

## Outermost regions of the EU Towards a renewed strategy

### SUMMARY

The EU's outermost regions are eligible for special treatment owing to structural difficulties, such as remoteness, difficult topography or economic dependence on a few products, which can severely hamper their development. Specific mechanisms have been put in place under cohesion, agricultural and fisheries policies, with the Commission publishing a communication in 2012 setting out how it can work in partnership with the outermost regions to achieve the objectives of the Europe 2020 strategy. While a renewed strategy is due to be prepared by the Commission by the end of 2017, the outermost regions continue to face numerous challenges in areas such as mobility, unemployment and climate change.

Stakeholders have already begun to draft their contributions to this renewed strategy, highlighting issues such as the need to ensure that trade agreements take better account of outermost regions' needs, maintain specific provisions for these regions under cohesion policy, and provide the outermost regions with improved access to horizontal programmes. Parliament's Committee on Regional Development is preparing an own-initiative report on the outermost regions as part of this process. It remains to be seen, however, how receptive the Commission will be to these proposals in a context of increasing budgetary pressure.

Bringing together representatives of the Commission and the outermost regions, as well as some of the key stakeholders involved, the fourth forum on outermost regions to be held on 30-31 March 2017 will provide a key platform for discussions that can shape the future development of the outermost regions for generations to come.



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## Introduction

Nine EU regions are currently classified as outermost regions owing to their remoteness from the European continent: five French overseas departments (French Guiana, Guadeloupe, Martinique, Mayotte and Réunion), one French overseas community (Saint-Martin), two Portuguese autonomous regions (Madeira and the Azores) and one Spanish autonomous community (the Canary Islands). With regional GDP substantially below the EU average, the outermost regions are clearly in a fragile economic situation, yet this figure alone does not reflect the full breadth of challenges they face.

**Figure 1 – Location of the outermost regions**



The Commission's 2016 [Regional Competitiveness Index](#), which ranks EU regions on the basis of 50 indicators in such areas as infrastructure, health and innovation, reveals that the outermost regions rank significantly lower than their position based on GDP alone, with low scores in areas such as labour market efficiency and infrastructure suggesting serious structural problems. Similarly, the 2016 [EU regional Social Progress Index](#), drawn up by the Commission in collaboration with NGO Social Progress Imperative, shows that the outermost regions score poorly in terms of the opportunities available to people who live there, with both indexes demonstrating just how the outermost regions' structural disadvantages are impacting on their development. To help offset these challenges, the EU provides for a number of measures to support the development of such regions.

**Table 1 – Outermost regions ranked by [GDP per head PSS](#) and 2016 [Regional Competitiveness Index](#) score**

NUTS 2 outermost region	2014 GDP per head (PPS) % of EU average	GDP per head (PSS) ranking (out of 263)	Regional Competitiveness Index 2016	RCI 2016 ranking (out of 263)	Difference in ranking (number of places)
Azores	71	198	16.7	234	-36
Canary Islands	79	174	27.1	217	-43
Guadeloupe	73	192	26.8	218	-26
French Guiana	58	234	0.0	262	-28
Madeira	72	191	25.2	223	-32
Martinique	75	180	39.7	175	+5
Réunion	70	202	26.5	219	-17

Data source: [Regional Competitiveness Index](#), 2016.

## Legal background and available support

### Defining outermost regions

The outermost regions are an integral part of the European Union and, in accordance with [Article 355](#) of the Treaty on the Functioning of the European Union (TFEU) (as amended under Article 355(6)), are fully governed by the provisions of the Treaties. These regions have a unique status under the Treaties that distinguishes them from EU overseas countries and territories (OCTs), which are not part of the single market, and regions with permanent natural or demographic handicaps (see below). Their remoteness, insularity, small size, difficult topography and climate and economic dependence on a few products, all of which severely restrict their development, mean that outermost regions are eligible for special treatment under Article 349 [TFEU](#). This article provides for specific measures in areas such as customs and trade policies, agriculture and fisheries policies or access to structural funds, to help support their development and limit the impact of their structural challenges.

The scope of application of Article 349 was significantly extended in December 2015 following a European Court of Justice [decision](#), which ruled that the Council had the power, under Article 349, to adopt specific measures laying down the conditions of application to outermost regions not only for the provisions of the Treaties i.e. primary legislation but also in respect of the provisions of secondary legislation, affirming Council's right to adopt measures such as regulations on the basis of Article 349. By confirming Article 349 as the legal basis for secondary legislation for the outermost regions, this could pave the way for more specific measures for these regions.

#### Regions with permanent natural or demographic handicaps

Defined in [Article 174](#) TFEU, regions with permanent natural or demographic handicaps enjoy a different status to the outermost regions. Article 174 provides that the Union shall aim to reduce disparities between the levels of development of the various regions and the backwardness of the least favoured regions stipulating also that, among the regions concerned, particular attention should be paid to regions that suffer from severe and permanent natural or demographic handicaps such as northernmost regions with very low population density and island, cross-border and mountain regions. Crucially this provision stipulates that the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion, which means that the regions defined in Article 174 are eligible for special treatment primarily within the framework of cohesion policy. This is in contrast to the outermost regions: Article 349 TFEU providing that specific measures may be adopted laying down the conditions of application of the Treaties to outermost regions, including common policies.

### Outermost regions and the cohesion policy framework

The [Common Provisions Regulation](#) (CPR), which introduces a common set of rules for all five European Structural and Investment Funds and outlines 11 thematic objectives that are aligned with the five headline targets of the Europe 2020 strategy, states that the outermost regions should benefit from specific measures and from additional funding to offset their structural social and economic situation together with the handicaps resulting from the factors referred to in Article 349 TFEU. Annex VII of the CPR, meanwhile, provides for an additional special allocation, corresponding to an aid intensity of €30 per inhabitant per year, to be allocated, among others, to the outermost NUTS level 2 regions. In addition, while Article 120 (3)(b) establishes a co-financing rate of 85 % for the outermost regions for the 2014-2020 period, the co-financing rate from the funds to a

priority axis may be modulated in respect of the outermost regions referred to in Article 349 TFEU.

The [European Regional Development Fund](#) (ERDF) Regulation provides that the scope of support from the ERDF may be extended to include the financing of operating aid to offset the additional costs resulting from the economic and social situation of the outermost regions. While the regulation establishes the percentage of ERDF resources that must be allocated to thematic objectives one to four depending on the category of region in question, Article 12 stipulates that these provisions shall not apply to the specific additional allocation for the outermost regions, stating that this allocation may be used to offset the additional costs incurred in supporting any of the 11 thematic objectives. It may also be used to finance freight transport services and start-up aid for transport services and operations linked to storage constraints, the excessive size and maintenance of production tools and the lack of human capital in the local market, and to finance operating aid covering public service obligations in the outermost regions.

In terms of funding, [€6.6 billion](#) has been allocated to the outermost regions under the ERDF and ESF for the 2014-2020 period across a total of 14 [operational programmes](#): eight regional operational programmes (one for each region except for the joint regional programme for Guadeloupe and Saint-Martin) and six European Territorial Cooperation programmes covering cooperation across such areas as the [Caribbean](#) region, the [Indian Ocean](#) area or between [Mayotte](#) and its neighbouring islands of Comoros and Madagascar. This total amount also includes the special allocation for outermost regions, which amounts to €484.1 million for the [Canaries](#), €443.3 million for [France's outermost regions](#) and €115.7 million for the [Azores Islands and Madeira](#). With regard to European territorial cooperation (ETC), it is also worth emphasising that, in accordance with the [ETC Regulation](#), regions in outermost regions along maritime borders separated by more than 150 km may be included as cross-border areas in order to facilitate cross-border cooperation for outermost regions. Under the ETC Regulation, the sum of €50 million from the allocation for interregional cooperation has also been specifically set aside for cooperation involving outermost regions.

### **Agriculture and fisheries**

In view of the fragile nature of their economies, which are often dependent on a small number of products such as bananas or rum, the outermost regions are also supported by a number of specific measures under the European Agricultural Fund for Rural Development (EAFRD) that can foster their development. The [EAFRD Regulation](#) provides that a maximum EAFRD contribution rate of 85 % shall apply to rural development programmes in the outermost regions, rising to 90 % for specific measures, while for investments in physical assets in outermost regions, EAFRD funding may provide up to 75 % of the eligible investment.

The European Maritime and Fisheries Fund (EMFF) also includes specific measures for the outermost regions, with the [EMFF Regulation](#) providing that state aid may be authorised in the outermost regions for sectors producing, processing and marketing fishery and aquaculture products, stipulating that operations located in the outermost regions may benefit from an increase of 35 % in specific aid intensity. In addition, Article 70 provides for EMFF support for the compensation of additional costs incurred by operators in the fishing, farming, processing and marketing of certain fishery and aquaculture products from the outermost regions, referred to as the 'Fisheries POSEI'. Similarly, outermost regions also receive support under the Programme of Options Specifically Relating to

Remoteness and Insularity ([POSEI](#)), which is financed by the European Agricultural Guarantee Fund. The POSEI, which replaces the first pillar of the Common Agricultural Policy (direct payments) in the outermost regions, comprises measures that aim to ensure specific supply arrangements and provide support for local production, with the scheme providing annual allocations amounting to €278.41 million for the French overseas departments, €268.42 for the Canary Islands and €106.21 for the Azores and Madeira. A [report](#) published by the Commission on 15 December 2016 considers that the overall performance of the programme from 2006 to 2014 was positive, particularly in terms of its ability to address the agricultural challenges facing the outermost regions, and that it plays a critical role in maintaining the traditional and so-called 'diversification productions' in these regions.

The Commission has published a number of strategies for the outermost regions, most recently in 2012, setting out a common framework of action in areas such as cohesion policy, agriculture and maritime policies. National and regional authorities, meanwhile, draw up action plans to implement the measures put forward in the strategy, modifying rules to take account of the outermost regions' needs and to make best use of their assets. These action plans are then used as the basis for ESIF operational programmes for these regions.

### 2012 communication on the outermost regions of the EU

In June 2012, the Commission published a [communication](#) setting out how the Commission can work in partnership with the outermost regions to achieve the Europe 2020 strategy objectives of delivering smart, sustainable and inclusive growth. Building on the 2004 Commission communication, which outlined a strategy for the outermost regions based on the three axes of improving accessibility, improving competitiveness and promoting regional integration in neighbouring regions, and the 2008 communication, which focused on capitalising on the unique assets of the outermost regions, the 2012 strategy aims to help the outermost regions become more self-reliant, economically stronger and capable of creating sustainable jobs by tapping into their own assets.

The strategy set out in the 2012 communication is based on five axes. The first axis is aimed at **improving access to the single market**, including the rollout of new communication technologies at reasonable cost. Axis two focuses on **increasing competitiveness** through the modernisation and diversification of the outermost regions' economies, investment and innovation in sectors of high growth potential. **Strengthening regional integration** within the outermost regions' geographic zones, the strategy's third axis, seeks to expand the EU's sphere of socio-economic and cultural influence, foster greater trade and share knowledge, while axis four focuses on **reinforcing the social dimension** of the outermost regions, through measures such as job creation, skills enhancement and educational attainment, and action to fight poverty. The fifth and final axis aims to **mainstream climate change action** into all relevant policies through appropriate measures. These axes are implemented by a series of measures and proposals for the future, with both an internal and an external dimension.

In terms of the strategy's internal dimension, the communication emphasises the importance of cohesion policy for delivering Europe 2020 and outlines proposals for traditional sectors such as agriculture, fisheries and tourism, and emerging sectors, including research and sustainable energy. For agriculture, the Commission proposed maintaining the POSEI agricultural scheme, with a number of adaptations, while, in the

area of fisheries, it recommended that outermost regions continue to receive support for fisheries, noting that support for aquaculture and processing businesses could create new job possibilities. The strategy also calls on outermost regions to make tourism sustainable and more efficient. In the area of emerging sectors, the strategy concentrates on research and innovation, stressing that the participation of the outermost regions in RTD networks will be key for delivering smart growth in these regions.

Developing entrepreneurship is another area of focus, with the strategy charting plans to improve access to finance for SMEs and support the creation of local investment funds in each outermost region. In light of the outermost regions' remoteness, the EU should take them into account when implementing and developing trans-European networks in the field of transport, telecommunications and energy. The EU also committed to maintaining special rules for the outermost regions in the area of state aid and to consider extending or modifying specific taxation and customs regimes for outermost regions to increase their competitiveness. In the environmental field, the strategy provides for action on climate change mitigation and adaptation, strengthening efforts to support biodiversity and ecosystem services in the outermost regions.

Stressing the key importance of the strategy's external dimension in light of the outermost regions' geographical position, the communication highlights the need for the outermost regions to do more to integrate within their own regional neighbourhoods, with a focus on boosting economic opportunities. The strategy provides that EU agreements should take greater account of the outermost regions, particularly in the field of trade and fisheries, while in the area of energy, it outlines EU support for projects to set up more effective energy markets covering the outermost regions and neighbouring countries. Improving the reliability of network infrastructure will be a top priority.

### **Assessing the 2012 communication**

While welcoming the Commission's commitment to work in partnership with the outermost regions, the CoR's [opinion](#) on the outermost regions of the EU in the light of the Europe 2020 strategy stresses that greater involvement of regional authorities from the outermost regions is necessary when preparing and implementing European policies, to ensure their needs are taken into account. It supports the Commission's plans to roll out policies helping the outermost regions to become more self-reliant and capable of creating sustainable jobs by building on the regions' added value for the EU. It welcomes the strategy's emphasis on greater product differentiation and specialisation, which can help strengthen traditional sectors such as agriculture and support new sectors. More specifically, the Committee endorses the idea of developing high speed internet and new telecommunications technologies to enhance accessibility and increase economic activity, as well as the Commission's plans to maintain the POSEI agricultural support programme and the Fisheries POSEI. The CoR also welcomes the use of research, technology, development and innovation to promote new opportunities for employment. In particular, it highlights employment as a high priority target for the successful delivery of the Europe 2020 strategy in the outermost regions and urges the EU to take practical measures to develop the communication's new social axis. The Committee regrets, however, that the axes set out in the communication are not supported by any practical and specific measures, particularly for the accessibility axis, which is vital for the outermost regions' development. It also expresses concern that the number of actions required under some of the strategy's axes, and the support at a higher level that this may entail, mean that such measures will not come at a reasonable cost for the outermost regions.

In its 2013 [opinion](#) on the outermost regions of the European Union, the EESC considers that while the issues of accessibility for all, demographic change and dealing with dependence are particularly important in the outermost regions, they have not been sufficiently developed in the communication. The Committee regrets that the communication makes no reference to the potential negative impact of the EU's trade policy on the outermost regions, particularly free trade agreements or economic partnership agreements. The EESC considers that the EU's strategy for the outermost regions should also focus on improving their integration into Europe as a whole and notes that the proposals for territorial cooperation do not provide any specific answers when it comes to the need for regional integration in the outermost regions. In particular, the Committee regrets the strategy's lack of clear vision for the outermost regions' relations with neighbouring third countries, stressing that it pays little attention to developing partnerships with civil society in the outermost regions. In the area of agriculture, the Committee considers that the POSEI instrument should be evaluated and extended to cover all outermost region products, both agricultural and non-agricultural, and emphasises that the EU should ensure that the interests of small independent producers are taken into account. The EESC particularly welcomes the strengthened social dimension in the communication. However, it considers that the Commission is failing to fully develop the outermost regions' potential in the field of research and development.

The [final declaration](#) of the 20th Conference of the Presidents of the Outermost Regions, a body which brings together the presidents of the executive bodies of the nine outermost regions, considers the development of the social dimension axis in the 2012 strategy for the outermost regions to be of decisive importance, particularly for combating unemployment. In addition, the conference of presidents also drew attention to the need to mainstream the fight against climate change as set out in the 2012 communication, in view of the particularly vulnerable nature of these regions.

### Challenges facing the outermost regions

Their remote location and isolation has a measurable impact on many aspects of life in Europe's outermost regions, with their unique geographical situation generating significant **additional costs** in many areas. Parliament examines this issue in its 2012 [resolution](#), drawing attention to monopolies, abuse of dominant positions and cartel offences in the outermost regions, all of which have the effect of exacerbating living costs that are already high. This situation is compounded by the outermost regions' reliance on imported fossil fuels. The CoR has also focused on this problem, with its 2008 [opinion](#) on the outermost regions noting that remoteness leads to additional costs and is a singular barrier to the growth and economic sustainability of the outermost regions, limiting opportunities for their residents and reducing the competitiveness of their industries.

**Mobility** is clearly a key challenge in the outermost regions. In view of their remote location, these regions are highly dependent on transport links. As highlighted by the CoR in its 2014 [opinion](#) on mobility in geographically and demographically challenged regions, airports can be vital to the survival of the outermost regions and for allowing them to connect, both with their respective countries and with the rest of the EU. However, problems such as increased costs and funding needed to ensure service provision, depopulation, and fluctuating consumer demand for public transport services, all can have a negative impact on public transport in the outermost regions. This in turn can stifle economic growth, with Parliament noting in its 2008 [resolution](#) on the strategy for the outermost regions that the inadequate nature of services, as well as problems with

running regional transport services in such areas, represent major barriers hampering the economic development and accessibility of the outermost regions.

**Unemployment** is a perennial problem in the outermost regions. In 2008, Parliament emphasised the urgent need to adopt measures to combat unemployment, poverty and unequal income distribution in the outermost areas. Progress appears to be slow in this area, however, with Parliament's 2014 [resolution](#) noting that the outermost regions have some of the highest unemployment rates in the EU, including particularly high levels among young people. Clearly, this problem has wider ramifications for society as well, with the conference of presidents expressing concern that the structural and serious nature of their unemployment is having a lasting impact on the social cohesion of these regions, a point raised in its 2015 [final declaration](#). While there are many reasons for unemployment in the outermost regions, the [CoR](#) has suggested it is aggravated by the mobility problems local residents face, effectively forcing them to remain in their region and increasing unemployment rates. This situation is arguably also compounded by the fact that the immediate geographical environment offers very few market opportunities, an issue raised in the EP's 2008 resolution.

Equally, outermost regions' close proximity to less prosperous third countries means that they also face **substantial migratory pressures** in this connection. Taken together with a population growth rate that is often much higher than the EU average, Parliament notes that this has led to significant economic and social tensions in the outermost regions. According to the EP, **social exclusion** represents one of the most fundamental problems facing these regions. In its 2014 resolution, Parliament identifies strong population growth as one of the factors that has contributed to a major housing shortage in some outermost regions, highlighting also the role of growing desertification in others, which has led to the deterioration of the traditional built environment. The impact of the so-called **brain drain**, where young people leave a region in search of better opportunities elsewhere, is also a particular challenge in outermost regions, a point raised by Parliament in its 2014 [resolution](#), which voices concern at the severe skills drain from the outermost regions brought about by high unemployment rates and a lack of suitable training opportunities. The report notes that an adequately trained and skilled workforce is vital for sustainable growth, particularly in fields specific or traditional to those regions, and for spurring the development of new types of activity.

**Energy** is another obstacle, with Parliament highlighting the challenges posed by isolated energy systems, noting that fossil fuel dependency is aggravated by distance and geographical isolation. It has also argued that the outermost regions' remoteness has been exacerbated in recent years by the **digital divide** between them and mainland Europe, resulting from delays in setting up and modernising ICT infrastructure in the outermost regions, hampering the development and competitiveness of these regions.

In contrast to other regions of the EU, the conditions for carrying out activities in areas such as agriculture or fisheries are more challenging on account of a number of factors specific to the outermost regions, with the small size of farm holdings and the limited market both having a major impact on farming, a point also highlighted by Parliament. It notes that this already difficult situation is compounded by the challenges of **diversification and competitiveness**, as well as by new challenges, which include globalisation, **market liberalisation**, food safety and sustainable development. This led the conference of presidents to call on the Commission to establish regulatory mechanisms and specific support for all agricultural sectors in the outermost regions

facing the challenge of market liberalisation. Furthermore, in spite of the existence of specific support schemes in the outermost regions, Parliament has noted that the POSEI programme to help farmers in outermost regions suffers from chronic underfunding. Challenges also remain in the fisheries sector, with Parliament's December 2016 draft [report](#) on the management of the fishing fleets in the outermost regions drawing attention to problems such as the difficulties that fishermen in these regions face with accessing credit or insurance for their vessels or the significant level of illegal, unreported and unregulated fishing taking place in the outermost regions' exclusive economic zones.

Last but by no means least, environmental issues are also a particularly pressing problem in outermost regions, with the EP's 2012 [resolution](#) highlighting the effects of **climate change** in the outermost regions, especially rising sea levels, and the CoR also recognising the importance of this issue in its 2008 opinion on the strategy for the outermost regions.

### **Towards a renewed strategy for the outermost regions**

As highlighted in the 2012 communication on the outermost regions, the Commission will review implementation of each of the measures proposed in the communication by the end of 2017. While there are few details of the future strategy, the expert working group set up by the Commission has thus far discussed the issues of transport, energy, digitisation and the circular economy in the outermost regions, suggesting that these areas may well be covered by the renewed strategy. The publication of a new communication setting out a renewed strategy for the outermost regions is expected in autumn 2017 and stakeholders have already begun to draft their contributions, which should feed into the discussions on the new strategy.

### **Conference of Presidents of the Outermost Regions 2017 memorandum**

The Conference of Presidents of the Outermost Regions has drafted a new memorandum on the outermost regions, which will be presented at the Fourth Forum of the Outermost Regions, and which outlines a number of concrete proposals to ensure that greater account is taken of the outermost regions in European policies post 2020. This will also contribute to discussions on the Commission's communication on the outermost regions.

#### **Forum of the Outermost Regions**

A key platform for debate between the outermost regions, the EU institutions, civil society and external stakeholders, the [Fourth Forum of the Outermost Regions](#) will be hosted by the European Commission on 30-31 March 2017. Entitled 'The Outermost Regions, European lands in the world: toward a renewed strategy', this year's event will highlight the importance of integrating outermost regions into their neighbouring markets and will examine issues such as physical accessibility and the energy sector through a number of special workshops and sessions. In particular, it will provide a forum for discussion among participants on future EU policies for the outermost regions, which can feed into the planned Commission communication on a renewed EU strategy for the outermost regions.

The memorandum reaffirms the need for the EU to adopt a differentiated approach when formulating policies in order to take account of the specific nature of the outermost regions, as recognised in Article 349 of the TFEU. It also calls on the EU institutions to make use of all the possibilities that this provision ensures following the Court of Justice's December 2015 ruling. Recalling the importance of cohesion policy for their development, the outermost regions call for the maintenance of the specific provisions within cohesion policy and highlight the role of economic sectors with high growth and jobs potential, including agriculture and fisheries and emerging sectors such as renewable energy. The memorandum includes proposals covering horizontal policies that can impact

on the competitiveness and economic development of the outermost regions, such as state aid, taxation or research, arguing that EU trade policy should take greater account of the effects of EU trade agreements with third countries on the economies of the outermost regions, and include the preparation of impact assessments before the negotiation of any agreements that could affect them.

The document also draws attention to the major need for core infrastructure in areas such as transport or energy and stresses that the outermost regions' inability to access the trans-European networks is holding back their development, adding that the inaccessibility of these regions is a key issue that requires a radical change in EU transport policy. It also emphasises that while challenges such as immigration or climate change concern all of Europe, they have a particular impact on the outermost regions, and therefore require appropriate responses. Closer integration and cooperation between the outermost regions and third countries should continue to be encouraged, necessitating adjustments to take account of geopolitical, economic and trade realities in their areas. The conference of presidents considers that while outermost regions benefit from regulatory adjustments in areas such as cohesion policy and agricultural policy, which should be maintained, the specific nature of outermost regions is not taken sufficiently into account by EU measures in general. Accordingly, the proposals put forward in the memorandum aim to ensure that the outermost regions have effective access to various horizontal programmes rather than just the right to take part in them. The memorandum considers that the adoption of a differentiated approach for the outermost regions in all European policies is the way to ensure a level playing field for these regions, increase their competitiveness, make them more attractive and guarantee their development, thereby allowing them to make the most of their EU membership.

### **European Parliament**

Parliament is also actively involved in the discussions surrounding preparations for the communication on a new strategy for the outermost regions. The Committee on Regional Development is considering a draft own-initiative [report](#) (rapporteur: Younous Omarjee, GUE/NGL, France) published on 8 March 2017. It discusses the implementation of Article 349 and examines the situation of the outermost regions in the light of agricultural policy, trade policy, maritime and fisheries policy, cohesion policy, competition policy, and, lastly, research, environment, transport, energy and telecommunications. Regretting that the various European strategies for the outermost regions have only been partially implemented and fleshed out, the draft report calls on the Commission to adopt a long-term overall common strategy detailing the approach to the outermost regions, with a specific legislative package, strategic framework and appropriate objectives for each region.

In the area of agricultural policy, the text regrets that successive reforms of the common organisations of the market have not taken sufficient account of the specific characteristics of the outermost regions. Noting that the disappearance of quotas and guaranteed prices is damaging sugar cane producers in these regions, the draft calls for a support scheme for sugar cane growers in the event of a fall in world sugar prices and considers that the outermost regions' efforts to modernise their traditional sectors are increasingly being jeopardised by the EU's free trade agreements with third countries. It regrets that EU trade negotiations fail to take into account either the specific characteristics or the sensitive products of the outermost regions. The rapporteur believes the EU's trade policy is endangering the traditional industries on which the outermost regions' economies depend, urging the Commission to ensure that the

products of the outermost regions are protected in trade agreements, and calling for the EU's trade policies to be adjusted to take full account of the outermost regions' competitive disadvantages and for the preservation of tariff and non-tariff barriers.

For a sustainable maritime policy, fisheries and blue growth, the draft report calls on the EU to remove all regulatory obstacles and to authorise aid for the renewal of traditional fishing fleets in the outermost regions. Highlighting that the EU has not ensured the economic development of the outermost regions' exclusive economic zones, the rapporteur also calls for the launch of a genuine European sustainable blue development programme based on the outermost regions. On cohesion policy, the text considers that the outermost regions should be able to define some of their priorities for the use of the structural funds and calls for the continuation of the budget allocations to the outermost regions, emphasising the need to frame specific measures to support and train young people in the outermost regions. In the area of competition policy, it deplores the fact that the proposals to simplify the General Block Exemption Regulation and the Regional State Aid Guidelines did not make any provision for altering the rules so as to ensure the economic and social development of the outermost regions and calls on the Commission to guarantee the extension of exceptional tax regimes for the outermost regions after 2020. Lastly, in terms of research, the environment, transport, energy and telecommunications, the draft report considers that the EU's horizontal programmes do not provide for access conditions specific to the outermost regions, calling for the creation of a research programme specific to these regions.

### **Conference of Peripheral and Maritime Regions (CPMR)**

While welcoming the positive measures under the cohesion policy framework that support outermost regions, the [final declaration](#) of the 37th annual conference of the Islands Commission of the CPMR, held in Gozo, Malta, on 9 March 2017, calls on the EU institutions and Member States to ensure that the discussions surrounding cohesion policy post 2020 take full account of the challenges facing the outermost regions. In particular, it puts forward a number of specific proposals for cohesion policy post 2020 to improve the situation of island and outermost regions and help them achieve their EU objectives. Among others, it recommends the inclusion of a specific reference to territorial cohesion and Article 349 of TFEU in the provisions on partnership and multi-level governance (Article 5 of the CPR) to ensure the full involvement of the outermost regions in the preparation of future operational programmes and earmarking at national level to ensure that the percentage of ERDF and ESF funds set aside for island and outermost regions corresponds at least to the percentage of the population living in such areas. In addition, it calls for flexibility in the concentration of ERDF and ESF funds in the thematic objectives for all outermost regions and the creation of Islands Innovative Actions, similar to the existing 'Urban Innovative Actions', which would allow island and outermost regions to tackle the challenges they face in an innovative manner.

On regional state aid, the Islands Commission calls for the continuation of the special treatment accorded to the outermost regions under Article 107(3)(a) TFEU and advocates for action to allow state aid for large businesses in the outermost regions, as this can have a positive impact on the economic structure of the EU's most vulnerable regions. Noting that insularity and remoteness create additional costs for island and outermost regions, precluding a level playing field in terms of the competitiveness and profitability of investments, particularly as regards investments in energy efficiency, the Islands Commission also calls on the EU institutions to ensure that the adopted legislation does not put outermost regions at a disadvantage compared with centrally located regions.

## Outlook

Discussions are well underway on the shape of the renewed strategy for the outermost regions. Stakeholders have drawn attention to a number of key points, with Parliament, the CPRM and the Conference of Presidents finding common ground on issues such as ensuring that trade agreements take better account of the outermost regions' needs, maintaining specific provisions for these regions under cohesion policy or providing the outermost regions with improved access to horizontal programmes. It remains to be seen, however, how receptive the European Commission will be to these proposals.

Discussions have also recently begun on the future of cohesion policy, which is of particular interest to the outermost regions given the vital role that ESIF funds play in supporting them. Recent developments demonstrate that Parliament remains committed to maintaining the core of the current cohesion policy legislative framework beyond 2020. The February 2017 draft [report](#) on the building blocks for a cohesion policy post 2020 calls for continuous action to reduce disparities, particularly in less developed regions, in a context where regional disparities and social inequalities remain high, and highlights the merit of cohesion policy in addressing the challenges of outermost regions. However, while the draft report stresses the need for an adequate budget for cohesion policy after 2020, questions remain as to how likely this is in a context of increasing budgetary pressure.

Similar questions remain regarding the actual content of the future strategy, whose publication is expected in autumn 2017, with the outermost regions hoping to play an active role in shaping the content of this important document. By bringing together representatives of the Commission, the outermost regions and some of the key stakeholders involved, the fourth forum on outermost regions represents an important step in the process of formulating a renewed strategy, which has the potential to shape the future development of the outermost regions for generations to come.

## Main references

2012 European Commission Communication: The outermost regions of the EU: towards a partnership for smart, sustainable and inclusive growth [COM\(2012\) 287](#)

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