community fleets. The impacts of the CAP and the fiscal incentives affect the various forms of export duties. What will be determined is that these reductions in the CAP need to be measured by the objectives of Community fleets.
For reasons both economic and political, the potential represented by their geographic position (whether at the heart of the Community’s maritime spaces, at their confines or even, for the outermost regions, close to third countries on other continents).

As regards competitiveness, apart from the effects induced by the previous point, they suffer, to varying degrees, from the consequences of the limited nature of their natural or human resources, and from the small size or fragmentation of their local market. Costs tend to be higher, services less available, and specialised manpower scarcer. Island economies rely on a small number of sectors, or even on a single activity.

The importance of fisheries or agriculture in numerous islands makes these territories sensitive to the foreseeable changes in the field of the CAP or CFP. Their quasi-general dependence on tourism exposes them to the normal ups and downs of this industry: risk of sudden recession due to unforeseen factors such as international tensions; or conversely, during phases of expansion, undue pressure on land and property and on the environment. The predominant role which the public sector tends to play in the islands makes them extremely fragile with respect to any policy designed to open public services to competition, or to reduce public service numbers to meet budgetary stability requirements. Finally, irrespective of the relevant sector of activity, the weakness, or even absence, of physical and economic hinterlands means that alternatives are rare and any crisis will have exacerbated repercussions.

As regards the environment, the very characteristics of the islands – including isolation and the resulting endemism, the size of the sea-land interface, the variety or uniqueness of their heritage, etc. – mean that they are extremely sensitive to any external threat or any form of change. Apart from a high degree of exposure to natural or industrial risks (consequences of the greenhouse effect, miscellaneous maritime pollution, seismic dangers, etc.), they are, owing to the limits of their space and population, more rapidly and more radically affected by the impacts of the economic and social evolutions. Tourism, already mentioned, is a well-known example of this.

Although, taken individually, each of these factors is by no means specific to the islands, taken together, their cumulative effect and their interaction mean that the islands are distinct territories, the common denominator of which is vulnerability.

Vulnerability affects all these regions in a permanent but disparate manner. It is more accentuated the smaller the islands (the demographic decline of many minor islands is a case in point), when they are isolated or where they suffer from difficult climatic conditions. It is particularly aggravated in the case of archipelagos where fragmentation multiplies the constraints, or islands which simultaneously suffer from difficulties linked with a mountain configuration or characterised by a very low population density. There is no need to go back over the effects of ultraperipherality, the characteristics and impacts of which are such that one can is justified in speaking of a “separate dimension”.

This vulnerability of the islands is not reflected simultaneously everywhere by clearly perceptible socio-economic impacts via the normal statistics. Although the vast majority of island populations in EU15 are distinguished by conditions of employment and productivity much lower than the EU average (and among the most unfavourable in the case of islands such as Martinique, Guadeloupe, the Azores or certain Greek archipelagos), the rule is not absolute. The oft-quoted example of the Balearic Islands or Northern European islands illustrates that there is no automatic correlation between being an island and being economically or socially amongst the most disadvantaged.

It seems more realistic to say that the situation of vulnerability which characterises the islands tends to make it more difficult for the more wealthy islands to develop, and to exacerbate the economic and social difficulties of the others. Faced with a similar context, an established population on the continent will enjoy greater prosperity or at least suffer fewer difficulties.

It would be inaccurate, not to say Manichean, to claim that there exists a sort of “fatality” which condemns the islands to the role of second-class territories and their inhabitants to endemic under-development. In many cases, the European islands boast several assets or potentials capable of promoting development: their proximity to oil or fish resources, their capacity to produce renewable energies, their attractiveness to
The question of the vulnerability of certain territories has been a subject for study and at United Nations level since as far back as the late 80’s. This is partly due to the fact that the UN includes a large number of small states, many of which are islands or archipelagos (roughly a quarter of the 200 plus members). This issue has also concerned various other international structures such as the Commonwealth Secretariat, the International Monetary Fund, and the UNCTAD. In parallel with the UN, these organisations have studied the situation of these small states, in particular that of the Small Islands Developing States (SIDS). These studies are designed to evaluate the intensity of their specific problems in a more scientific manner by means of “complex vulnerability indicators”

In general, all these organizations agree that small states, especially Small Island States (SIS), share a number of characteristics which pose specific development problems. Briefly, they are particularly vulnerable to outside events, in particular natural catastrophes, which severely destabilise national income; many of them suffer from numerous uncertainties and economic difficulties owing to trends in the international trade system; and they are handicapped by lack of capacities, in both the public and private sectors.

This concept of vulnerability is interesting in so far as it is not limited to conventional socio-economic indicators (such as GDP), but includes other aspects, notably the environmental dimension. Some States are therefore regarded as “vulnerable” despite having a high GDP.

The complex vulnerability indices on which researchers from Malta to Mauritius to the Pacific, have been working, are based on indicators such as:

1. Trade openness (exports plus imports as a percentage of GDP);
2. Export concentration;
3. Peripherality (transport costs expressed as a percentage of external trade);
4. Energy dependency (energy imports expressed as a percentage of energy consumed);
5. Financial dependency (financial debt as a % of GDP);
6. Vulnerability to natural disasters (costs of cyclones or volcanic eruptions);
7. Vulnerability to anthropogenic activity (waste managements, tourism, etc.);
8. The consequences of the greenhouse effect (cost of protecting the coast against rising water levels, etc.).

The specific problems of the small states, especially the SIS, are clearly illustrated in a number of fields:

Remoteness and isolation. Most of the small states are isolated countries, and some of them are highly dispersed archipelagos, others landlocked, and others located far from the major trading centres. High transport cost means that a lot of SIS, such as those in the Pacific, find it difficult to export to offset the restricted nature of their domestic market. The small size of the domestic market, combined with remoteness from outside markets, limits the effect of competition, and its ability to promote efficiency and innovation.

Openness. While a large degree of openness to the rest of the world is an advantage, for small economies it means that they are exposed to events that occur on world markets and to changes in the world trading system, all elements over which they have little or no influence. Small states also tend to place higher taxes on imports to obtain much needed income, which leads to difficulties when they are forced to reduce tariffs.

Vulnerability to natural disasters and environmental change:

Most small states are located in regions prone to natural disasters such as hurricanes, cyclones, drought and volcanic eruptions, which generally affect the entire population and economy. Some are threatened by planet-wide environmental change. As the unfavourable events are generally felt by the entire population, it is not possible to spread the risk at national level.

Limited diversification. Owing to the small size of their domestic market, small states suffer from a lack of diversity in their production and exports. When a dominant activity declines, it is generally replaced by another dominant activity. This explains why these countries are even more vulnerable to outside developments.

Weak capacities. Weak capacities, in both the private and public sectors, are a major problem for most developing countries, especially for the small countries. The situation is even more serious in countries where internal distances are great and the population dispersed, such as the islands of the Pacific. As regards the public sector, small states are faced with diseconomies of scale in providing public services or exercising governmental functions, which explains why the public sector is generally much bigger in these countries than in other developing countries. When they try to overcome the obstacles and seize the opportunities of globalisation, the small states also discover that they lack sufficient institutional capacities to participate fully in international financial and trade negotiations, which can have profound repercussions for their economy.

As pointed out above, lack of diversification and lack of competition at national level can hinder the development of the private sector.

The specific vulnerability of the small states, and the exacerbating factor of insularity, were illustrated in a study carried out by the Commonwealth Secretariat in 1988. Based on a sample of 111 developing countries (34 small countries and 77 large countries) for which applicable data were available, this study concluded that:

- Of the 28 most vulnerable countries, 26 are small states, and 18 Island States.
- Of the 28 countries of high to average vulnerability, 6 are small states, and 6 Island States.
- Of the 27 countries of average to low vulnerability, only 2 are small states.
- All 28 least vulnerable countries are large countries.

One might assume that the application of such an analysis instrument to the European islands would reveal similar conclusions. Unfortunately, although it is possible to perform this type of study in the case of States (especially those which have a statistical tool of sufficient quality), it is impossible in the case of regional authorities which lack certain data, such as those in relation to external trade.

1 The pioneers of these studies are:
- François Doumenge: “La viabilité des Etats insulaires” UNCTAD 1989
- Lino Briguglio : Study on the construction of an Index ranking countries according to their economic vulnerability” UNCTAD 1992
- 2 UN report on the vulnerability index of Small Island States: http://www.unep.ch/islands/992-val.htm

tourists, their geo-strategic position, the proximity of shipping lanes, etc.

The problem facing these regions is that, in order to seize these opportunities, they will probably have to work harder or take much greater risks than would be necessary to successfully undertake a similar undertaking on the mainland. During times of recession, on the other hand, they would be
among the first affected owing to the poorer profitability of their industries.

A European islands policy should therefore consist of a set of measures designed to minimise their vulnerability and to help create a real “equality of opportunities” between these territories and the rest of the Union. As this policy constitutes a response to objective natural constraints, it is legitimate that it be graduated according to the intensity of these constraints. For the same reason, it should constitute an addition to, rather than a replacement for, the measures traditionally implemented as part of the economic and social cohesion policy.

What should such a policy entail?

A European islands policy should be based on three major principles and on several goals.

Principles of an islands policy

The first is the principle of “permanence”, because the geographic constraints which affect these territories are of a durable nature – with the exception of the few islands very close to the mainland, which could possibly be attached via a fixed connection. This principle of permanence is in contrast to the “catch-up” concept which has heretofore served as a basis for EU policies for dealing with economic and social problems.

The second principle is that of “positive differentiation”. This consists in regarding the measures granted to territories to enable them offset permanent structural constraints such as insularity, not as unfair advantages but as measures designed to bring about real parity. In this respect, positive differentiation is in contrast to discrimination which, according to the definition given by the European Court of Justice: “…consists in treating similar situations differently, and different situations similarly” (Finding of the Court of First Instance -fourth chamber-, 26 October 1993. Cases T-6/92 et T-52/92).

Finally, the third principle is that of “proportionality”, because island situations are geographically and demographically synonyms of diversity. The implementation of positive differentiation with regard to islands is only justified if it is based on the realities of their geographic, demographic, and environmental characteristics, and on the constraints that these entail. These realities necessarily differ from island to island.

The aim is, not to come up with measures applied systematically and uniformly to every territory isolated by the sea, but, first and foremost, to create a framework which would make it possible to take account of these differences. Based sometimes on legal provisions, sometimes on financial resources, sometimes on modes of governance, such a permanent framework would make it possible to design solutions adapted to each of these regions in proportion to the nature and intensity of the problems encountered. In some cases, this will mean measures common to all the islands or to certain groups of islands, and in others provisions specific to a given situation, not suitable for general application.

The principle of “positive differentiation” with regard to the small island states was referred to in 1998 by the representative of the ACP States. Their Ministers of Commerce acknowledged the specificities of the small island states. In underlining the vulnerability and fragility of their economies, they asked that specific attention be paid to them in the framework of the WTO. REPORT OF THE MEETING OF THE ACP MINISTERS FOR COMMERCE, MAISON ACP, BRUSSELS, 15 MAY 1998; ACP/61/026/98 [FINAL] Brussels, 16 May 1998
Goals of an islands policy

The three types of goal for an islands policy are of a social, economic and environmental order. These goals are intimately intertwined.

a) Social Goals

The “social goals” are to enable the inhabitants of these regions who so wish to “be born, live and work at home”.

Islanders should have a degree of choice and a quality of infrastructures and services as close as possible to those generally available on the mainland, and services of optimum quality.

This concerns a multitude of sectors, especially education, health, transport and telecommunications. Parity with the mainland cannot be defined in a purely statistical manner; it must be assessed in qualitative terms. When infrastructures or services are sophisticated, the smaller the population of an island, the more disproportionate their size and cost will be with respect to the number of inhabitants. There is no uniform response to this problem, apart from the application of a principle: the need to aim for optimal quality services so as to at least maintain the population.

The required resources are those of the Structural Funds, targeted in particular on the fields of transport (fixed or mobile infrastructures), waste management, water, education, and health. In the field of transport, energy and telecommunications, the intervention of the Structural Funds should be strengthened by the effective application of Article 154 of the Treaty in relation to the trans-European networks, with appropriate financial resources.

Islanders should be able to gain access to consumer goods or services at socially acceptable prices.

In an island, the concept of price parity should be considered in parallel to parity of choice in a context where choices are necessarily more limited.

For example, in the field of transport, islanders do not have the option of road or rail to travel to other parts of the Union. In fact, in most outlying regions, air transport is the only possibility offered to passengers. Freedom of movement of persons and goods is therefore relative in these regions, and the principles of competition are skewed. The smaller an island, the more it is isolated and the more limited the fields of activity or the range of choices. This frequently leads to a higher cost of living, which detracts from the attractiveness of these territories.

This situation can, in certain cases, be remedied by measures designed to reduce consumer prices, or encourage certain service providers to set up in the most isolated and least populated areas.

The required resources are interventionist measures of a social nature, such as:

- Specific tax provisions (reduced rates of VAT or excise);
- Direct aid for certain commercial activities or service providers;
- Special fares for residents on sea or air transport.

The intensity of some of these measures may be proportional to the isolation of the communities concerned and also inversely proportional to the size of their market.

Extensive use of the provisions of articles 73 (public services in terms of transport), 86.2 (on undertakings entrusted with the operation of services of general economic interest) and 87.2 (in relation to aid having a social character, granted to individual consumers) of the CET could, in certain cases, serve as a basis for such provisions.

b) Economic Goals

The economic goals of a European islands policy should contribute to integrating the islands in the Single Market while taking account of their social and environmental fragility. The principles of the free market must therefore be tempered by those of economic, social and territorial cohesion.
The integration of island economies in the Single Market requires equitable conditions.

- In general, a reduction in the additional transport costs via direct aid to the companies.

- On a case-by-case basis, and depending on the situations, provisions designed to counterbalance the restricted nature of the local market, and the limited nature of the natural or human resources. These include incentives and support measures for the private sector, modulated on the basis of the nature of the activities, their profitability, and their social and environmental impact.

More specifically, a distinction can be made between three major categories:

1 - Economic activities linked to endogenous resources and liable to be economically viable owing to their very location on, or close to, an island.

This can refer to the exploitation of a natural potential (mining, oil or fish resources), of the natural or cultural attractions of the island (tourism), of the know-how of the inhabitants (food, craftwork, productions, etc.), or even opportunities offered by geographic positioning or climatic conditions (‘‘feedering’’ for shipping, exploitation of renewable energies, etc.).

These activities require:

- Incentives for the initial investments, especially where large sums are required and where their profitability is guaranteed in the medium to long term only. Appropriate instruments include structural aid or tax incentives for investment.

- Measures designed to promote their development and reduce their fragility so that they can face up to ups and downs in the market. Preference should be given to the use of tax provisions.

- Legal instruments designed to manage and monitor endogenous resources, and allow for their sustainable exploitation (especially as regards fisheries).

2 - Economic activities not specific to an island region, but which are less vulnerable to the constraints of insularity, in particular the small size of the local market (e.g. teleworking). These activities have often attained a sufficient level of development to be integrated in the market, although profitability levels are not as high as on the mainland.

These activities require:

- Economic activities linked to endogenous resources and liable to be economically viable owing to their very location on, or close to, an island.
- Training actions designed to adapt island manpower and, especially, to provide it with the qualifications necessary to seize opportunities for development. An example in point is IT which requires, not only appropriate infrastructures or facilities, but also knowledge of IT and linguistics on the part of the population.

3 - Activities which are not profitable on the sole basis of market economy criteria, but which are nevertheless necessary, if not indispensable, in the island.

These are activities which would not exist on the sole basis of market criteria, but which provide a pleasant living environment capable of maintaining or attracting populations (for example food shops in the minor islands, technical services or repairs, certain comfort-related or leisure services). These also include activities which, while not profitable, directly or indirectly make a vital contribution to the survival of a sector or branch of activity (e.g. an abattoir for small breeders, a creamery for dairy producers, etc.). They can also play a crucial role in the preservation of the environment (e.g. agricultural activities designed to limit soil erosion or forest fire risks).

These activities require:

- Financial support on the part of the public authorities. This can entail more than investment aid, or tax on profits (measure whose interest is disputable in an unprofitable field) and can, if necessary, take the form of operating aid such as reduced social charges, or subsidies to pay for deficits.

It is especially important in this regard that certain provisions of the Treaty be properly implemented, in particular:

- Article 16 and Article 86, in relation to services of general economic interest,

- Article 33(2), which authorises the Common Agricultural Policy to adopt “special methods” designed to take account of “… structural and natural disparities between the various agricultural regions”.

c) Environmental Goals

The “environmental goals” of a European islands policy consist in helping to preserve the environment of these regions, in harmony with the requirements of their economic and social development. The “environment” includes the natural resources, landscapes and ecosystems of these regions, together with their cultural heritage in its most diverse manifestations: architecture, historic monuments, linguistic heritage, song, dance, literature, arts, craftwork, etc.

· The preservation of the environmental heritage should not be a static or passive approach, tending to turn the islands into “Indian reservations”. On the contrary, it should constitute an active and dynamic approach designed, in particular, to promote the sustainable development necessary to keep resident populations at home, and to guarantee them a good-quality living environment.

· The environmental goals are, to a very large extent, a question of governance. The island communities should be consulted, and if possible, associated, with the environmental decisions concerning them.

The European Union should take account of the special vulnerability of its islands when environmental questions are discussed on the international stage (for example for fisheries accords with third countries, or
in the field of the fight against the greenhouse effect).

In the field of fisheries, for example, it is important to support the development of local management structures for fisheries zones around the islands and to set up more rigorous monitoring of the fisheries effort, where necessary in order to guarantee the survival of island fleets and communities. To this end, the local and regional authorities should be recognised as fully-fledged partners, representing the entire community, on a par with the fishermen, and should be involved in the management systems. They should also be involved in negotiations with third countries bordering their fisheries zone.

- The environmental goals also concern financial resources, because compliance with standards, the implementation of protection policies, or the development of these environmental assets are not without repercussions on the economic plane. Examples in point are the cost of disposing of waste in the islands, or the “freezing” of large surface areas owing to their being classified as protected areas.

The impact on the islands of the economic or financial obligations imposed by Community environmental legislation should be systematically evaluated, the ensuing additional costs identified, and direct or indirect offsetting measures taken at national or Community level.
A new deal must be struck between the European Union and its Islands. The fact that issues such as the future of the Community’s Institutions, the improvement of its governance, or the orientations of its cohesion policy are presently under consideration offers such an opportunity. A rewriting of Article 158 of the Treaty – with the inclusion of an explicit reference to the principle of territorial cohesion –, a differentiation of Islands in the statistical nomenclature, a continuing solidarity effort from the Structural policies, a reassessment of the State Aids regime, and, last but not least, a new practice of governance, based upon consultation, co-ordination and innovation are the main instruments of such an evolution.

A new deal between the EU and its islands

While the task of solving the problems of the islands cannot be made to rely on Community intervention alone, rare are the field which are not, directly or indirectly, affected by them. Whether this is owing to their imperative nature in certain cases, to their nature as incentives in others, the Union’s policies play a vital role in all aspects of the life of its citizens.

The manner in which they are designed and implemented, therefore, is a matter of crucial importance for these regions.

However, the situation of the island regions – not to mention that of the outermost regions – brings together all that is extreme in the paradoxes and contradictions of European construction. How can one promote a free-market economy in a geographic area as vast as the Union while taking account of the disparities of its territories? How can one reconcile the need to harmonise the rules governing the operation of a community soon to have a population of 500 million with the idiosyncratic demands of comparatively marginal regions which constantly insist on brandishing their particularities?

This means that, apart from the occasional one-off demand, the main need is for mechanisms designed to take account of these differences.

As regards the legal mechanisms, the European Council of Laeken decided, in December 2001, to convene a Convention with a view to preparing a revision of the Treaties. This Convention will carry out its work during 2002 and 2003, and this work will be submitted to the Inter-Governmental Conference to be held in 2004.

As regards the financial mechanisms, the second Report on Economic and Social Cohesion, published at the beginning of 2001, launched a wide-ranging debate on the future of the cohesion instruments in the context of enlargement. In an interesting departure, the second report dedicated a chapter to the problem of territorial cohesion and acknowledged the existence of “areas with specific geographical features”, includ-
ing, in particular, the islands. The upcoming third report will lay down the bases on which the structural policies for the period 2007-2013 will be negotiated.

As regards the political mechanisms, the European Commission adopted in July 2001 a “White Paper on European Governance” which raised the problem of the “democratic deficit of the Union”. The White Paper acknowledged that there should be greater flexibility in implementing legislation with a strong territorial impact and called for greater coordination of Union policies. It suggested the implementation, from 2002 of experimental actions in terms of governance in the form of “tripartite objective contracts” associating the regional, national, and European authorities.

There is therefore a broad range of opportunities liable to lead, during the course of the coming years, to profound changes in the Community intervention mechanisms. How can these evolve to allow Europe to take account of its islands in a manner adapted to their realities?

We shall submit hereby a number of proposals: clarification of article 158, differentiation of islands in the statistical nomenclature, maintaining the solidarity effort of the structural policies, reshaping of the State aids regime, and new forms of governance resting upon consultation, coordination and innovation.

The need for EU law to evolve

The main legal bases which “generically” (as opposed to the provisions applying individually to certain islands, which are specified in the Accession Treaties of certain Member States.) authorise specific provision for the island regions in Community primary law are Articles 154 and 158, and Declaration 30. In the case of the outermost regions, the corresponding article is Article 299.2.

· Article 299.2

Article 299.2 concerns the outermost regions only. Its scope is broader than the framework of the islands (since it includes Guyane). We will therefore not go into it here. Let us simply note that the possibilities it offers are extensive and open up very broad possibilities, provided that it is implemented. As its use is, basically, a question of political determination, we can only hope that a practice of making extensive use of this article be instituted and that the proposals submitted by these regions will be dealt with expeditiously.

· Article 154

Article 154, dedicated to the Trans-European Networks, contains an explicit reference to the need to link the island regions with the central regions of the Community. In a practical consequence, EU legislation declared the sea and air transport infrastructures located in the islands to be eligible under the terms of the measures envisaged for the Trans-European Transport Network.

The fundamental question resides in the existence of financial resources. The major priority projects, generally located on the European mainland, are financed via budgetary envelopes reserved for the TENs. Island infrastructures are generally funded via the Structural Funds and the Cohesion Fund. Were this aid to be reduced or eliminated as a result of enlargement, the result would be to deprive Article 154 of its substance in those regions which would cease to be eligible to these funds.

The ability to attain the objectives laid down by Article 154 also depends on political will and the implementation of the necessary resources; it does not require an overhaul of the Treaty.

· Article 158 and Declaration 30

The situation is much more complex with regard to Article 158 of the Treaty because the current wording of this Article is imprecise and ambiguous, and its terms are even contradictory depending on the languages, some referring to “the least-favoured regions and the islands” others to the “least-favoured islands or regions”. This problem, which has been
generally recognised by all the European Institutions, is, moreover, set to worsen in coming years because the concept of “least-favoured region” is set to change with enlargement.

What will happen to those islands which will cease to be eligible after 2006 for any of the Structural Fund objective? Will they cease to be “least-favoured” as if the constraints of their insularity had been settled once and for all? In such an eventuality, will the field of application of the reference to the case of the islands in Article 158 have any meaning?

Faced with such uncertainties, it is essential to clarify Article 158 in light of the principles laid down in Declaration 30 and reiterated by the Member States at the Nice Summit in March 2001.

To achieve such a clarification, there are two possible solutions.

- The first would consist in integrating Declaration 30 on the islands in the text of Article 158 of the Treaty instead of the reference to “least-favoured regions or islands”. This would result in an obligation to take account of permanent structural handicaps in the same way as differences in the level of development, and would enshrine the possibility for the islands to benefit from specific measures in EU law.

- The second, more ambitious, solution would consist in a more radical overhaul of Article 158 which would be reflected in three additions:
  - The integration of territorial cohesion among the objectives of EU policies, alongside economic and social cohesion.
  - The inclusion of a general reference to the territories of the Union suffering from durable constraints, although this definition should make explicit mention of the islands, the very low population density areas (<12.5 inhabitants/km²) and those clearly suffering from isolation due to rough terrain.
  - The inclusion of a reference to the adoption of “measures proportional to the intensity of the constraints suffered”, which would open the way to taking account of the accumulation of constraints which characterise certain island regions which suffer from problems of isolation due to rough terrain or desertification, in addition to their insularity.

Finally, it should be specified that these proposals should not affect, but should, on the contrary, strengthen, the scope of Article 299-2 in relation to the outermost regions.

Differentiating the islands in the statistical nomenclature

In order for the islands to be able to benefit from specific policies, it is essential, first and foremost, that their situation be subject to assessment and monitoring. For this to take place they must be differentiated on the statistical plane and, if necessary or if possible, appropriate indicators should be used.

There is a debate at present as to whether or not, in the context of a Union with 500 million inhabitants, most of the islands constitute units which are too small to be distinguished at NUTS II level, on the basis of which the Community cohesion policy has hitherto been defined.

We will argue that the essential point of the debate is not whether an island regional authority is classified as NUTS I, II or III; the important point is that, irrespective of criteria of size, it is essential that it be regarded as a distinct space in EU statistics and, especially, in the EU policies...
drawn up on the basis of these statistics.

To this end, several measures are essential:

· Each island regional authority should be guaranteed at least a distinct identification in the EU statistical nomenclature owing to its isolation from the other regions of the EU (This also concerns Guyane).

· All the statistical units thus comprised should be granted the title of “island statistical territorial units”, irrespective of their classification in the nomenclature (Nuts I, II, or III). Those islands, such as the coastal islands, which do not possess a specific regional administrative identity could, in so far as possible, be grouped together to constitute “non-administrative island units”.

· These island statistical territorial units should be used in formulating EU policies.

If an island region is not large enough to constitute the statistical territorial nomenclature level normally required by the legislation, the Commission should automatically use the nearest island statistical territorial unit corresponding to the territory of this region. For example, NUTS II level, which is used in the regulations governing the Structural Funds to define Objective I regions, or to define those regions eligible for the derogations provided for by Article 87.3 a) with respect to State regional aid.

Maintaining the solidarity effort in the structural policies

In the context of the forthcoming enlargement, and the reform of the Structural Funds in 2006, the specific situation of the islands and their permanent structural constraints should be taken into account in addition to their socio-economic characteristics.

a) Objective I Regions: a sustained and well-adapted effort

The economic and social development of the least favoured areas of the Union is not only socially just, it is also important for the political stability and harmonious development of the Union itself. It is legitimate that priority be given to those regions whose levels of development rank among the lowest in the EU and which suffer from the most acute social problems.

Having said that, a distinction should be made between the islands on several points:

· In the case of those governed by the terms of Article 299.2, eligibility to Objective I is automatically justified owing to their extreme remoteness and insularity, and owing to the nature and intensity of the specific difficulties arising therefrom.

· Within the Structural Fund envelope earmarked for Objective I post 2006, constraints linked to remoteness and insularity should, in proportion to their respective intensities, be regarded as determining factors in the distribution criteria. The budgetary allocations should also take account of aggravating factors such as archipelago effect, desertification, or problems of accessibility linked to rough terrain.

· Apart from the amount of the budgetary allocations, those island regions which continue to be eligible for Objective I should, for these same reasons, also benefit from higher rates of co-financing.

b) Non-Objective I Regions: a specific financial instrument

The Union’s enlargement policy should not, however, hinder the development of regions which, while having a higher per-capita GDP than areas eligible for Objective I, still continue to experience irrefutable difficulties.

This means that the resources earmarked for cohesion from 2007 on should be sufficient to cover the needs of the candidate countries and those of the regions of the current Member States which continue to be
Redesigning the community intervention mechanisms confronted by structural problems.

In the case of those islands which are not covered by Objective 1, it should be possible to pursue the Community’s action beyond 2006, via a financial instrument which would take into account the specific situation of those regions which labour under geographic or demographic constraints of a durable nature (i.e.: islands, regions with a very low population density, or areas obviously suffering from isolation due to rough terrain).

It matters little that such an instrument be legally framed as a stand-alone programme, or as a set of special measures in the framework of a new “Objective 2” Regulation, as long as a number of ends and criteria are met:

- The existence of durable or permanent geographic or demographic constraints should be a explicit criteria for eligibility.
- The areas in which it is applied should be those which clearly entail durable geographic or demographic constraints. These would include (in the case of the islands):
  - Financing the purchase or renewal of fixed or mobile transport infrastructures;
  - Financing a risk capital for developing new sea or air links, within the EU or with third countries;
  - Financing public infrastructures the proliferation of which is justified by an archipelago-type situation, or by isolation due to rough terrain;
  - Covering certain additional costs arising from the application of EU legislation in the island milieu (e.g. application of standards in the field of the environment, waste management, water management, etc.);
  - Aid to island companies (particularly SMEs) for promotion and market canvassing campaigns, in so far as this aid helps them overcome the problems linked to the small size of their local market.
- The manner in which this instrument is allocated should be based on the principle of proportionality, based on the intensity of the handicap suffered, measured in terms of degree of accessibility, demographic situation, and, possibly, productivity. It should also be possible to take account of the accumulation of constraints which affect many island regions (such as archipelago-type fragmentation, a difficult demographic situation, or the mountainous nature of part of their territory) in the criteria for distributing aid.
- If the creation of such an instrument is to be more than merely symbolic, significant resources must be allocated to it. These should range from an amount of aid corresponding to that currently granted to Objective 2 regions, at the lower end of the scale, to that currently granted to Objective 1 regions, at the higher end of the scale.

\[
\text{Amount/inhabitant} = \text{close to Objective 1} \quad \text{GDP/inhabitant} \times \text{Density/Km}^2 \times \text{Accessibility Index}
\]

The scales thus constituted would make it possible, in accordance with the principle of proportionality, to grant support of variable intensity, which could be modified, without, however - unless there are major developments - calling into question the durable or permanent nature of the constraints suffered by a territory.
Revising the State aids systems

The aid mechanisms operated within the Member States concern comparatively greater sums of money than the Structural Funds. The second Report on Cohesion estimates that the volume of aid paid by the states represents 1% of EU GDP, while, by 2006, the Structural Funds will represent a mere 0.31%. It is therefore crucial for the islands that the various aid systems controlled by the Community take account of the additional costs and constraints linked to insularity and remoteness.

The case made by the island regions for a more flexible framework is based on the fact that the aid designed to offset the additional costs linked to insularity, far from distorting the market, contributes to rebalancing it.

EU legislation on aid, in particular State regional aid and agricultural aid, therefore needs to be revised. Such aid must, in accordance with the principle of positive differentiation, include the constraints of insularity and their possible accumulation with other permanent constraints of a geographic or demographic nature.

The following are some examples:

√ The State regional aid system takes account of the constraints suffered by very low population density regions, and currently allows them higher aid levels, together with the possibility of direct aid to transport. It does not, however make any reference to the islands (apart from an anecdotal reference). A minimum requirement, therefore is that the benefits granted to the low-population areas be extended to all the islands, that is to say:

⇒ Comparable NGE (net grant equivalent) thresholds,
⇒ Entitlement to operating aid designed to cover additional transport costs.

Moreover, in the best-case scenario, this very same legislation tolerates operating aid only where such aid is “temporary and progressively reduced”. This restriction fails to take account of the permanent nature of the constraints of the island phenomenon and should, therefore, be eliminated in particular in the case of transport subsidies.

√ The system of competition which prevails in the field of sea and air transport contains miscellaneous provisions in relation to the islands which should be improved or supplemented. For example:

⇒ The rule of the “lowest bidder” should be amended to take account of factors such as the economic and social impact which the attribution of the contract can have on an island.
⇒ The practice of breaking routes serving a region up into several invitations to tender should be avoided where this practice could jeopardise the quality and reliability of the services.
⇒ It should be possible to extend the term of service public contracts in the field of shipping to take account of the period of depreciation of the ships.

√ In the case of agricultural or fisheries aid, specific support measures for local productions designed to limit the effects of additional transport costs, or the effects of the lim-
Redesigning the community intervention mechanisms

The accumulation of constraints in the island regions

<table>
<thead>
<tr>
<th>Island region</th>
<th>Characteristics (*)</th>
<th>Substantial mountain areas with respect to the total surface area</th>
<th>Low (&lt;3 inh. /km²) or Very low (12.5 inh./km²) population density</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aland</td>
<td>Archipelago</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Gotland</td>
<td>Low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bornholm</td>
<td>Low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shetland</td>
<td>Archipelago</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Orkney</td>
<td>Archipelago</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Western Isles</td>
<td>Archipelago</td>
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<td>Very low</td>
</tr>
<tr>
<td>Isle of Wight</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Les Iles Balears</td>
<td>Archipelago</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Corse</td>
<td>Yes</td>
<td>Low</td>
<td></td>
</tr>
<tr>
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<td>Archipelago</td>
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</tr>
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<td></td>
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<td>Vorio Aigaio</td>
<td>Archipelago</td>
<td></td>
<td></td>
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<tr>
<td>Kriti</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ionia Nissia</td>
<td>Archipelago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Martinique</td>
<td>Outermost region</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Guadeloupe</td>
<td>Outermost region</td>
<td>Archipelago</td>
<td>Yes</td>
</tr>
<tr>
<td>Réunion</td>
<td>Outermost region</td>
<td>Archipelago</td>
<td>Yes</td>
</tr>
<tr>
<td>Açores</td>
<td>Outermost region</td>
<td>Archipelago</td>
<td></td>
</tr>
<tr>
<td>Madeira</td>
<td>Outermost region</td>
<td>Archipelago</td>
<td>Yes</td>
</tr>
<tr>
<td>Canarias</td>
<td>Outermost region</td>
<td>Archipelago</td>
<td>Yes</td>
</tr>
<tr>
<td>Gozo</td>
<td>Archipelago (**)</td>
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<td></td>
</tr>
<tr>
<td>Saaremaa</td>
<td>Low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hiiumaa</td>
<td>Very Low</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(*) By “archipelago” is meant island regions where more than 2% of the population lives in minor islands.  
(**) With respect to a an island state

New forms of governance

The proliferation of EU legislation, its increasing complexity, and the increasing scope of the fields it affects are not without repercussions for the island regions. Current mechanisms are not sufficient to take systematic account of all the aspects of the specific situation of the islands. It is, moreover, difficult to ensure the necessary cohesion between regional, national and community policies, so as to ensure that the appropriate policies are implemented. This highlights the need to envisage new forms of governance, based on consultation, coordination and innovation.

a) Governance and Consultation

It is essential to avoid the situation whereby, whether by ignorance or inadvertence, EU legislation would adversely affect the situation of the islands and jeopardise their integration. Two practices, in particular, should be envisaged. 

Any EU text concerning fields which are likely to be of particular interest for the islands (for example, in the fields of regional policy, agricultural, fisheries, transport, environmental or energy policy, competition policy or taxation policy) will, as soon as it is presented to the Member States, be submitted for discussion accompanied by the following question:

“In the perspective of its application to the islands, does this legislation seem to you to
require specific measures on the basis of the provisions provided for in the Treaties?"

This system would, on the basis of the modalities proper to each State, be accompanied by a process of consultation between the national authorities and the regional authorities concerned.

✓ In its agreements with third countries, the Commission should take account of the situation of those of its island regions which are close to these countries or which belong to the same geographic region. It should strive to ensure that they are integrated better in these units and pay particular attention to the need to preserve their natural resources and protect their environment.

b) Governance and Coordination

In its White Paper on "European Governance", the Commission refers to the need for a better "general coherence" of its policies and expresses the desire to develop an integrated vision of European policies, rather than a sectoral one.

✓ It is worth recalling that, for many years now, the island regions have been calling on the European Commission to systematically practice an "inter-services" approach when examining the situation of an island region. This approach should be carried out in a spirit of partnership and should associate the European Commission, the Member State and the relevant regional authority.

✓ Any changes made on the occasion of the institutional reform of the Union, and which will be liable to affect the operation and management of the Inter-Services Group, should not, however, interfere with the necessary strengthening of the existing distinct group in charge of the outermost regions. Similarly, the proposals in relation to governance concerning the breakdown of Article 299-2, submitted by the outermost regions in their memorandum, should be implemented.

c) Governance and Innovation

The White Paper on “European Governance” also refers to the possibility of conducting experiments in the form of “tripartite objective contracts” associating State, Region and Commission.

✓ This opportunity should be grasped in order to implement, in the various Member States having island territories, tripartite objective contracts designed to overcome the constraint of insularity. These contracts would make it possible, according to the specific characteristics of each island, to come up with original solutions which would associate legal and financial mechanisms, which would operate simultaneously in several fields and which would coordinate the action of the various levels of government.

✓ The use of the islands as “fields of experimentation” seems to be all the more justified in light of the fact that these territories enjoy legal bases or specific policies in primary law.
The integration of the islands in the European Union remains fragile. In certain fields, a lot of work remains to be done. The economic, social, and, therefore, political situation of the islands is so sensitive that one can easily, based on the elements brought together in the framework of this document, imagine both the most negative and the most positive scenarios for the next twenty years.

The reforms to which the Community is currently giving thought, in the field of governance or cohesion, will have significant and durable repercussions for many territories, but perhaps especially for the islands. It is on the basis of the answers which will emerge during the course of the coming months that one will be able to gauge the conception that the European Union has of its space and of its inhabitants.

Will this vision take account of the overseas territories or will it stop at the foreshore?

The idea of using an island to argue a point, for the purposes of satire or political campaigning, as a social or philosophical fable, as a metaphor or as a case study is one of the oldest genres in European literature.

From Homer’s “Odyssey” to Thomas Moore’s “Utopia”, from Rabelais’ “Pantagruel” to Daniel Defoe’s “Robinson Crusoe”, numerous authors have hidden behind an imaginary island to rebuild Society, to criticize States or religions, to invent new forms of government or to consider the relations between man and his natural environment.

It is only fair, therefore, for the islands in turn to use this process to reflect, and encourage reflection, on their future within the Community space. To this end, we have invented the archipelago of Merodia, and envisaged two scenarios illustrating two possible futures for this island region within the European Union over the course of the next quarter of a century.

While the framework of both scenarios is similar (the islands are confronted with more or less the same range of events), the consequences are diametrically opposed. In the first case, a pessimistic scenario ("Islands adrift") depicts the archipelago as being confronted with a succession of crises which go from bad to worse to lead to a break with the Community. The second scenario ("The Fortunate Islands"), which is more optimistic, demonstrates how a European islands policy combining understanding, flexibility and solidarity with regard to these regions leads to their full integration within the Union.

A point common to both scenarios is that their implications, far from being limited to the some 200,000 inhabitants of the islands of Merodia, affect Europe as a whole.

Where is Merodia located? In the Baltic or the Aegean? In the Atlantic Ocean, in the Western Mediterranean or elsewhere? The answer is everywhere and nowhere because Merodia, which was inspired by a famous sister island described by Jonathan swift in his “Gulliver’s Travels” is, in fact, a flying island which constantly overflies its mainland.

Similarly, the vast majority of the events which occur in Merodia are drawn from events which have already taken place, are currently taking place, or are about to take place in one of the various islands of the European Union. The only sleight of hand is the concentration of these events on a single territory, together with their chronology. For the remainder, we have favoured real events, or possible – if not probable? – ones.
The place:

The archipelago of Merodia, a region of the Republic of Lagado, one of the Member States of the enlarged European Union. The archipelago is a group of 6 islands, with a population of 200,000. Located 6 hours by sea from its mainland, it is situated close to the Confederation of Maldonada, a third country which suffers from serious internal upheaval, and which is a source of international tension.

The era:

In 2007, a few years after the integration of Lagado in the Community. Lagado’s accession was ratified by referendum: 68% voting ‘yes’, and 32% ‘no’; Merodia voting 75% ‘yes’ and 25% ‘no’, but with a much lower poll than the national average (40% as against 65%).
The Merodia region is now a “rich” region, or at least an “enriched” region. Or at least it is if one believes Eurostat, according to which its per-capita GDP has increased from 71% to 80% of the EU average. This increase was, in fact, due to a drop in the EU average owing to enlargement, and the resulting mathematical rise in per-capita GDP of the regions, including the least favoured regions.

However, Merodia received a “phasing out” equivalent to the former Objective 2, which was abolished with the 2006 reform. The archipelago is also eligible to the major “Cooperation without borders” Community Initiative. However, as its only immediate neighbour is the Confederation of Maldonada, where Northern and Southern Maldonadians are at war, there are no obvious candidates for cooperation to use these funds, which are, moreover, somewhat limited.

The government of the Republic of Lagado officially announces that it will top up EU aid, and that national aid will maintain an intervention level equivalent to that of Objective 1. The Lagadian Minister for Finance has done his sums: it will be cheaper to help some 200,000 Merodians than to increase Lagado’s contribution to the Structural Funds budget. This should have been increased to 0.6% of EU GDP to maintain an equivalent effort while simultaneously seeking to meet the additional needs on foot of enlargement. However, Lagado is a net contributor. Even if it pays additional regional aid to the Merodians, maintaining the Structural Funds budget at 0.3% of GDP will represent a significant saving for Lagado.

The European Commission DG for Competition informs the Republic of Lagado that its aid programme for the Merodia archipelago is contrary to Community law, because the measures proposed can only be applied to regions eligible for the provisions of Article 87.3 a) of the Treaty, i.e. NUTS II level regions whose per-capita GDP is less than 75% of the EU average. Unfortunately, the per-capita GDP of the archipelago is 80% of this average, and only the, much less favourable, derogations provided for by article 87.3.c) can now apply.

The government of Lagado comply and the field of the Merodia aid programme is considerably reduced. The Lagadian Minister for Finance secretly feels that this decision is timely, because the increase in Lagado’s public expenditure jeopardises the stability pact required by the Single Currency. The country is entering a period of budgetary austerity. In Merodia, politicians of various persuasions are severely critical of Europe and of enlargement.

Financial crisis in the archipelago. The implementation of the new Community environmental standards (water, waste, smoke emissions, etc.) on foot of the Singapore III accords generate considerable public expenditure in terms of infrastructures, particularly in the smallest islands of the archipelago where economies of scale are impossible. Moreover, the severe storms of the last three years (with cyclonic force winds in a region where climatic disruptions are normally moderate) caused severe damage to road and port infrastructures and to numerous public and private buildings.

The prospect of many more such climatic events, the cause of which is attributed to the greenhouse effect, forces the authorities to revise the public expenditure programme. These different factors, together with the persistence of budgetary constraints in Lagado, and the sharp reduction in EU aid (dropping from 200 to 40 Euros per year and per inhabitant) lead to a severe financial crisis: the region of Merodia is on the brink of bankruptcy.

The tourist season is disastrous. Apart from the concern caused by the persistent conflict in Maldonada which frightens away family tourism, the Merodian tourism industry suffers from particularly high transport prices. Unfortunately the worldwide trend towards shorter stays militates against destinations which do not enjoy the benefit of cheap links.

The European Court of Justice confirms the decision of the Commission prohibiting the operating aid paid to the agricultural cooperative of Merodia. Obliged to reimburse the aid previously paid, the last cheese maker in the minor islands of the archipelago is forced to close, ending a 300-year-old tradition of cheese production. This decision, which follows on the heels of the closure of the regional abattoir, is a severe blow to local farmers, who can no longer have their raw materials processed and are forced to export their unprocessed production to the mainland. However, even supplemented by the Community’s per-hectare aid, market prices, which are close to world prices, barely cover input and transport costs. A wave of exodus depopulates the rural areas. Deserted farms are snatched up at low prices by rich German, French and Scandinavian tourists, who convert them into secondary residences.
March 2009
Creation of a new political party the “Merodian Regionalist Action” by former trade unionists, with the support of defectors from various conventional political parties, on both the left and right. This new party calls for a substantial change in EU policy with regard to Merodia, and is highly critical of the Lagadian government, which it accuses of having “sold out the interests of the Merodian people” when bringing the country into the Community. The MRA obtains 15% of the votes in the local government elections, but is beaten in three municipalities by candidates of Dutch and Austrian origin, who receive massive support from Community residents who acquired the former farms.

June 2010
The latest figures from EUROSTAT indicate that the per-capita GDP of Merodia dropper substantially, to 72% of the EU average. Will the archipelago become eligible again for Objective 1 of the Structural Funds at the reform of 2013?

Apparently not, because EUROSTAT also announces its intention to harmonise the EU’s statistical nomenclature: all NUTS II level statistical zones, without exception, will henceforth have to have at least 800,000 inhabitants. Unfortunately, the calculation of eligibility to Objective 1 is necessarily based on NUTS II zones, because the Commission categorically refuses to descend to a more refined level in a European Union with some 500 million inhabitants. There is an outcry from the local elected representative of Merodia, all parties included.

October 2010
The government of Lagado, conscious of the increasing tensions in the archipelago, tries to oppose the European Commission’s proposal on NUTS at the European Council. However it fails to gather the necessary qualified majority, because, as most of the enlargement States already comply with this legislation, they do not wish to oppose it. Merodia will therefore be integrated in the nearest mainland region in Lagado which, with its 1 million inhabitants, also happens to be the most prosperous in the country (per capita GDP at 120% of the EU average). This automatically excludes any possibility of Merodia’s being eligible for the Structural Funds, or of benefiting from a more flexible system in terms of State aid.

February 2011
A rise in average water temperature of ½° Celsius seems to lie at the origin of the disappearance of the shoals of fish which normally frequent Merodia’s coastal waters.

Seasonal migrations seem to be taking place 200 km further to the North, out of the range of Merodia’s small coastal fleet which carries out most of its fishing in the 12-mile zone. The midwater trawlers of the Community fleets snap up in a few weeks what was the largest resource of Merodia’s local fisheries industry. Being unable to invest in a deep-sea fleet, Merodian fishermen try to fall back on the other neighbouring species around their coast, but these are rapidly depleted by over-fishing.

The “Merodian Regionalist Action” changes its name to “Merodian Autonomy Front”. Campaigning for a renegotiation of the conditions of accession of Merodia to the EU, and a complete overhaul of its links with the mainland, it wins 40% of the votes at regional elections, and 2 of the 5 Merodian seats in the national parliament.

The situation in the region is very tense, and acts of vandalism are committed against the property of residents from other EU countries. These are suspected of letting their houses or cars “on the black” to compatriots during the summer season, to the detriment of the tourism industry and local taxation.

March 2012
A team of financial auditors from the European Commission arrives in Merodia to check the accounts of the Fishermen’s Cooperative, which is suspected of having illegal aid from the local authorities. The employees of the cooperative throw the delegation into the port.

The Minister for the Interior of Lagado declares that he “will not tolerate this flouting of the rule of law”, that “Merodia must conform to Community law”, and that Community law “must be rigorously applied”. He announces the dispatch of police reinforcements to the island.

The President of the regional government of Merodia makes a declaration to the press. He refers to the Lagadian Credit (State bank) affair, brought to the brink of bankruptcy by the negligence of its successive administrators and of the supervisory authorities. The rescue plan (which the Commission’s competition services did not finally oppose) will cost the Lagadian taxpayer the equivalent of one tenth of the national budget. The President therefore feels that the government of Lagado is badly placed to “lecture” Merodia on the need for rigour.
The crisis blows up right where it is least expected. An EU regulation has just banned the hunting of the red crested Dodo (*Dodus purpura*) after the first of April. However it is precisely at this time that this bird, from which the Merodians make their famous pâté, traditionally makes its appearance in the archipelago before flying away from Europe. Merodian hunters are up in arms against this calling into question of an ancestral practice, arguing that the species, which causes much damage to crops, is not under threat.

The hunters’ demonstration draws a big crowd, some of whom, under the influence of the local liqueur, turn up with their rifles. Minor incidents get out of hand, leading to serious clashes in front of the prefecture, at which demonstrators and security forces exchange shots. The demonstrators retreat to the port, where Merodian fishermen are holding a meeting calling for a ban on trawlers in the 200 mile zone to protect what is left of fish stocks in the Sea of Lagado. The fishermen join the hunters, who are also joined by students from the neighbouring university. There follows a night of rioting in which several people are killed and roughly a hundred injured. The Prefecture is burnt, and the “European Information Centre” ransacked.

April 2012

The crisis in Merodia becomes a national one. The regional government of Merodia resigns en bloc to protest against “police violence, central State terrorism, and the dictatorship of Brussels”. The “Merodian Autonomy Front”, now called the “Movement for an Independent Merodia outside Europe” wins an absolute majority in the regional Assembly.

May 2013

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June 2013

The situation in Merodia causes the ruling coalition in Lagado, already weakened by a number of scandals, to break up. The government falls, and early elections held. The “Movement for an Independent Merodia outside Europe” wins all the archipelago’s 5 seats in the national Parliament. More seriously, the election leads to a stalemate, with the right and left wing coalition tying on 70 seats each. This means that the new government of Lagado will be decided by the supporters of Merodian independence.

October 2014

After several months of stormy and eventful negotiations, a solution seems to emerge. A centre coalition allied with the supporters of Merodian independence comes to power. The price for this alliance is that Merodia becomes an autonomous region over which the Republic of Lagado will have only very limited powers. The Republic of Lagado undertakes to negotiate Merodia’s withdrawal from the EU with its partners, along the lines of Greenland’s departure in 1985. The archipelago would become an “Associated Territory”. This means that it would be able to freely export its produce to the Community, apply “customs tariffs designed to cater to the needs of its development or to feed its budget” to Community imports, and receive aid from the EDF (of the order of 30 to 40 Euros per annum and per inhabitant, i.e. a sum similar to that former Objective 2).

January 2015

Negotiations commence with the EU. Several Member States, fearing a spillover into their territory with its similar problems, declare themselves totally hostile to the idea of granting Merodia the status of “Associated Territory”. They raise a legal objection: according to Article 182 of the Treaty, this status is only supposed to apply to “non-European” territories. Merodia is geographically a European region.

February 2015

A delegation from Merodia makes discrete contact with the US embassy in Lagado, and underlines the importance of stability in an archipelago which contains one of NATO’s largest listening stations, used to keep a close eye on the endemic conflicts in the neighbouring Maldonada. Furthermore, Merodia’s ports are the best anchorages in the Lagado Sea, and are frequently used by the US 18th Fleet.

June 2015

As the civil war resumes in Maldonada, secretly fanned by various terrorist groups, the US State Department puts firm pressure on several EU Member States “to rapidly find a satisfactory solution in Merodia”.

September 2015

At an emergency meeting, the European Council, on the proposal of the Commission, refuses to grant Merodia the status of “Associated Territory”, but grants it a Protocol similar to that granted to the Channel Isles and the Isle of Man at the time of the UK’s accession in 1975. In short, the archipelago will be outside the Community, but will retain the right to trade freely with it. On the other hand, Merodia will not be entitled to the Structural Funds, the EDF, or the CAP.
Lengthy debates take place in the Assembly of the Autonomous Territory of Merodia on the European Council’s proposal. The First Minister of Merodia recalls that free access to the Single market is only of limited interest because: a) Merodia’s industrial products are rarely competitive with those of the mainland owing to lack of economy of scale, and the distance of the archipelago from the main markets; b) Merodian fisheries, agriculture and industry have taken a hammering in recent years, which means that there very little left to trade; c) the Merodian economy now relies massively, with varying fortunes, on tourism.

In this field, the archipelago’s attractiveness has nothing to do with its membership of the Community space. On the contrary, freedom of action in taxation matters could constitute an important asset and counterbalance the worrying proximity of Maldonada. As regards the Structural Funds, the loss of earnings will be of the order of 8 million euro, which will have to be found somewhere. A daring fiscal policy will be necessary to draw benefit from the situation.

Merodia, Lagado, and the European Union reach an agreement. Merodia leaves the EU, and EU legislation largely ceases to apply in Merodia.

First decision of the Merodian government: red crested Dodo stew is officially declared the “national dish”, and is recommended as a festive dish to be eaten on 30 April, the date of Merodia’s withdrawal from the EU.

The archipelago of Merodia adopts a particularly aggressive tourism policy. Taxes and duties on alcohol and tobacco are slashed or abolished. Regional legislation, which is much more flexible than Lagadian legislation, authorises the development of gaming establishments, and turns a blind eye to various illegal activities. The region aims to become Europe’s island “Las Vegas”.

Only natives of Merodia or foreign residents having paid at least 100,000 euro in income tax can acquire property or real estate. At the same time, Merodia’s new tax legislation provides particularly interesting taxation rates, with a ceiling of 20% for high-income earners. Numerous wealthy Lagadians, followed by citizens of other EU countries, or wealthy Maldonadians fleeing the civil war, settle in the region for tax purposes. This allows a gradual balancing of the regional budget, and, finally, a positive balance.

Large amounts of international private capital are invested in the islands. The new airport is to be built by the Banca Industrial de Cali y Medelin, while the port terminal is to be funded by investments by a Ukrainian Charitable Trust in cooperation with the Bekka Farmers Pension Fund.

The latest census carried out by the Statistics Office shows that, for the first time in 40 years, there is a big jump in population. Tourist numbers have also soared.

There are some doubts as to the figure for illegal immigration from Maldonada. Some of the illegal immigrants remain in the archipelago where they provide cheap labour for the hotel and restaurant sector. The others are merely in transit to Lagado and Europe, while rumours of false passports abound. Suspicions are aroused by the sudden new-found wealth of former fishermen now involved in cruises – with some alleging that they are involved in smuggling goods and people.

This combination of population increase and growth in tourism has positive repercussions in various sectors, such as real estate, transport (thanks to increased competition between airlines on a destination whose profitability has increased), and agriculture with the growth in small-scale productions on an expanding market.

Smuggling and trafficking in Merodia reach worrying levels, but the government of Lagado has limited powers to do anything about it. The new Lagadian government (the last one having fallen owing to the split between the “Unified Movement” and the “Solidarity Front”) does not want to revive the Merodian question by intervening militarily in the archipelago.

The US State Department (which discretely supports the South Maldonadian guerrillas by sending arms from Merodia) simultaneously puts pressure on Community authorities to turn a blind eye.
A report by European Union Court of Audit evaluates the direct and indirect costs of the situation in Merodia. The proliferation of coastguards, customs officers, surveillance systems etc. between the coasts of Merodia and the EU have cost 40 million euro. This sum is attributed to the budget of the DG for Foreign Policy and Common Security (DG SECU), which is now in charge of the fight against fraud and of policing the borders of the EU. Fraud itself, in all its forms (tobacco and alcohols smuggling, pirating, not to mention allegations of cultivation of hallucinogens in the mountains of Merodia) is difficult to evaluate, but an annual turnover of the order of 200 million euro is mentioned.

The CFSP monitoring committee of the European Parliament calls for an enquiry into the situation in Merodia and its consequences.

The Johansson-Rodriguez report on the situation in Merodia is published. In their conclusions, the authors underline that “even taking account of the successive devaluations of the Euro since 2002, the cost for the Community of the situation in Merodia is ten to fifteen times annually what it would have been if the pre-1999 Structural Funds effort had been maintained, and if EU legislation had shown a degree of flexibility with regard to the island economy”. The reporters asked «...what were the causes of such a terrible waste, which led the Union, not only to lose part of its citizens, but also to get bogged down in a quagmire from which it is difficult for it to extricate itself?»

Large numbers of forged Euros are circulating around the EU, threatening its monetary stability. Heretofore, the single currency had the reputation of being impossible to forge and the only attempted counterfeits were crude and the networks quickly dismantled.

The new forged notes, however, are of excellent quality, and the multiple inbuilt security devices have been overcome or neutralised.

An initial enquiry by Europol establishes that the forged notes were printed in the premises of the former Maldonadian national mint, now controlled by the Central Maldonada Liberation Front. The notes were then routed to Merodia, and spread throughout Europe via casinos, tourist traffic and smuggling in general.

The false Euros are absolutely perfect, save for one exception, which seems to confirm that the famous Merodian Mafia is indeed at the origin of the traffic.

In examining the schematised map of Europe on each note, Europol experts noted a significant difference: the forger, preferring patriotism to prudence, had added a detail that didn’t exist.

The 6 islands of the archipelago of Merodia, which were omitted on the original notes, were all added (microscopically) onto their forged notes.
January 2007

The reform of the Structural Funds has just come into force. Per-capita GDP of the region of Merodia has increased from 71% of the EU average to 80% owing to enlargement and the ensuing mathematical drop in the average. However, Merodia does not lose the benefit of the Structural Funds for two reasons. Firstly, the Member States have finally recognised the risks of an enlargement policy which would act to the detriment of the least favoured regions of the Community. The Structural Funds budget (now financed by a Community tax integrated in VAT) is accordingly increased to 0.6% of the Union’s GDP. Secondly, a financial instrument dedicated specifically to territories labouring under durable geographic or demographic constraints has been introduced. This instrument concerns the islands, the most isolated mountain areas, and the very low population density regions. It is designed to remedy, or at least alleviate, the constraints which affect these regions, and is allocated in proportion to the intensity of these difficulties, which are sometimes accumulated. With a GDP well below the EU average, poor accessibility aggravated by an archipelago effect, and the mountain configuration of several of its islands, Merodia obtains a high intervention level, close to the former Objective 1 (approximately 200 Euro per inhabitant per annum).

This Community support, designed to promote the objective of “territorial cohesion”, henceforth included in Article 158 of the Treaty alongside economic and social cohesion, will enable regions like Merodia to finance fixed or mobile transport infrastructures, reduce the additional costs induced by the implementation of EU environmental legislation, or grant certain industries investment aids designed to enable them offset the small size of the market.

At the same time, Merodia has just concluded a “tripartite objective contract” with the State and the European Commission, the aim of which is to remedy the constraints arising from its island nature. The resources implemented are simultaneously financial and legal. Financially, the Community intervenes via the Structural Funds, while the Republic of Lagado, jointly with the Region, implements a territorial continuity policy designed to reduce the costs of internal and external transport. On the legislative plane, the Lagado State and the Community agree on a number of fiscal measures concerning both direct and indirect taxation: reduction of excise on fuels, reduced VAT rates in specific targeted fields, various investment incentives. Finally, the European Commission grants a number of derogations in the field of State regional aid and agricultural aids.

These latter forms of aid are granted on a trial basis, i.e. provided that their effectiveness is demonstrated, and the risks of distorting the internal market are limited. A monitoring committee is set up to oversee their implementation and to evaluate their consequences. These measures will be re-examined periodically, and amended or supplemented as need be.

September 2007

The DG for Competition of the European Commission confirms the specific provisions to be applied to Merodia in terms of State regional aid. NGE (net grant equivalent) ceilings are aligned with those enjoyed by low population density regions have enjoyed since 1998 (i.e. 30%, followed by 10% for the SMEs). In addition, the Commission authorises the creation of a system of direct aid to island companies to offset part of the additional costs linked to transport. This is a permanent system designed to limit the effects of bulk breaking and unbalanced flows between the archipelago and the mainland.

Moreover, the Commission authorises the granting, on an exceptional basis, of operating aid for small agricultural and fisheries product transformation units (abattoirs, creameries, canning factories), so as to enable island farmers and fishermen, not only to meet local consumption needs, but also to develop exports to the mainland. However, the aid arrangements must not result in more favourable economic conditions than those enjoyed by companies of identical size on the near mainland.

January 2008

Unrest resumes in the neighbouring Republic of Maldonada.
April 2008

The pursuit of structural aid enables the archipelago meet European environmental standards. Furthermore, the new Directive on packaging waste incorporating the principle of “the polluter pays” via a tax on companies producing packaging is of global benefit to the region, because its economy - revolving as it does around tourism – is based more on consumption than production. The Equalisation Fund set up thanks to this tax finances Merodia’s 5 waste processing plants, which would otherwise be insufficiently profitable in an island context. This has triple advantages: creation of direct employment and derived activities, strengthened protection of the environment, and lower costs for the local authorities.

Other environmental threats cloud the horizon, however. In one of the predicted consequences of the greenhouse effect, severe storms (with cyclone force winds in a region where climatic disturbances are normally more moderate) caused considerable damage to road and port infrastructures and to many public and private buildings over the last three years. Conscious of this situation, the European Commission set up a “special fund for natural catastrophes” several years ago. The use of this fund made it possible to limit the financial impact of this damage, and to implement an ambitious programme to reinforce coastal infrastructures and developments.

At the same time, the European Union undertakes a diplomatic campaign under the aegis of the UN for the imposition of rigorous rules in terms of CO² emissions. The political support of the Small Islands Developing States contributes significantly to its success. These states, which are members of the AOSIS (Alliance of Small Island States), represent 43 States and almost 20% of the members of the UN.

September 2008.

Crisis in the European tourism industry. Although highly dependent on this sector, Merodia nevertheless manages to limit the consequences. The drop in airfares in recent years, thanks to the territorial continuity policy, maintains the attractiveness of the archipelago for short stays, which now represent the most promising segment. In addition, Merodia made strenuous effort to avoid total dependency on tourism by maintaining as diversified an economy as possible. The advantage of the support granted to transformation activities, which enables the country preserve the agriculture and fisheries sectors, now appears more clearly.

January 2009

More stringent constraints in terms of CO² emissions, following the international conference in the Maldives, together with the oil crisis caused by the continuing conflicts in the Caspian Sea, lead the EU authorities to strengthen their action in the field of renewable energies. This increases the profitability of the renewable energies, and a vast programme is undertaken to exploit wind and wave power, fields in which Merodia enjoys favourable conditions. This electricity then has to be distributed to the mainland ... However, the distance of the archipelago implies major investments in underwater cables, which can only be profitable in the long term. The Community makes this a priority and helps to finance them under the terms of the TEN-EN.

March 2009

Wave of attacks in Maldonada. The wealthiest families begin to leave the country.

June 2010

The latest figures from EUROSTAT indicate that Merodia’s per-capita GDP has increased significantly to 85% of the EU average. Unemployment is now lower than the national average, but this is no longer due to emigration to the mainland. The population of the region has increased significantly (205,000 inhabitants) while population decrease in the minor islands has been checked.

EUROSTAT announces its intention to harmonise the EU’s statistical nomenclature: in light of the increase in the size of the Union (which now boasts 500,000,000 inhabitants) all NUTS II level statistical zones in the EU, without exception, will henceforth have to have at least 800,000 inhabitants. This decision will not affect Merodia because, since 2006, the Community grants specific statistical status to regions physically separated from the European continent, in other words the islands and outermost regions. The statistical nomenclature now takes account of these regions individually and distinctly, irrespective of the size of their population and their NUTS level. Furthermore, on foot of studies conducted at the initiative of DG REGIO in 2001, a database comprising a range of, sometimes original, indicators was created to evaluate their situation and monitor their development.
October 2010

A rise in average water temperature of ½° Celsius seems to lie at the origin of the disappearance of the shoals of fish which normally frequent Merodia’s coastal waters.

Seasonal migrations seem (for how long) to be taking place 200 km further to the North, out of the range of Merodia’s small coastal fleet which carries out most of its fishing in the 12-mile zone. This highlights the need to ensure that the midwater trawlers of the Community fleets do not snap up in a few weeks what constitutes the major part of their resources.

The fish resource management mechanism set up several years ago by the Community as part of the new CFP, however, sometimes limits the damage. On the one hand, the management of the 12-mile zone is now entrusted to regional structures, associating fishermen’s associations and local authorities. These can reserve access to this zone to local fishermen only, and immediately adopt any conservation measures they deem necessary. For several years now, Merodia’s epicontinental seabed has been surveyed, and its exploitation subject to rigorous monitoring, while fish farms have been developed around the archipelago to diversify activities. Beyond the 12-mile zone, the regional structure representing the Merodian fisheries industry is now directly involved in negotiating the International Organization for Fisheries in the Sea of Lagado, which includes the European Commission, and the various riparian countries. In this way, Merodian fishermen argue successfully for the adoption of a moratorium in order to avoid the decimation of the stocks of migratory species, and envisage a return to normal.

February 2011

Merodia’s geographic position at the mouth of the Sea of Lagado endows the archipelago with a significant advantage in the field of European shipping. While the major European ports, already encumbered, cannot handle the new super-containers (Megaships) without very costly dredging and infrastructural works, Merodia’s natural capacities, with its excellent anchorages and an abundance of space, predisposes this region to the role of maritime “hub”. A decision is taken to build a port complex in the archipelago, where the trans-oceanic super-containers could transship their cargos to smaller units providing a feeder service with the ports of the mainland. This project is placed on the list of priority TEN-T projects. In light of the objectives expressed in Article 154 of the Treaty, which stipulates the need “to link island, landlocked and peripheral regions with the central regions of the Community”, the Commission also authorises Lagado to apply particularly attractive tax incentives to attract private capital (free zone, reduced VAT, miscellaneous exemptions, etc.).

November 2011

New crisis in Community ovine and bovine production: a variant of “mad cow disease” (BSE) forces the Commission to impose a severe embargo on several producing States.

This situation suits Merodian breeders because, for several years, the archipelago has been able to draw on new statutory provisions restricting the principle of free movement to become a free zone. A rigorous policy of monitoring cattle imports, involving a quarantine period in one of the minor islands, means that its herd is free from the epizootic. Sold under a specific label, sheep and cattle from Merodia obtain high prices on the markets.

March 2012

The Maldonadian government falls. The various politico-ethnic components of the country fall back on their respective territories: Northern Maldonada, Central Madonada, and Southern Maldonada. Foreign powers arm these various factions, who prepare for armed conflict.

April 2012

A draft EU regulation designed to ban the hunting of the red crested Dodo (Dodus purpur) is being drawn up. However it is precisely at this time that this bird, from which the Merodians make their famous pâté, traditionally makes its appearance in the archipelago before flying away from Europe.

As has been the case for several years for any draft EU legislation in fields liable to concern the islands, the Commission’s document is accompanied by a form with the following question:

“In the perspective of its application to the islands, does this legislation seem to you to require specific measures on the basis of the provisions provided for in the Treaties?”

The permanent representation of Lagado, following consultation with the Minister of the Environment and the regional authorities of Merodia, informs the Commission that the date proposed is ill suited to the situation of the archipelago, where the migrations follow a different seasonality. Following negotiation, the Commission agrees to postpone the deadline to 20 April in the case of Merodia.
**August 2012**
The Merodian Carriers Cooperative, which brings together local capitals, invests massively in the infrastructures and services of the new port terminal.

**September 2012.**
Civil war breaks out in Maldonada. The European Union decides to intervene under the terms of the CFSP. The Rapid Deployment Force deploys in Merodia. It has a triple mission: 1°) To cut off the supply of arms to the belligerents, 2°) To assist the civilian populations threatened by the conflict, and 3°) to support the mediation efforts undertaken by the EU to re-establish peace.

To face the increase in air traffic, the runway of the archipelago’s main airport is modernised and extended to 3,000 m.

**January 2013**
Reform of the Structural Funds. Merodia’s situation has improved significantly since 2006. The population has increased, sea and air transport has been developed thereby improving accessibility, and per-capita GDP has grown by 10% to 88% of the EU average. The archipelago continues to benefit from the financial instrument intended for regions with durable constraints, but the amount of the Community intervention is reduced in accordance with the scales in place.

Moreover, the tripartite objective contract is re-assessed. As a study carried out by the Commission demonstrated that most of the tax measures in force in the archipelago do not distort the internal market (who would come to Merodia to fill up his tank because petrol prices are lower?), these provisions are maintained. On the other hand, the operating aid available to certain agricultural cooperatives is revised downward, because the success of the quality cheeses produced by the islands’ creameries has opened an export market. As the production volumes are now sufficient to sustain the industry, the operating aid will be gradually and progressively reduced, and finally abolished.

The parties finally agree on the need to reduce the isolation of the archipelago by developing air links with other States of the European Union. Three destinations seem to be particular interest for the island economy, Marseilles, Hamburg and Rotterdam, because direct flights to these major port cities will encourage the development of Merodia’s port “hub” by facilitating crew movements and various commercial traffic. A budget envelope, funded by the State and the Structural Funds, will cover risks of losses on these links for a period of two years.

**June 2013**
First success of the Rapid Deployment Force. A cargo ship full of arms, whose suspicious behaviour was spotted by the Merodian surveillance installations, is intercepted.

Thanks to its excellent port and airport infrastructures, Merodia also serves as a base for routing food, clothing and medication to the displaced populations sheltered in Red Cross camps, and for the evacuation of the wounded.

**October 2013**
Drug trafficking between Maldonada and the Republic of the Lagado, the aim of which is to obtain funds for the various guerrilla groups in Maldonada, is severely disrupted by the system put in place in Merodia. This spots the fast boats used by the smugglers as soon as they leave Maldonada, and before they have a chance to approach the coasts of Lagado. The role of Merodia’s fishermen, familiar with every nook and cranny in the sandbanks and shoals of the Sea of Lagado, and therefore, with the smugglers’ routes, plays an essential part in this action.

**January 2014**
With the tacit agreement of the government of Lagado and of the European Union, the regional government of Merodia establishes direct contacts with several of the warring factions in Maldonada. The Merodian origin of certain communities living in Maldonada, and the fact that Merodian (old language still spoken in the archipelago) is close enough to Maldonadian to allow for mutual comprehension, favour these exchanges. The regional government allows the parties use one of the small islands in the archipelago to organise secret meetings on “neutral ground”.

**October 2015**
Success of the port terminal. The Merodian Carriers’ Cooperative becomes one of the top companies on the island, investing in air transport, and directly managing the archipelago’s main airport.

**April 2015**
Following long months of effort, the informal negotiations lead to formal proposals. Official peace negotiations can start.
Launch of a major “off-shore” wind power construction programme in the south of Merodia. A roadway, combined with wave power installations, now connects two of the minor islands of the archipelago. Merodia exports 60% of its electricity to the mainland.

The Maldonadian conflict is over. By virtue of an agreement signed in Merodia itself (known as the “Merodia Accords”), Maldonada becomes a federal State, the security and stability of whose institutions are guaranteed by the European Union.

Merodia plays a major role in repatriating displaced families, and in routing materials and providing the services necessary to rebuild the infrastructures ravaged by 5 years of war.

Record profits for the Merodian Carriers Cooperative, which has been able to benefit from its investments in air and sea transport, and has diversified into renewable energies.

The Community decides to finance the extension of the under-water cable connecting Merodia to Lagado via Maldonada, with a view to meeting this country’s energy needs as soon as possible.

The European Union decides to decentralise as many as possible of the head offices of its Institutions and related structures. The region of Merodia immediately asks to host one of them.

The Commission and the Council respond favourably to this offer: part of the services of the DG for “Justice and Interior Affairs” is moved to Merodia, thus creating 200 jobs. This is the Department responsible for managing the Refugee Aid Fund and migration cooperation programmes with third countries, and the move can be seen as just recognition of the role played by the archipelago in the events in Maldonada.

Reform of the Structural Funds. Merodia’s per-capita GDP is now close to the EU average. Instead of unemployment, there is a shortage of manpower, and the population rises to 240,000. Moreover, as the archipelago boasts good accessibility (4 regular links with Lagado, 5 with the rest of the EU, and 3 with Maldonada), the Commission feels that the constraints of insularity have been significantly reduced and Merodia will henceforth be entitled only to the floor rate of the financial instrument.

As part of the renegotiation of the tripartite objective contract, it is decided to exploit Merodia’s assets in the field of transport to strengthen trade with other continents. The development of air freight via the new “supercargo” aircraft (whose capacity is double that of the old 747’s) is a promising development: the size of the main airport, its moderate traffic, its distance from the conurbations, and the proximity of the free port zone are also assets.

As the air sector is still not covered by the competition clauses of the WTO, Lagado and the European Commission set up a support fund covering, for a limited time, the risks of operating direct lines between Merodia and Halifax, Singapore and The Cape.

The Merodian Carriers Cooperative has become one of Lagado’s largest companies. At a time when the struggling Air Lagado, the struggling national carrier, is set to be privatised, there is talk of it being taken over by a consortium led by the Lagadian Carriers. One of the possible consequences of this move is that the head office would be transferred to the archipelago ...

“It is true – they underline – that the policies adopted with regard to this region, and with regard to all the islands and territories with permanent geographic constraints, have had a not-insignificant cost for the European Union. It is also true that some of the derogations granted to the archipelago necessitated an audacious approach, and a great degree of legal flexibility on the part of the EU authorities. Despite this, however, these efforts now seem justified for two reasons. Firstly, in Merodia, which previously suffered from severe economic difficulties and a declining population, the trend has been reversed. Secondly, the EU as a whole has benefited from the policy applied in these islands. At present, 5% of the Union’s maritime traffic with third countries uses the “feeder” services provided by the archipelago’s port facilities. Fish farming production, which has recently grown in this region, represents 3% of the EU total. Moreover, Merodia’s “on shore” and “off-shore” production of renewable energy covers 10% of the consumption of the Republic of Lagado, and 30% of that of Maldonada – a fact which contributes to the Union’s efforts to rebuild this country. We will not over dwell on the acknowledged role played by Merodia in re-establishing peace in this zone, and on the success of the CFSP in this matter. In the context of a territory clearly located at the confines of the Community, with a population of barely 250,000 inhabitants, these results are proportionally spectacular”.

The Reporters concluded: “It is legitimate to ask whether such a success would have been possible if the European Union had, 20 years ago, persisted in a strictly book-keeping type approach to the management of the Structural Funds instead of promoting territorial cohesion, and if it had persisting in applying a dogmatically legal interpretation of EU law. The example of Merodia confirms that the Community was right in 2006 in adopting an islands policy based simultaneously on a good understanding of their permanent constraints, and on a global and long-term vision of their potentials. The fact that the European Union realised in time that the harmonious integration of such territories was of strategic importance (in the broadest sense of the word) for its future was, therefore, not a chimera, but a lucid vision of reality.”
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ACP: African, Caribbean and Pacific States
CAP: Common Agricultural Policy
CCI: Chamber of Commerce and Industry
CET: Consolidated European Treaty
CFP: Common Fisheries Policy
CFSP: Common Foreign and Security Policy
ERDF: European Regional Development Fund
EU: European Union
EUROPOL: European Police Office
EUROSTAT: Statistical Office of the European Communities
FOD (DOM): French Overseas Departments. There are 4 of them (Guadeloupe, French Guyana, Martinique, Reunion Island)
IMO: International Maritime Organisation
INTERREG: Community initiative concerning border areas (Community initiative designed to promote interregional cooperation. Financed by the Structural Funds, its field of action is limited to the EU).
MAICCh: International Centre for Advanced Mediterranean Agronomic Studies
MEDA: Measures to accompany the reform to the economic and social structures in non-member countries of the Mediterranean basin
NGE: Net Grant Equivalent. Mechanism for evaluating the maximum amount of aid – whatever the type – that can be granted
NUTS: Nomenclature of statistical territorial units
PDMA (Plan départemental d’élimination des déchets et Assimilés): French local plan for waste disposal
PHARE: The PHARE Programme was launched in 1989 after the fall of the communist regimes in central and eastern Europe. It is designed to provide assistance for the economic restructuring of these countries.
PHASING OUT: Community Structural Aid which is gradually being limited or stopped
PPS: Purchasing power standard
RECITE: Community programme on interregional cooperation
RO-RO: Roll-on/Roll-off
RUP: Ultrapерipheral Regions. There are 7 of them (Azores, Canary Islands, Guadeloupe, French Guyana, Martinique, Madeira, Reunion Island)
SME: Small and Medium-sized Enterprises
TEN-T: Trans-European Transport Network
TEN-N: Trans-European Energy Network
TEU: Twenty-foot Equivalent Unit. Unit of measurement used for the transportation of goods by container.
TOM: French Overseas Territories (Territoires d’Outre-Mer)
VAT: Value Added Tax
WTO: World Trade Organisation
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Information on the activities of the European Island Regions gathered within the Islands Commission of the Conference of Peripheral Maritime Regions are available on CPMR Website
http://www.crpm.org

System of information and exchange on the European Island Regions, the EURISLES Website provides statistical and documentary information on the islands, and enables you to download various books or studies such as the present document.
http://www.eurisles.org

ISLENET is a network of European Island Authorities which promotes sustainable and efficient energy and environmental management.
http://www.europeanislands.net

Regions contributing to the study:

 Açores, Åland, Bornholm, Corse, Gotland, Gozo, Guadeloupe, Hiiumaa, Illes Balears, Ionia Nisia, Isle of Wight, Kriti, Martinique, Notio Algaio, Orkney, Saaremaa, Sardegna, Shetland, Vorio Algaio, Western Isles

Commission des Îles
Islands Commission
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