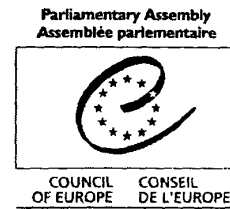


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Development challenges in Europe's islands

Report
Committee on Economic Affairs and Development
Rapporteur: Mr Hunault, France, European Democrat Group

Summary

Europe's islands are home to over 14 million people and almost 80 million if island-states are included. They form a highly varied picture as regards size, geographical location, proximity to the mainland, resources, demographic trends, degree of autonomy and overall level of development. Being often peripheral and rather isolated, islands face multiple development challenges, all the more accentuated in an era of fierce global competition where nevertheless unique local identities, traditions and landscapes need more than ever to be preserved.

The report focuses on the smaller inhabited islands with a population below 500,000. Special socio-economic development constraints, such as limited local resources and markets, often precarious and costly transport links with the mainland, higher living costs and a vulnerable natural environment, make most islands worthy of distinctive treatment. The European Union, which includes many island regions, has duly recognised the need to better link insular areas with the mainland, foster island development with a view to reducing disparities between regions and remedy the 'permanent structural handicaps' of island regions.

The report stresses the importance of greater diversification of island economies and argues the case for sustainable development policies as being the best strategy for integrating islands into European and global markets, by ensuring a fair balance between economic efficiency, social equity and environmental conservation. Numerous priorities of action are addressed to European policy makers and investors. They concern employment policies, enterprise development, transport links, territorial planning, water, energy and waste management as well as special financial measures.

I. Draft resolution

1. Europe's islands are home to over 14 million people and almost 80 million if island-states are included. They form a highly varied picture as regards size, geographical location, proximity to the mainland, resources, demographic trends, degree of autonomy and overall level of development. As peripheral and often rather isolated regions, islands and their inhabitants face multiple development challenges – all the more real against the background of global competition and the need to preserve unique local identities, traditions and landscapes.
2. It is now increasingly recognised that islands deserve distinctive treatment due to special socio-economic development constraints, such as limited local resources and markets, often precarious and costly transport links with the mainland, higher living costs and a vulnerable natural environment. The European Union, whose member states are particularly rich in islands, has recognised the need to better link insular regions with the mainland, foster island development with a view to reducing disparities between regions and remedy the "permanent structural handicaps" of island regions. Its assistance to islands has flown through MEDA projects in the Mediterranean, structural and regional funds, the Common Agricultural Policy and programmes for the outermost territories. However, following the recent EU enlargement, the allocation of aid to islands may undergo major change.
3. As the vast majority of Europe's islands depend for their livelihood on only a few economic activities or essentially only one (often referred to as 'mono-activity') – be it fisheries, mainly in the north, or tourism, especially in the Mediterranean and other southern islands – their exposure to fluctuations in global markets, and hence their vulnerability, is particularly pronounced. Greater diversification of insular economies and a more rational use of local resources (both natural and human) therefore become vital.
4. The Parliamentary Assembly believes that in this context sustainable development represents the best strategy for integrating islands into European and global markets, by maintaining a balance between economic efficiency, social equity and environmental conservation.
5. Tourism remains one of the most important economic sectors in most island regions. If developed in a sound manner that makes the best possible use of limited island resources, tourism can provide a sustainable livelihood to local populations. This implies, however, striking the right balance between the qualitative and quantitative aspects of tourism development. The Parliamentary Assembly therefore stresses the importance of determining and respecting the "carrying capacity" of individual islands as a basis for any balanced approach to lasting tourism development. Moreover, it views the diversification of tourism offers as another imperative in order to allow a better distribution of visitor flows across seasons and sites.
6. Fishing activities have great importance for island economies, notably in ensuring sustainable livelihoods and food security. The Assembly reiterates its earlier concerns about overfishing leading to reduced stocks as expressed in its Recommendation 1558 (2002) on fisheries in Europe's semi-land-locked seas and Resolution 1283 (2002) on the preservation and management of fish stocks. In view of the steadily increasing demand for fish, the Assembly asks Council of Europe member states and in particular their island regions to further develop aquaculture along the lines of its Resolution 1208 (1999) on challenges, advantages and development of extensive aquaculture.
7. Investment needs in Europe's islands are, for the above-mentioned reasons, often greater than on the mainland. The Assembly in this context believes that certain areas of activity require particular attention by policy-makers and investors in order to consolidate island development and improve the quality of life in island societies. They include:

- i. **diversification of employment opportunities** through the development of the services sector (notably as regards quality tourism, for instance cultural and eco-tourism, as well as "tele-learning" and "tele-working");
- ii. **special support for the creation and growth of small and medium sized enterprises** by increasing their access to micro-credit facilities and business advisory services;
- iii. establishing, or strengthening as the case may be, **integrated territorial planning strategies** that promote respect for **core environmental protection principles** in all economic activities and urban planning. This is in consideration of the environmental uniqueness of many islands, forming as it does a central element of their identity and a key competitive advantage;
- iv. the development of **innovative systems for water, energy and waste management**, via pilot projects and increased recourse to renewable energy sources and waste recycling;
- v. **improving transport links** to the mainland and between islands (including enhanced safety and "multimodal" capacity of transport means), modernisation of ports and greater emphasis on public transport in islands;
- vi. **the use of special support measures**, including in taxation, in order to stimulate investment and island settlement;
- vii. more extensive use of EU structural and cohesion funds to enhance **investment in infrastructure**.

8. At a time when the enlarged European Union is undertaking a revision of the size of, and attribution criteria for, its structural and cohesion funds, the Assembly invites the European Union to consider the possibility of shaping an integrated Community policy for insular regions and of setting up a special financing facility or fund for boosting investment in island regions for the priority areas listed above, so as to offset their competitive disadvantages and improve their prospects for more harmonious development. The Assembly also calls on Council of Europe member states with island regions to support the proposals contained in this Resolution's paragraphs 5 to 8 and to draft national action plans for their implementation.

II. Explanatory Memorandum by Mr Hunault, Rapporteur

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1. INTRODUCTION

1. This report has its origin in a motion for a resolution (Doc. 9701) on "The need for an integrated policy for the development of Europe's islands. It was presented by Mr Pavlidis, a former member of the Assembly and a former Chairman of the Sub-Committee on Tourism Development, and several of his colleagues. In their motion, they stress the variety of challenges faced by the inhabitants of islands and island economies. While some European islands are confronted with the pressures of mass tourism, with all the associated advantages and drawbacks, others, especially small islands, are restricted to a subsistence economy or even a single type of activity and are heavily reliant on state subsidies and aid.

2. In addition to the specialised nature of economic activity and the lack of diversity in many island economies, there are also development constraints such as limited domestic markets, higher costs of transport and/or inadequate transport links with the mainland, as well as environmental vulnerability. While the political and administrative solutions that states have applied are also very diverse and usually depend on the varying degrees of autonomy enjoyed by these regions in relation to the central authorities, the motion points to the need to formulate and promote an integrated policy approach to the development of islands in the Council of Europe area.

3. The aim of this introductory memorandum is to describe some key factors that hinder or assist sustainable development on islands as concerns the economy, the preservation of the cultural and natural heritage, energy, telecommunications, waste management, regional planning, agriculture, transport, tourism and the like. It examines how islands may be assisted in overcoming the various obstacles they face, and draws the attention of European legislators and public to the subject as a guide to further measures.

4. The Rapporteur is grateful to his colleagues in the Committee on Economic Affairs and Development and its Sub-Committee on Tourism Development for comments and contributions, especially those presented during the Hearing on "Tourism as a factor for sustainable island development" held by the Sub-Committee on Tourism Development in Rhodes on 18 November 2004 at the invitation of the Greek Parliament and the Chairperson of the Greek delegation to the Parliamentary Assembly Mrs Elsa Papadimitriou, and with the active support and participation of Mr Pavlidis, currently Greek Minister for the Aegean and island policy. The Rapporteur also carried out a fact-finding visit to the Faroe Islands (7-9 December 2004) for the purposes of this report.

5. The Rapporteur has been greatly helped in his work by the preceding efforts of many of his Assembly colleagues. Thus, already in 1985, the Assembly adopted Recommendation 1002 on Island Farming and the Problems of Agriculture in Small Islands (Rapporteur: Mr Corrie; Doc. 5324). Committee member Mr Turini has highlighted the challenges to economic co-operation in the Mediterranean region, including its islands (Doc. 8348). Mrs Stepova, also of the Economic committee, took up the issue of quality tourism development in Europe, including its islands, in what became the Assembly's resolutions 1148 (1998) and 1285 (2002) (Doc. 7976 and Doc. 9461). More recently, Mr Rigoni focused on the erosion problem affecting the Mediterranean coastlines (Doc. 9981 and Recommendation 1630 (2003)). Finally, the Rapporteur has also been inspired by work done within the European Union, the United Nations and various conferences on the subject. They reflect a growing awareness in Europe that islands can no longer be treated as marginal in the national and European debate.

2. THE SPECIFICITY OF ISLAND ECONOMIES

6. Europe's islands are home to over 14 million people, if island-states are excluded, or over 78 million if they are included. Islands are to be found in every European sea. Most of Europe's inhabited islands are in EU member states, although some of them are not subject to EU legislation (including the British Channel Islands, Denmark's Faeroe Islands and Greenland) or have the status of associated territories (this applies to a number of remote British, French, Dutch and Danish islands). In the case of some European countries with many islands, such as Greece, Italy and Spain, these constitute up to 20% of their territory and house up to 12% of their population. A few countries, such as Cyprus, Ireland, Iceland, Malta and the United Kingdom are themselves islands. Geographically, Europe's islands can be grouped into three main zones: the North European, the Mediterranean and those of the "ultra-periphery" (such as Madeira, the Azores, the Canary Islands, the French Overseas Departments, etc.). The Rapporteur's natural focus is of course Europe's *inhabited* islands.

Common characteristics

7. Needless to say, the notion of 'island' is a very wide one, ranging from tiny islets - inhabited or not - all the way to islands the size of say, British Isles, Sardinia, Corsica, Crete, Novaya Zemlya or Greenland. Similarly, the problems of islands vary widely according to such factors as their geographical location; their proximity or remoteness from the mainland or from economic centres; climate; attractiveness from the point of view of tourism; size of population; or prospects for agriculture and fisheries or the overall level of development. Common to the large majority of islands is, precisely, their insularity, as well as the fact that they tend to be forgotten in the national, and too often also international, debate.

8. *Eurostat*, the statistical arm of the EU, for its part defines islands as "territories permanently surrounded by sea, with no fixed link with the mainland and which do not contain a capital of a member state". Such a definition cannot, however, be used in this report, since that would exclude some Council of Europe member countries that are island states. The Rapporteur has therefore opted for a broader definition of islands, considering them as land surrounded by water.

9. A first step by Europe's islands to gain increased political recognition and to find solutions to shared problems was taken in 1973, with the founding, in Saint-Malo, of the Conference of Peripheral Maritime Regions of Europe (CPMR)¹, and in 1981, as representatives of islands from all over the continent held their first Conference of European Island Regions in Tenerife (Spain) under the auspices of the Council of Europe. The movement gathered pace over the ensuing years, and found its perhaps strongest expression in the so-called Minorca Commitments adopted at the European Conference of Sustainable Island Development held in Minorca, Spain, in April 1997. The Commitments "recognise the significance of socio-economic development and human well-being for the people of our islands and shall give to these goals the highest priority".

10. The text goes on to state that the people of Europe's islands "should be at the centre of our concern and that they are entitled to a healthy and productive life in harmony with their tradition, identities and their environment". The Conference participants also said they were "convinced that as peripheral and isolated entities, the barriers to be confronted for implementing real patterns of sustainable progress are higher than for continental areas, and that only by joining efforts, we shall overcome the obstacles which still condition our islands' present". The Rapporteur very much agrees.

11. At EU level, it was first in 1988 that the European Council meeting in Rhodes referred to the special socio-economic constraints faced by island regions. There followed the Maastricht Treaty in 1992 (Article 154) and the Amsterdam Treaty in 1997 (Articles 158 and 299), in which the need to "link island, landlocked and peripheral regions with the central regions of the Community" was recognised, as was that of promoting development with a view to reducing disparities between the various regions (including the least favoured regions or islands) and to take into account the special characteristics and constraints ("permanent structural handicaps") of insular regions, without therefore undermining the coherence of the Community legal order. Finally, the EU Constitutional Treaty reaffirms the specific development needs in islands.

12. Although the focus of this report is on Europe's islands, the tsunami disaster that devastated large regions in and around the Indian Ocean on 26 December 2004 leaves no-one indifferent. The Rapporteur expresses his profound grief over the thousands of victims and his sympathy with their families. The catastrophe illustrated the vulnerability of coastal regions and islands and also brought home the message that many lives could have been saved if an early warning system, comparable to those already in operation in the Mediterranean and the Pacific, had been in place.

13. The Rapporteur therefore strongly supports the call made by the United Nations International Meeting on the Sustainable Development of Small Island Developing States (SIDS), held in Mauritius in early January 2005, to assist in the equipping of small island states to confront new natural disasters – such as hurricanes, cyclones, storms and earthquakes. Europe should also review its early warning capacities and ensure that no weak links subsist. Moreover, European countries must pursue over the longer term their so far impressive assistance to the Asian countries concerned in their post-disaster reconstruction efforts.

¹ This organisation nowadays includes 149 regions from 27 states. In 1980, it set up a separate Islands Commission.

2.a. Advantages

14. Islands, as peripheral and often isolated regions, do not follow the traditional development patterns. Limited local resources and more or less developed connections with the mainland have determined their economic specialisations. Maritime activities have established some islands as hubs along trading routes and hence the providers of shipping services. With the advent of mass aviation, tourism has become important for many islands. Many islands, especially in the Mediterranean, share common features, in that their service and tourist industries have grown tremendously in recent years.

15. Many such islands have given up the bulk of their traditional primary sector activities more or less wholesale, not only because they are less competitive for reasons of insularity or scale (to be discussed in the next chapter), but also because of the allure of tourism. Lest islands fall into the trap of having tourism hurt rather than assist balanced development, it is essential that they think hard about how to shape it in order to preserve the often exceptional beauty of their landscapes.

16. Over the last thirty years the Mediterranean has become the most popular tourist destination in the world. Some four-fifths of Mediterranean tourism is concentrated to the north-western part of the Mediterranean. Some islands have, as a result, experienced very rapid economic growth. However, some have become so over-used in the process as to be virtually disfigured by reckless urbanisation, and eventually abandoned by many tourists. On the other hand, the behaviour of some tourists has been known to even create tensions between island inhabitants and visitors. Many such islands now realise the mistakes of the past and try to promote more balanced development.

17. It is essential to preserve the cultural heritage of islands, often unique to each one of them. Island cultures have been shaped over centuries if not millennia and it must be ensured that tourism can help maintain, or even revive, this heritage, rather than damage it. Island tourism must therefore be developed in consultation with local population. Income from tourism should benefit island municipalities and serve new investment in infrastructure - roads, modern communications, medical facilities and schools - that will make islands more attractive to visitors and to inhabitants alike. Preserving and correctly using the riches of islands will lay the foundation for enhanced prosperity in the future.

2.b. Problems and challenges

18. Although social, economic, climatic and other conditions vary widely among islands, they are on the whole less favourable than those on the mainland. Unemployment tends to be from 1.5 to 4 times higher, incomes are lower, infrastructure is costlier and the gross domestic product of islands within the European Union, for example, is only at around two-thirds of national averages.

19. Many islands suffer from *limited supplies of many resources* such as drinking water, energy, raw materials, living space and arable land. There is often a shortage of skilled labour due to seasonal migratory flows or depopulation. Investment may be insufficient and means of transportation poor. Most islands rely excessively on a single type of economic activity. This lack of diversity accentuates the vulnerability of island economies to technological change and fluctuations in economic conditions.

20. The *transport* of basic necessities is cumbersome and costly over water. Whereas in earlier times water provided the superior means of transport, today land and air transport is easier for most products that the economy demands. This has affected the mobility of the island population and leads to a further worsening of the competitive situation of islands. Major efforts have to be undertaken to lower the cost of transport and increase the frequency of service. However, many islands are so small and scattered that investments do not pay off. Weather conditions, particularly changeable around islands, add to the problem.

21. *Agriculture* on islands faces particular problems. The percentage of island populations employed in agriculture is roughly three times as high as on the main land. This would not have been a major problem if Europe had not suffered from excess production of food, rendering the competitive situation of island agriculture vis-à-vis agriculture elsewhere even more precarious. Again, it is the transport to islands of agricultural inputs - and that from them to the mainland of commodities for processing and marketing - that adds to the competitive disadvantage.

22. Part-time farming can be something of a rescue provided it can be combined with, say, employment in tourism, the crafts or trade. In this context, "green tourism", including the "holiday on the farm" concept, has already proven very helpful in many islands, by raising farmers' income, boosting local infrastructure investments and employment. This is also one way of making better use of islands' natural riches, fostering insular development and diversifying economic activities.

23. However, tourism sometimes has to be 'tempered', lest it do islands harm. Careless tourism development has been shown to consume the natural beauty of islands with particular severity. Man-provoked *fires* have destroyed many forests - particularly vulnerable on islands because limited in size - as well as crops. *Erosion of coastlines and soil* is a further related problem. In the Mediterranean, for instance, mass tourism may not only disfigure the landscape but also reduce the ground water level, allowing sea water to penetrate the soil and harm agriculture. *Water management* is of particular importance as farming, cities and tourist facilities in islands engage in fiercer competition for water than on the mainland. Excessive water use by agriculture and tourism will endanger long-term supply to both sectors. These circumstances call for responsible public and private management of water resources, wastewater treatment and, where applicable, desalination of sea or ground water.

24. Income from tourism often bypasses islanders to the exclusive benefit of absentee investors. There are examples of islands which, because they have been overbuilt and *overexploited*, have lost their attraction for tourists, leaving only 'ghost villages', heaps of rubbish and a deformed landscape behind for the inhabitants.

25. Sometimes international law comes to the aid of islanders. For instance, the 1982 United Nations Convention on the Law of the Sea awards coastal states the right to exploit marine resources within a 200-mile (360 km) zone, known as the Exclusive Economic Zone. This has opened up new opportunities for especially the *fisheries sector*, which on many islands is an important provider of jobs and a major economic activity together with agriculture and tourism.

26. However, the islands' fisheries sector has been considerably weakened by the EU's quota system, higher operating costs that weigh on the profits and stiffening international competition. Some islands suffer from the consequences of *over-fishing*. This is both a world-wide and European phenomenon. The EU common fisheries policy, with its quotas for fishermen from other countries, has contributed to a situation where everybody tries to go beyond their assigned quotas. This has led to a depletion of stocks or at least great difficulties in maintaining them. This has been a major reason why countries such as Norway and Iceland and the Faeroe Islands of Denmark, keen on preserving their fisheries resources, have not joined the EU. Depletion of or disagreements over the fish stocks, for whatever reason, contribute both to a decline of the fishing sector and to a general weakening of island economies.

27. The large majority of Europe's islands can be labelled small². The challenges they face - regarding fresh water and energy supply, fisheries, agriculture, environment protection, coastal zone management, transport and communication, waste disposal, forestry, wild life and tourism - are even more acute. Some countries, such as Sweden, have recognised the specific problems of

² UNESCO's "Man and the Biosphere" programme considers an island "small" when its area is less than 10,000 square kilometres and its population is under 500,000.

small islands by designing island-archipelago support schemes. Grants or loans for investments in farming, fishing, crafts and services are reserved for such regions, under the administration of local or regional authorities. Sometimes the islands link up with adjacent areas on the mainland.

28. Smaller islands face particular problems as regards *fresh water*. As many islands lack fresh ground water, constraint on water supplies may be important. For instance, the ground under Malta is porous limestone, causing rainfall and ground water to run off into the sea. For the main tourist season, which coincides with the dry summer period, some 10 million cubic metres of seawater have to be desalinated and treated in plants which are extremely expensive to operate. Islands such as Elba in Italy and Nueva Tabarca in Spain have solved the problem by linking up to the mainland water supply via pipelines under the sea. Some smaller Greek islands are provisioned by tankers.

29. *Energy supply* on small islands has often depended on innovative approaches. It is particularly important for them to achieve the highest possible energy efficiency through advanced technology. Combined water-plus-energy projects may help balance the energy needs of smaller islands, while favouring both development and the environment. Apart from having several islands share the same electricity power lines, other energy sources - such as clean and renewable solar, wind or geothermal energy - could offer solutions as well as new employment.

30. *Waste disposal* and recycling may be particularly complicated and costly for small island economies. Again, modern technologies and innovative approaches open up new possibilities. It is in this context particularly important to promote the so-called clean technologies, whereby the quantities of waste produced can be significantly diminished, and encourage recycling of waste for a subsequent re-use as raw materials.

3. TOWARDS A SHARED OBJECTIVE OF SUSTAINABLE DEVELOPMENT

31. It is now widely accepted that islands form a special category worthy of distinctive treatment³. For reasons of scale, specialisation and isolation, island development is highly dependent on a rational use of local resources and extensive links with the outside world. In this context, sustainable island development represents a strategy for integrating islands in European and global markets through preserving local identities and maintaining a balance between economic efficiency, social equity and environmental conservation.

32. Whereas in earlier days island development tended to disregard the value of environment protection, today the approach is different. Coupled with the concern for economic development as such is that of protecting or restoring the environment. It is increasingly recognised that a lasting and meaningful improvement in the well-being of islanders can only be achieved by developing human and natural resources together, or, in other words, through a policy of *integrated territorial planning*.

33. At EU level, this strategy is seen as particularly important for the management of coastal zones and hence highly relevant in the island context. It aims to provide for a better coordination of EU policies and regional planning in coastal zones; to enhance the services sector, especially as regards access to modern technologies; to promote innovative approaches to the development of tourist sites; and to expand pro-employment programmes, notably for the young generation.

³ At EU level, this was first expressed in the Maastricht and Amsterdam Treaties and subsequently in the Conclusions of the Presidency at the Nice Summit.

3.a. Fostering investment levels

34. Sustainable development in Europe's island regions must start by recognising their strengths on the one hand and their limitations on the other, enabling them to achieve balanced and dynamic development. Investment needs there are as great, if not greater, as on the mainland. Six broad areas of action require supplementary investment in order to consolidate island development and to improve the quality of life in island societies:

- diversification of local economies through support to small and medium sized enterprises (such as through increased access to micro-credit facilities and business advisory services);
- specific aid to traditional sectors (agriculture and fisheries) and modernisation of transport links;
- emphasis on the development of services' sector, with special attention to quality tourism development, tele-learning and tele-working;
- establishing – or strengthening – integrated territorial planning strategies;
- implementing policy measures for the preservation of natural resources and coastal areas; and
- move towards increased use of renewable energy sources and waste recycling technologies.

3.b. The need for harmonised support measures

35. The reader will now have discovered how difficult it is to put all islands into one, or even many, baskets. For that, islands are each much too unique. The diversity of Europe's islands and their conditions makes it likely that no such thing as a "common European islands policy" may be within reach, or perhaps even be desirable. However, just as islands can learn from one another's experiences, countries with islands can learn from each other and adapt their national development and other policies to the specific concerns of islanders.

36. The European Union can provide valuable assistance in these matters, not least through its MEDA projects in the Mediterranean, the structural and regional funds destined to help underprivileged regions, the Common Agricultural Policy and special programmes in favour of the outermost regions. The true integration of island regions into the EU's Internal Market should be guaranteed under equal conditions, which may imply preferential treatment when circumstances so require.

37. From an administrative viewpoint, EU island regions present a highly heterogeneous picture. Several islands are *island-states* (such as Cyprus, Ireland, Malta or the United Kingdom). At least seven island regions enjoy a *system of home rule with legislative powers* (Sicily, Sardinia, Balearic Islands, Canary Islands, Madeira, Azores and Åland). Seven others benefit from a *special regime under central authorities* (French overseas departments or 'DOM'; Corsica, Orkney and Shetland); while most others *constitute regional authorities of their own* on account of their island status. A number of European islands belonging to Denmark (the Faeroe Islands and Greenland) and the United Kingdom (the Channel Islands and the Isle of Man) have opted not to be part of the EU over reservations regarding fisheries, taxation or regional autonomy. Several EU member states have thus negotiated special provisions for some of their islands (this holds for a number of French 'DOMs', the British Channel Islands and the Isle of Man, the Danish Faeroe Islands and Greenland, the Spanish Canary Islands, the Portuguese Madeira and Azores, as well as the Finnish Åland Archipelago).

38. 'One size fits all' EU directives and regulations may therefore not always be appropriate in an island context and hence be difficult to implement or have undesired side effects. Although it is unlikely that all Community measures will be able to systematically take into account the interests of remote or vulnerable areas such as islands, a more coordinated implementation of these measures could help local authorities to identify problem areas and seek special solutions. However,

promoting sustainable and balanced island development calls for more than just reactive measures. Some sort of EU framework strategy for island development would be most welcome, not least since positive experiences of island-scale measures could subsequently be extended to other – mainland – regions.

4. EUROPEAN INITIATIVES IN FAVOUR OF ISLAND DEVELOPMENT

4.a. Measures to boost investment:

i. Developing networks and free trade zones

39. The development of networks between islands is the expression of growing political determination on the part of governments. In the early 1980s, the Conference of Peripheral Maritime Regions - a regional lobby group involving an increasing number of islands - set up a so-called Islands Commission covering all the EU island regions plus the Isle of Man. The Islands Commission has established links with many other bodies in this field. There are the Islands Intergroup of the European Parliament; the Conference of European Islands Chambers of Commerce, the EURISLES (European Islands System of Links and Exchanges), which gathers and disseminates statistical data about islands; the ISLENET, for the exchange of information on energy management, and Insula, for technical co-operation, networking and training.

40. Whereas the Islands Commission groups all islands in the EU area, there are several parallel networks uniting island regions close to each other. They include the IMEDOC among the some Mediterranean Islands (the Balearics, Corsica and Sardinia); and the B7 (Baltic Seven) group involving Gotland, Åland, Bornholm, Saaremaa, Hiiumaa, Rügen and Öland. There is also the alliance of "ultra-peripheral regions", including the Azores, Madeira, the Canary Islands, Martinique, Guadeloupe, la Réunion and French Guyana (though it is not an island).

41. Adopting a free trade zone status may be an attractive solution for some islands. One successful example is the Portuguese Madeira Archipelago, a traditional tourist destination but also the fastest growing region of Portugal and in the whole EU. Thanks to favourable economic conditions, including low taxation and simplified regulations, Madeira has received substantial foreign investment. Its International Business Centre is the main tool for stimulating investment, regarded by the OECD as a model to follow. Without necessarily adopting a free trade zone status, some islands can take advantage of special corporate taxes or fiscal incentives for investment (such as in the French overseas departments).

ii. Specific tax regimes

42. In some countries islands benefit from special tax regimes, such as lower VAT (Madera, the Azores, Martinique, Guadalupe, La Réunion, some Greek islands and, for certain products, Corsica) and social contributions (Corsica), reduced excise rates on fuel (Azores), tariff exemptions for imports of sensitive products (the Canaries) and other derogatory measures (allowing for instance the island authorities to retain a major share of local tax inflows in Sardinia, Madera, the Azores, the Canaries, the Balearics, etc.) or perceive additional revenues from royalties on the exploitation of nearby oil fields (the Orkney and the Shetland islands) and state aids.

43. In others, some islands are in a very special position indeed. For example, the British Channel Islands and the Isle of Man enjoy a substantial degree of autonomy and an exclusive competence in fiscal and internal matters, described by the Royal Commission on the Constitution as "in some respects like miniature states with wide powers of self-government". They are dependent territories of the crown ("British possessions" but not "colonies"), but they are not part of the United Kingdom, whose government is solely responsible for the Channel Islands as regards international affairs and defence.

44. When the United Kingdom joined the European Union in 1973, the islands opted to stay outside. Under the specific provisions of the accession of the UK to the European Union, the communities' rules and custom matters and qualitative restrictions apply to the islands as they do to the United Kingdom, but the clauses on the free movement of persons, services and capital as well as tax harmonisation measures, do not cover them. The Channel Islands and the Isle of Man are of course very special cases, whose status emanate from their particular history. However, they illustrate that insularity can sometimes force about special treatment, as the French example of Corsica also shows.

iii. EU financial aid

45. Islands belonging to the EU can be said to be relatively privileged in the sense that, in addition to national funds, many of them (representing about 90% of island populations) are entitled to receive supplementary aid under the EU's regional policy. Thus, over the period from 1994 to 1999, about €12 billion in structural funds were allocated to EU insular regions (or close to 8% of the total). Provisions for the use of structural funds in the 2000-2006 period exclude some of the islands that have managed to boost their economies beyond the eligibility threshold, while adding new ones along with EU enlargement. In fact, only about 8-9 island regions⁴ out of twenty-four may qualify for structural funds following the enlargement. Thus, even if overall Community assistance has contributed to spectacular improvement in the level of infrastructures on many islands so far, numerous 'permanent structural handicaps' may require continued assistance.

46. At the time when this report is being finalised, the European Union is considering the adjustments in the size and attribution criteria for the post-enlargement use of structural funds. This is therefore the right moment to ponder the allocation of specific financing for boosting investment in island regions, in line with Community legislation recognising "permanent structural handicaps" of these regions and in order to enable them to compete with mainland regions on an equal footing. A special investment fund could be created to finance selected infrastructure projects that form part of integrated territorial planning objectives (including waste treatment, renewable energy and heritage protection facilities) and measures destined to enhance diversification and offset the disadvantages of isolation of insular economies.

4.b. Underpinning the shared objective in sub-sectors:

i. Assistance to the tourism sector

47. Tourism can be an important ally of sustainable island development, but may also mortgage or overstretch island resources. Vulnerable island environments require rational solutions and policies for balanced, quality-oriented tourism that preserves authenticity, local traditions and heritage, as well as the interests of both local populations and visitors. The emphasis has to be on preventive planning, improved services, the rehabilitation of sites where needed, and the diversification of tourism offers, as was pointed out in the Assembly's Resolution 1285 (2002) on "Tapping Europe's tourism potential" and during the hearing on "Tourism as a factor for sustainable island development", held in Rhodes on 18 November 2004. Such an approach would not only help attract more visitors but would also encourage them to return.

48. So-called mass tourism can be an acceptable option for some islands, provided that local populations agree and the 'carrying capacity' of individual islands is well determined and respected. Special efforts are, however, needed to ensure adequate management of water resources, waste treatment and energy supplies (as far as possible from renewable sources – such as solar and aeolian power so abundant in the Mediterranean) during seasonal peaks. We should also strive to encourage and incite a more even spread of tourist activities across sites and seasons.

⁴ Notably, Martinique, Guadalupe, Reunion, Madeira, the Azores, the North Aegean islands, Saaremaa, Hiiumaa and eventually Gozo.

49. European island resorts have developed with particular speed in recent decades. They are estimated to host over 40 million tourists each year and they play a leading role in local economies in some two-thirds of European islands (where tourism receipts may account for more than a half of local GDP). To uphold these trends, welcome facilities will need to be improved in many areas. Since many European islands fall into a category of the outermost regions or regions where the per capita income is below 75% of the Community average, they are eligible for structural funds support to development programmes⁵, including in the tourism sector. More extensive recourse to these funds should be encouraged in order to upgrade island tourism infrastructure in line with quality development principles.

50. Modern technologies offer a host of new opportunities for the islands' tourism sector. Not only do many islands or island groups already have Internet web-sites, but tourists can plan their visits down to the last detail from their homes, including hotel reservations and sightseeing. Thus, for example, the Balearic Islands authorities co-ordinate several projects co-funded by the European Union to establish continent-wide networks for the development of tourism and tourism-related culture. This service also aims to promote small and medium-sized enterprises in the tourism sector.

ii. Help to insular populations

51. The globalisation of the world economy means, on the one hand, greater competition among regions - and here islands could be expected to suffer even more than in the past - and, on the other, new means of telecommunication overcoming distance, which can benefit islands, notably in boosting their services sector. New technologies should be considered as a broad basis for initiatives to further sustainable island development. Fostering interconnections and sub-marine cable networks for data transfers, electricity systems, communications and access to the Internet (notably for tele-learning, tele-training and tele-working) should be considered vital.

52. Distances matter less and less, except for that part of work which necessitates face-to-face social exchange. That is the main remaining reason why companies or organisations still have offices in one place. Some companies even forego offices, with employees working from their homes and only meeting up from time to time to preserve social and psychological cohesion. We are definitely into the era of knowledge economies. Regions, including islands, will in this situation be able to attract people through the quality of life they offer, including the natural environment, through the means of communication and, to some extent, transport they can provide.

53. Although most of Europe's bigger islands are relatively well interconnected with mainland hubs by air, inter-island transport - of both people and goods - is often insufficient, including from the environmental point of view. As boat traffic can only be expected to grow in future, additional investment is needed to raise the safety of fleets and ports and ensure their modernisation. In this context, recourse to the EU structural and cohesion funds is important.

5. CONCLUDING REMARKS

54. Sustainable development on islands will only take place if there is public and private support to supplement the enthusiasm of islanders. National and, where applicable, international institutions have to engage in coherent, long-term, and indeed visionary planning. Islands can serve as pilot projects for innovative approaches to integrated regional development throughout the Council of Europe area. All of this is all the more necessary to counter worrying demographic trends, as many young people in search of higher education and employment are leaving many less fortunate islands in great numbers.

⁵ In addition, Greece, Portugal, Ireland and Spain receive assistance for environmental and transport projects from the EU Cohesion Fund. Following EU enlargement, new countries, including Malta and Cyprus, should be added to this list.

55. The Rapporteur believes that the development and integrated territorial planning in Europe's islands could naturally build on the concept of integrated management of coastal areas while taking into account additional, island-specific development constraints – such as limited resources and accessibility. It is worthwhile in this context to recall a number of relevant Council of Europe texts, including the '*Guiding Principles for sustainable spatial development of the European Continent*' (Recommendation (2002) 1 of the Committee of Ministers), the '*Model Law on Sustainable Management of Coastal Zones*' and the '*European Code of Conduct for Coastal Zones*'. There is also the initiative by the World Tourism Organisation for an International Network on the Sustainable Development of Coastal Tourism Destinations⁶, which offers wide-ranging practical support to public authorities and private entities concerned.

56. Although European island regions differ considerably in terms of size, geographical location and the level of economic development, the following policy areas are of common significance for their sustainable development and should be considered as priorities for investment:

- diversifying employment opportunities through the development of the services sector (notably as regards quality tourism, for instance cultural and eco-tourism, as well as tele-learning and tele-working);
- systematic efforts to respect core environmental protection principles in all economic activities and urban planning. This is in consideration of many islands' environmental uniqueness, which forms a central element of their identity and a key competitive advantage;
- experimenting innovative systems for water, energy and waste management via pilot projects;
- improving transport links to the mainland and between islands (including enhanced safety and multimodal capacity), modernisation of ports and greater emphasis on public transport in islands;
- supporting the creation and growth of small and medium sized businesses;
- specific support measures, including on taxation, to stimulate investment;
- more extensive use, as appropriate, of EU structural and cohesion funds in order to enhance investment in infrastructure.

57. There is now a wide consensus that the management of an island space requires special policies and instruments. A number of European states have set up separate administrative structures for dealing with their island regions and provide for a broad range of fiscal incentives to offset 'permanent structural handicaps'. However, because many European islands are subject to an increasing amount of EU regulations that do not always take their unique circumstances into account, they should be encouraged to pursue common action with regard to EU bodies. The EU should put in place an integrated policy for insular regions and a corresponding administrative structure for the coordination of its action in this field.

58. Sustainable island development is a challenge. Exceptional natural landscapes offer vast opportunities for island development, notably in the tourist sector. However, islands are also confronted with aging populations and a punishing economic isolation. It is therefore necessary to promote specific measures for more balanced island development. Special programmes and fiscal incentives, as well as recourse to modern technologies to encourage 'tele-working', should be extended so as to cover essential educational services, training and communication networks.

⁶ For more information on this network the reader is referred to its website : [http:// www.omt.uned.es](http://www.omt.uned.es) .

59. In conclusion, as we set about to reduce the isolation of Europe's islands through improved transport links, promote measures to foster investment, diversify tourist activities and preserve landscapes, we will also have to achieve better policy co-ordination – among international institutions, national authorities and regional governments – in favour of such a balanced island development.

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N.B. The names of the members who took part in the meeting appear in bold.

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