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COMMUNICATION FROM THE COMMISSION

**The outermost regions of the European Union: towards a partnership for smart,
sustainable and inclusive growth**

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1. INTRODUCTION

The present Communication sets out how the Commission plans to work in partnership with the outermost regions¹ (OR) for smart, sustainable and inclusive growth. The Council² has stressed that the Europe 2020 Strategy with its three main priorities, namely, developing an economy based on knowledge and innovation, promoting a more resource efficient, greener and more competitive economy and fostering a high-employment economy, and delivering social and territorial cohesion, should be fully applied in the outermost regions taking into account their special characteristics and constraints. The Council recognised "the need for a balance between measures to offset the specific and permanent constraints of the outermost regions on one hand and those that aim to promote their advantages and opportunities on the other".

The aim is to help the OR become more self-reliant, economically more robust and better able to create sustainable jobs, by capitalising on the unique assets they possess and their added value for the EU. As recognised in Article 349 of the TFEU, important constraints will always remain, such as remoteness from continental Europe. However a concerted effort to reform, modernise and diversify their economies - which have been heavily affected by the global economic and financial crisis - will be the best way to ensure a more prosperous future for the OR.

Each OR is different and distinctive ways forward need to be designed for each one. The renewed strategy set out here outlines opportunities for all outermost regions, but each region will need to design its own path to greater prosperity, according to its specific characteristics.

While some specific OR support instruments have shown their value, OR are sometimes best supported by adaptations of EU rules or by taking into account their specific needs at the moment of implementation. This strategy seeks to demonstrate how the OR can find their place in the many initiatives that are supporting delivery of Europe 2020, with much more comprehensive attention to the situation of the OR across the European policy spectrum than seen in the past.

Unique assets and added value

¹ According to Articles 349 and 355(1) of the Treaty on the Functioning of the European Union (TFEU), as modified by the European Council Decision of 29.10.2010 amending the status of Saint-Barthélemy, there are eight "outermost regions" of the EU: the four French overseas departments and regions (Guadeloupe, French Guiana, Martinique, Réunion) and one overseas collectivity (Saint Martin); the two Portuguese autonomous regions (the Azores and Madeira); one Spanish Autonomous Community (the Canary Islands). Under Art. 355(6) TFEU, France has made a formal request to the European Council to change the EU status of Mayotte, currently among the overseas countries and territories, to become an OR from January 2014.

² 3023rd FOREIGN AFFAIRS Council meeting, 14 June 2010.

Any strategy for the OR must recognise their value for the EU as a whole. Their geostrategic locations mean they serve as ambassadors for the EU in the Atlantic, the Caribbean and the Indian Ocean, with the potential to benefit the EU through their relations with their neighbours and to spread EU influence in their regions. Despite their handicaps, the OR possess many potential drivers of growth based on their specific characteristics. They account for over half of the exclusive economic zone (EEZ) of the EU, with a potential reserve of marine resources measuring close to 15 million km². This represents a unique deep-sea laboratory for EU exploration in fields such as food security, climate action, energy and biotechnology. It is also an asset in terms of tourism based on an exceptional natural and cultural environment. Their locations create major opportunities for development of space, astrophysics and satellite activities for the EU. The OR host a unique diversity of species and ecosystems of crucial importance for biodiversity at a global scale. The OR, together with the overseas countries and territories, have more endemic animal and plant species than continental Europe as a whole, including more than 20% of the world's coral reefs and lagoons. Their biodiversity offers potential in the areas of health, biomedicine and bio-pharmacy, cosmetics and many other sectors such as materials for eco-construction and wood. The conditions exist in different regions to develop renewable sources of energy from bio-fuels to wind, solar, geothermal or photovoltaic. In terms of human capital, the OR have a better educated and skilled workforce, public services, and more advanced know-how than their neighbours giving them the possibility to sell services and expertise in high added value sectors.

The principles underpinning the proposed partnership for growth are to:

- support the OR in exploiting all opportunities for smart, sustainable and inclusive growth based on their assets and endogenous potential;
- ensure that European policy frameworks contribute to reducing obstacles specific to the OR' full integration into the single market; and
- increase recognition of the OR as an asset to all, and of the need to take their specificities and constraints into account.

Action to support the OR requires partnership between EU, national and regional authorities. Strong commitment to action is required at all these levels. The OR themselves have a responsibility to seize the opportunities available to them.

2. DEVELOPMENTS IN THE EUROPEAN STRATEGY FOR THE OUTERMOST REGIONS

Since 1999, the EU has formally recognised the geographical and economic specificity of the OR: remoteness, insularity, small size, topography, climate, and economic dependence on a small number of products, which severely restrain development (Article 349 TFEU), and make it difficult for the OR to reap the benefits of the single market.

Since 2004, the Commission has set OR-related actions within a framework based on three axes³: improving accessibility; improving competitiveness; and promoting regional integration in neighbouring regions. Since 2008⁴, it has focused on making the most of the OR' unique assets.

The OR themselves⁵, supported by their respective Member States⁶, as well as the Council and the European Parliament⁷ have contributed to reflection on how to improve economic performance. In 2011 Pedro Solbes delivered a report entitled "*Europe's Outermost Regions and the single market: the EU's influence in the world*"⁸, which underlines the need for a better integration of the OR both in a deepened and consolidated single market and in their immediate neighbourhood, building in particular on the external dimension of the single market.

A study entitled "**Growth Factors in the OR**"⁹ launched by the Commission recognized the OR' structural constraints, but underlined the opportunities for economic growth. The study also pointed to the differences among the OR and to the need for different measures adapted to address the particular challenges each OR faces. It concluded that to strengthen traditional sectors like agriculture, greater product differentiation and specialisation is essential. Sustainable tourism has significant potential in most OR. The study identified emerging sectors based on the OR' assets including biodiversity and marine ecosystems, potential for producing renewable energy, advanced agro-environmental or climate research, astrophysics and aerospace science.

Another study "Demographic and migration trends in the OR: impact on economic, social and territorial cohesion"¹⁰ also stresses the ORs' potential but points to challenges in meeting educational, employment and environmental goals.

The EU's renewed strategy for the OR should build on these elements.

³ COM(2004) 343, 26.5.2004; COM(2004) 543, 6.8.2004

⁴ Communication from the Commission: The outermost regions: an asset for Europe (COM (2008) 642 final, 17.10.2008).

⁵ Joint Memorandum, of the Outermost Regions: From now until 2020, 14th October 2009.

⁶ Memorandum, of Spain, France, Portugal and the Outermost Regions: A renewed vision of the European Strategy for outermost regions, 7 May 2010.

⁷ Report of the European Parliament on "The role of Cohesion Policy in the outermost regions of the European Union in the context of EU 2020", 18 April 2012 (rapporteur Nuno Teixeira)

⁸ Commissioner Barnier asked former Minister of Agriculture and of Economy and Finance of Spain and former European Commissioner, Pedro Solbes Mira, to undertake a study on the place of the OR within the single market
http://ec.europa.eu/internal_market/outermost_regions/index_en.htm

⁹ Carried out by Iseri Europa, commissioned by the Commission in 2009, delivered in March 2011

¹⁰ Carried out by the "Institut National d'Études Démographiques" (INED), commissioned by the Commission, and delivered in May 2012.

3. AXES OF THE RENEWED EU STRATEGY

While the existing framework for policy towards the OR remains valid, it needs to be updated and adapted in the light of Europe 2020. This means greater emphasis on creating jobs and growth, and a comprehensive approach to climate action. The axes are the following:

- I. Improving **accessibility** to the single market. Accessibility means transport, but also transfer of knowledge and the implementation, at reasonable cost, of new technologies for information and communication.
- II. Increasing **competitiveness** through modernisation and diversification of OR economies, investment and innovation in sectors of high growth potential and/or of high added value (traditional and emerging ones), affordable and sustainable energy supply as well as and support to development of the private sector (mainly, SMEs and micro enterprises), and to innovation in new products and services.
- III. Strengthening **regional integration** within the ORs' respective geographic zones to expand the EU's sphere of socio-economic and cultural influence through the OR and to foster greater trade and sharing of knowledge. The OR are outposts of the EU in their respective regions, and the EU benefits from their close relations with the overseas countries and territories¹¹, third countries such as key emerging nations (i.e. Brazil or South Africa), developing countries as well as developed countries with which they share historical and cultural links.
- IV. Reinforcing the **social dimension** of the OR development, including through measures for employment creation, enhancing skills and educational attainment, reducing early school leaving, increasing the number of tertiary education graduates, fighting poverty, improving access to healthcare and improving social inclusion.
- V. Mainstreaming **climate change action** into all relevant policies. Appropriate action will be taken for adaptation and mitigation measures.

The proposals for the future in the next section each have a positive impact on the above axes.

¹¹ Overseas countries and territories referred to in Articles 198 and 355(2) of the TFEU. Special attention shall be given to the future Council Decision on the Association of the Overseas Countries and Territories with the EU and in particular its provisions relating to the regional cooperation and integration of these territories.

4. PROPOSALS FOR THE FUTURE

The measures outlined in this communication need to be delivered in partnership. The Member States and regional authorities concerned should maintain strong commitment to maximising the potential of each outermost region and ensure that national rules and practices are adapted where necessary to reflect the OR' needs. The OR themselves should continue to develop their capacity to participate in competitive tenders under EU programmes.

In line with the Council conclusions of June 2010, the Commission will ensure that, where appropriate, the OR dimension is taken into account in impact assessments and other preparations for new policy initiatives.

The Commission will reinforce the visibility of the OR in its communication policy, and will continue exchanges and temporary secondment of officials between the OR and the European institutions.

4.1. Internal dimension

1) Cohesion policy

Cohesion policy is the principal EU instrument to deliver Europe 2020, providing the greatest concentration of EU investment funds to create jobs and growth. In the OR, cohesion policy will support investments in smart, sustainable and inclusive growth. The emphasis will be on investment to permanently reduce disparities with the rest of the EU. The thematic concentration of funds foreseen in the proposed reform of cohesion policy will help in particular to ensure significant funding is available to support innovation in its widest sense; to promote modernisation and diversification of the economies; to address key human capital investment needs; to strengthen the SME sector to create and maintain jobs; to support climate change adaptation and mitigation and the development of sustainable energy supplies.

The Commission proposes to continue to offer specific treatment for the OR to help them make the best use of the investment funds available. A co-financing rate of 85% is proposed regardless of the OR' GDP. A specific allocation is proposed to offset the additional costs of OR handicaps and to diversify and modernise their economies.

The Commission will assess whether each OR's individual needs and assets are appropriately reflected in the partnership agreements which will be agreed between the Commission and each Member State for the next financial period.

Each OR will be required to analyse its potential and ensure a critical mass of the ERDF is allocated to research and innovation, to promote new opportunities for employment and enterprise inter alia to reduce the risk of brain drain, as well as to energy efficiency and to renewable energies. Member States should ensure that OR representatives are fully involved in the preparation and monitoring of the agreement.

To improve access to finance for micro to medium-sized enterprises, the OR will be encouraged to allocate appropriate funding to the financial instruments under cohesion policy and to make use of the financial and non-financial products available under initiatives such as JEREMIE or JASMINE, to develop the potential of micro-credit in their territories.

The Smart Specialisation Platform¹² helps Member States and regions prepare their innovation strategies for cohesion policy funding. It offers the OR an opportunity to make the most of their unique assets in science and technology, contributing to, and benefiting from, new opportunities in the European Research Area (ERA). Such projects and innovation strategies should fully exploit synergies between Horizon 2020 and the new cohesion policy. Projects financed through research framework programmes and cohesion policy funds can play a major role in attracting and training scientists and integrating the OR fully into the ERA, including important spill-over effects in the local and regional economies.

Under Commission proposals, the European Social Fund (ESF) will also continue to support the OR, which include regions with the highest levels of unemployment in the EU. Comprehensive investments are needed to foster market participation and labour mobility (both national and transnational), and boost education, skills and lifelong learning, in particular with a view to reducing early school-leaving and to increasing attainment levels in tertiary education. The ESF will also help the OR to facilitate adaptation of workers and enterprises to change, improve productivity, ensure good integration of young people into the labour market, strengthen social inclusion and enhance institutional capacity. The OR should take advantage of the proposed EU Programme for Social Change and Innovation, including PROGRESS, EURES and the European Progress Microfinance Facility.

The Commission has proposed that **territorial cooperation** financed under the ERDF¹³ involving the OR should be reinforced to improve competitiveness, trade and knowledge links with neighbours. Under this proposal the OR should receive not less than 150% of the ERDF support they receive in the current period plus an additional allocation of EUR 50 million. The total amount that may be allocated to OR operations outside the EU should increase from 10% to 30% facilitating projects with neighbouring countries and territories. The Commission underlines the opportunities offered by current arrangements for transnational co-operation, but would be open to facilitate OR cross border cooperation on maritime borders across distances greater than 150km.

¹² <http://s3platform.jrc.ec.europa.eu/home>

¹³ COM(2011) 611 final, 6.10.2011

2) Traditional sectors

Growth Factors Study:

"Production and employment ... can only be strengthened through product differentiation and specialisation"

"Areas of specialisation such as eco, environmental, social, cultural and [wellness] tourism are still not fully exploited"

Agriculture and rural development. The POSEI ("Programme of Options Specifically Relating to Remoteness and Insularity") agricultural support scheme is an instrument developed for the OR. With its two sections, specific supply arrangements and support to the local agricultural production, the Member States have substantial flexibility to target expenditure, including for actions for diversification of production. The report on the impact of the POSEI reform of 2006 confirms the suitability of this scheme to the needs of the OR and that the allocated resources have enabled the objectives of the programme to be met. The Commission proposes to maintain the scheme with some adaptations, with the possibility of further review in 2013. In the context of such a possible review of the POSEI scheme, the significance of new areas of activity, such as timber production in French Guiana, will be analysed.

Under the Commission's proposals, the OR will also continue to enjoy specific treatment under the European Agricultural Fund for Rural Development (EAFRD)¹⁴ to support improvements in competitiveness, diversification of activities in rural areas, sustainable management of natural resources and a balanced territorial development of rural areas.

Fisheries. The Commission's proposals for reform of the Common Fisheries Policy have foreseen that fish stock management and decision making would have a more regionalised character, addressing sea basins and taking account of the local stocks. In the framework of this regionalized approach, the Commission is discussing with the European Parliament and the Council how to ensure that stakeholders in the OR can become an effective part of the consultation process and the design of conservation measures, including by creating a dedicated Advisory Council for the OR to take better account of their specific context.

Furthermore the local fishing industries in the OR should receive responsibility to manage fisheries and work out a marketing plan to increase the value added of their products. The OR could take up a number of measures in the European Maritime and Fisheries Fund (EMFF) proposals which are of particular interest to them, such as actions supporting sustainable local development of fisheries areas or support for small scale coastal fleet, including business and marketing strategy advisory services or facility studies for innovative approaches. Support for aquaculture enterprises and

¹⁴ COM(2011) 627 final/2, 19.10.2011

processing enterprises could also represent an important source of funding for potential beneficiaries in the OR and help create new job possibilities there in these businesses.

On the funding side, the proposed EMFF takes into account the specificities of the OR by offering additional financial support in the form of increased aid intensity for EMFF investments in these regions. The proposed EMFF also foresees the integration of the compensation mechanism, the so-called "fisheries POSEI", so that the OR would continue to receive support¹⁵.

In addition, and following the existing model for the Azores, Madeira and the Canary Islands, the Commission is discussing with the European Parliament and the Council the establishment of an exclusive access zone which could be envisaged for the French OR.

Tourism is an established area of activity in some OR, but there is still significant potential for further growth according to the Growth Factors study. The OR are invited to redouble efforts to implement the actions described in the Communication "Europe, the world's N°1 tourist destination" (June 2010) to make tourism sustainable and allow growth, through specialisation. Efficiency should be raised through increased use of ICT and enhancing quality, skills and competence. The new cohesion policy programmes will be a source of finance for investment in tourism.

Cultural and natural heritage are an important resource for tourism-oriented development in OR. The EU will promote measures contributing to protection, sustainable use and added value of cultural and natural heritage, including biodiversity, and access to it for tourism purposes in the OR.

The Commission will seek to ensure access of the OR to the Union's future **cultural policy** programmes and initiatives in order to develop cultural and creative industries.

¹⁵ COM(2011) 804 final, 2.12.2011.

3) Emerging sectors

Growth Factors Study:

"[Need to strike the right] balance between a radical improvement of the traditional sectors and the creation of a sufficient space of growth for the new products and sectors"

"The mix of endogenous resources, new technologies and the way that factors are organised may give rise to a competitive advantage"

"Policies need to focus and concentrate human and material resources, make them more market oriented, rather than disperse them in too many potential fields"

Research and innovation. The participation of the OR in RTD networks will be key to delivering "smart" growth in the OR. There are already many examples of good practice, although a lack of research critical mass remains a challenge. The proposed "Horizon 2020" will nurture scientific excellence in the OR, support technological as well as practice-based innovation and stimulate private sector investment in experimentation, including in agriculture and endemic biodiversity. The aim will be to get stakeholders from a wide diversity of fields involved in encouraging innovation that may lead to new products or applications in traditional sectors, or open up new areas of economic activity, creating employment.

Sustainable Energy. The EU will support current and new actions designed to reduce dependence on energy imports and on fossil fuels in the OR and to develop renewable energy sources through the structural funds and initiatives such as the "Pact of Islands". The objective will be to enhance self-sufficiency in energy, and support the creation of centres of excellence which would contribute to achieving a reduction in CO2 emissions of at least 20 % by 2020.

Following suggestions made by the European Parliament in the field of energy, the Commission will examine with the OR and their Member States how funding for renewable energy and energy efficiency under the cohesion policy funds can best be deployed to meet the specific needs and capacities of the OR.

Maritime opportunities. In view of developments in the Integrated Maritime Policy of the European Union¹⁶, EU funds in the 2014-2020 period under the common strategic framework or other relevant horizontal programmes can be devoted to investments in the maritime and marine economy in the OR. In this respect, the Macaronesian and Caribbean OR should seize the opportunities offered under the EU Atlantic Strategy¹⁷.

¹⁶ COM(2007) 575 final, 10.10.2007

¹⁷ COM(2011) 782 final, 21.11.2011.

In the field of knowledge networks, the Commission intends to roll-out the European Marine Observation and Data Network (EMODNet) programme after 2012 to the OR. The Commission will continue to take account of the OR dimension in the implementation of the Union's integrated maritime policy, including the Blue Growth initiative¹⁸.

4) Developing entrepreneurship

Small and Medium-sized Enterprises are important for the relatively small-scale economies of the OR. A key problem is accessing finance for business development. The Commission will take account of the particular situation of the OR when implementing the Action Plan to improve access to finance for SMEs¹⁹ and the Microfinance and Social Entrepreneurship support axis²⁰ of the Programme for social change and innovation. In addition to what may be done with ERDF initiatives such as JEREMIE, the Commission, together with the EIB group, will work with the Member States and the OR to support the creation of local investment funds in each OR and the development of regional capital/investments markets.

Social entrepreneurship. Social enterprises are important drivers of inclusive growth and development. The OR should examine their options under the new Social Business Initiative (SBI), adopted in October 2011, which aims to create a favourable environment for companies whose first ambition is to tackle social needs, setting out a comprehensive action plan to enhance the visibility of social businesses and their access to financing. Dedicated investment priorities have been proposed in this context under the ERDF and ESF regulations for 2014-20.

5) Integration in the single market

The Single Market Act²¹ has underlined the importance of the single market as a competitiveness platform for the OR. A second chapter of the Single Market Act is to be adopted in autumn 2012. Wherever it is relevant, the specific situation of the OR will be taken into account to enable their full integration in the single market.

The first obstacle to such integration is the OR' remoteness. The EU will take into account the OR dimension in the implementation and development of the **trans-European networks** in the fields of transport²², telecommunications and energy. In these three fields, the OR will be included in projects of common interest²³ where

¹⁸ Council Conclusions 19.12.2011, point 12.

¹⁹ COM(2011) 870 final, 7.12.2011; and SEC (2011) 1527 final.

²⁰ COM(2011) 609 final, 6.10.2011. The implementation of these measures may be done through financial instruments, with take-up of funding depending, inter alia, on the conditions of, and awareness about the instruments, as well as demand from the micro credit providers.

²¹ COM(2011) 206 final, 13.4.2011: "[We need a] better integrated market which fully plays its role as a platform on which to build European competitiveness for its peoples, businesses and regions, including the remotest and least developed".

²² COM(2011) 650 final/3, 6.02.2012, Art. 4(2)(j)

²³ See below the External Dimension

appropriate and in line with the policy objectives and criteria, as set out in the sectoral Guidelines once adopted. The proposed Connecting Europe Facility (CEF) will also follow this approach when identifying those projects of common interest eligible for funding. More specifically, in the field of transport, projects of common interest involving OR and focused on Motorways of the Sea would be eligible for financial support from the proposed CEF.

Following suggestions made by the European Parliament in the field of transport, the Commission will examine with the OR and their Member States how the opportunities under the cohesion policy funds can best be used in each case.

Eliminating the digital divide and increasing OR access to the digital single market will be important. In order to create a well-functioning and effective **digital single market**, the OR dimension will be taken into account explicitly in all forthcoming regulatory proposals on the European digital single market.

State aid rules are key to avoiding distortions of competition in the single market. Article 107(3)(a) of the TFEU explicitly recognises the OR as regions where aid can be granted to promote economic development in view of their structural, economic and social situation. In this context, the regional aid guidelines will maintain preferential treatment for the OR. In addition, special rules for the OR in the agricultural, fisheries and the aquaculture sectors will be maintained.

Public procurement rules based on fair and open calls for tender are a pillar of the single market. The Commission will explore the possibility of reflecting the OR dimension in the implementation phase of its proposals for the reform of EU procurement rules once they are adopted. To determine whether public contracts not or not fully subject to EU procurement rules are subject to EU Treaty rules and principles, an OR dimension has already some relevance²⁴. The current situation however should be further clarified. Contracting authorities in the OR may require the hiring of local labour by the enterprises to which a public contract has been awarded, as long as there is no direct or indirect discrimination regarding the freedom of establishment and freedom to provide services²⁵ and conflicts of interests are prevented and avoided.

Taxation and Customs. Specific regimes have contributed to increasing the competitiveness of the OR. The Commission will examine requests and justifications from the Member States concerned for prolongation or modifications of these regimes

²⁴ Given that geographic location and the size and structure of the market are criteria determining whether a contract award is of interest to operators from other Member States - see C179, 01.08.2006: Point 1.3 in Commission interpretative Communication on the EU law applicable to contract award not or not fully subject to the provision of the Public Procurement Directives.

²⁵ Judgement of the Court in Case 31/87 *Beentjes* [1988] ECR 4635.

and will bring forward proposals accordingly, taking into account the effects of these regimes on the local economy and on the internal market. Principles of good governance in the tax area (transparency, exchange of information and fair tax competition) should prevail as in any other parts of the Union.

Better information. ‘Single Market’ contact points will be set up in each OR, with specific training measures for enterprises and public officials in the OR providing more information about the possibilities on offer. More use will also be made of the IMI and SOLVIT platforms.

Education and skills. The proposed programme "Erasmus for All"²⁶ will provide opportunities to support partnerships between business and education and training institutions (i.e. universities, vocational training institutions) of the OR and facilitate and promote the mobility of student and teachers to and from the OR. Modernisation of education and training systems as well as measures for improving the accessibility of good-quality education can be financed from the ESF.

On **consumer policy**, the Commission will take into account when appropriate the OR dimension in implementation of its new European Consumer Agenda. Issues of interest for OR consumers relate in particular to sectors such as travel, telecommunications and energy.

Health is important given the inequalities in life expectancy and health status between OR and the continent. Cohesion policy offers opportunities to invest in health infrastructure – including telemedicine and in the training of health professionals in their OR.

6) Protecting the outermost regions' environment

EU civil protection policy supports measures to minimise the ORs' particular vulnerability to natural disasters helping to create the conditions for more sustainable growth. The geography and the difficult topography of the OR hamper the deployment of intervention resources and create particular needs for assistance in the event of a major emergency. The Community Civil Protection Mechanism Decision and the Civil Protection Financial Instrument Decision²⁷ make reference to the special needs of the OR and take them into account in the implementation of EU CP Mechanism-related actions. The Proposal on a Union Civil Protection Mechanism²⁸ reiterates this support.

²⁶ COM(2011) 788 final, 23.11.2011.

²⁷ Council Decision 2007/162/EC of 5 March 2007; Council Decision 2007/779/EC of 8 November 2007.

²⁸ COM(2011) 934 final, 20.12.2011

Climate action. The EU will take action both in the fields of climate change mitigation and adaptation²⁹. ORs' resilience to climate change impacts has to be increased by supporting climate change adaptation in all relevant sectors, and promoting a greener, low-carbon economy, the improvement of energy and resource efficiency as well as sustainability of transport and agriculture. Coastal protection is a particular concern for the OR. The results of a study ordered by the Commission on the impact of climate change in the OR will be published in 2013.

Biodiversity and ecosystem services. Efforts will be strengthened to support biodiversity and ecosystem services in the OR, building upon initiatives such as BEST (voluntary scheme for Biodiversity and Ecosystem Services in Territories of the OR and OCTs), which helps to deliver on all relevant targets and actions of the EU Biodiversity Strategy. Activities in this area can be financed by the structural funds.

4.2. External dimension

Given the OR' geographical position, EU policies with an external dimension are key to this strategy. To develop their own potential, and bring their full added value to the EU, the OR need to better integrate not only within the single market, but within their own regional neighbourhoods. Regional neighbourhood plans should be established, consistent with EU external policy objectives. Coordination and complementarity of actions by EU authorities will be improved, particularly more will be done to improve co-ordination and synergy between the cooperation programmes supported by the ERDF and other instruments, chiefly the European Development Fund, but also the Development Cooperation Instrument (DCI) and Partnership Instrument (PI). The external dimension of the single market for OR will need to be strengthened too, building on the work done in the context of the Single Market Act.

Cooperation between the OR and their neighbours will be pursued in the interests of all sides, and with a particular focus on boosting economic opportunities. Cooperation can be encouraged through better exploitation of ad hoc provisions contained in EU agreements with third countries³⁰, or by making better use of programmes such as Erasmus Mundus in education, where OR universities are potential leaders in training activities. The OR have the potential to become business and cooperation platforms and logistical hubs.

Trade and fisheries agreements. EU agreements will take due account of the OR, for example, where agreements cover products produced in the OR. This can help OR producers compete not only in the EU, but also in third country markets. The practice of accompanying proposals for trade agreements, such as the Economic Partnership Agreements, with impact analyses, is now well-established and should where relevant address the OR dimension. The inclusion of specific safeguard clauses for the OR are

²⁹ White Paper "Adapting to climate change: towards a European framework for action", COM(2009) 147 final, 1.4.2009

³⁰ For example, Art. 132(h) and Art 239 of the EPA EU/CARIFORUM.

important, but information should be improved to ensure that such clauses are fully used if need be.

New or more efficient air and maritime routes between the OR and their neighbours. The Commission will reflect on how the specificities of the OR might be taken into account as it prepares for the revision of the 1994 and 2005 Aviation Guidelines³¹ and the review of the 2004 Maritime Guidelines³². The Commission will assess requests from Member States to conclude bilateral agreements with third countries neighbouring OR, establishing service requirements on passenger transport similar to public service obligations contracts under EU law. This could only be envisaged when market conditions alone are not enough to attract economic operators, without any discrimination among the latter and in respect of the existing bilateral and multilateral agreements and relevant state aid rules. The EU will also consider the conclusion of agreements with countries neighbouring the OR to liberalise transport and increase connections.

Energy. The EU will support projects to create more effective energy markets encompassing the OR and neighbouring countries and territories.

Electronic communications networks. Improving the reliability of network infrastructure will be a top priority. Current digital networks that rely on a single low-capacity undersea cable connection do not guarantee service continuity, and are unable to deliver constantly increasing speeds. Issues concerning access, tariffs, quality and security of ICT services need to be addressed more resolutely, particularly to create the conditions for ‘high-speed’ internet. The national competition authorities have a key role to play in determining the conditions for acquiring capacity through undersea cables and the conditions for access to the terrestrial parts of these cables.

SMEs operating internationally. The Commission will take particular account of the OR when carrying out the actions referred to in its communication ‘Small Business, Big World’³³.

Business-to-business alternative dispute instruments. Confidence building between businesses located in OR's and in their third country neighbours is one of the first concrete steps needed to unlock trading flows within regional ensembles. To achieve this, the establishment of business-to-business alternative dispute settlement systems between the OR, the OCTs and neighbouring third countries should be encouraged through the approximation of the legal systems involved.

Mobility. The Member States should step up efforts to facilitate the mobility of key groups of third country nationals such as students, researchers and the business

³¹ Community guidelines on financing of airports and start-up aid to airlines departing from regional airports, OJ C 312, 9.12.2005, p. 1.

³² Community guidelines on State aid to maritime transport, OJ C 013, 17.01.2004, p.3

³³ COM (2011) 702, 9.11.2011.

community, while continuing efforts to reduce irregular immigration and address trafficking in human beings.

5. CONCLUSION

Much has been achieved in the OR but their economies remain relatively fragile. Efforts to mitigate their permanent constraints and to ensure their full integration into the single market and into their respective neighbourhood need to be maintained and consolidated by actors at all levels. Their specificities should be taken into account in the new generation of policies implementing Europe 2020, and they and their respective Member States should do all they can to ensure they seize the opportunities that exist. Potential growth in the OR can come from restructuring the traditional sectors of tourism, agriculture and fishery, and new specializations which stem from the application of RTDI to old and new sectors.

Modernising traditional sectors and diversifying into well-chosen new areas of activity will be key to the future prosperity of the OR. The Commission will support each OR in tracing its own individual path to diversification and modernisation of its economy, with a view to creating more robust economic conditions and reducing disparities with other EU regions. Each OR together with their respective Member State is invited to draw up an Action Plan setting out, with targets and milestones, how they intend to implement the Europe 2020 agenda taking account of their individual situations, and the different instruments available set out in this communication.

The Commission will pursue efforts to strengthen the integration of the OR in the single market and in their geographical environment at regular meetings of a dedicated interservice group. By the end of 2017 at the latest, the Commission will review implementation of each of the measures proposed in this communication.