Contribution from Portugal to the new European Commission’s strategy for the Outermost Regions

1. Introduction

At a critical stage of the debate on the future of the EU, it is essential to strengthen the opportunities for development which the new strategy for the Outermost Regions may provide. It is in this context that the Outermost Regions (OR) submitted to the European Commission the Memorandum “Towards a new dynamic in the application of Article 349 TFEU”.

Portugal, wishing to participate in the discussion between the European Commission, the Member States and the Outermost Regions, is now submitting its contribution to this debate with the aim of highlighting the role of these regions in Europe as well as their competitiveness and convergence.

The European Commission’s "White Paper on the Future of Europe“ and associated discussion papers will pave the way for discussing the preparation of the next Multiannual Financial Framework as well as other EU policies. It is essential that the EU strategy for the future of the OR joins this broader debate.

The document on the future of EU funding indicates the first guidelines on the possible weight of the different policies in the EU budget. This debate will also be an important element when defining the possibilities which may open up for the future development strategy for the OR.

Highlight the role the OR could play in the future of the EU

Reflecting on the future, we consider that the Outermost Regions should be valued and seen as an asset for the development of the whole EU. The role of the OR as a “window” for the world has been promoted. There is now an opportunity to create a better framework for framing this role at a time when the international dimension of Europe is decisive.
In the current context, it is necessary to enhance the role of Portugal as an EU partner in the North Atlantic, particularly as regards EU relations with the USA on Trade, European maritime policy and its Atlantic dimension.

Over time there has been a significant development on what the Outermost Regions represent which no longer focuses on their problems or constraints. Portugal believes that in the next programming period the profile of Outermost Regions should continue to evolve taking advantage of the opportunities and developing the assets these territories have for the EU as a whole.

Indeed, there has been a growing awareness, both from Member States and Institutions, of the unique opportunities that these regions can offer — geostrategic position, biodiversity, marine and energy resources, which represent a potential for research and innovation in sectors with high added value. The OR also have a key role to play in the markets, growth and jobs in the EU.

These unique characteristics justify the reinforcement of a specific treatment of the Outermost Regions in the EU. In this context, the judgment of the ECJ of December 2015 was a landmark decision on the case-law on Article 349 TFEU and its scope of application.

Concerning sectoral legislation, the incorporation of the Outermost Regions has had more visibility in Cohesion Policy, Agriculture, Fisheries and State aid. These policies take into account these regions and help to minimise the effects of their permanent and structural constraints resulting from remoteness and the specific conditions set out in the TFEU. The specific features of the OR need to be factored in when considering the contribution of other EU policies, in particular the integrated maritime policy, transport, research and innovation, space, energy, environment, and they need to show the OR potential in these areas.
**For a strengthened partnership**

It is crucial to continue and to deepen the current cooperation between the Member States, the Outermost Regions and the European Institutions, which has proved to be essential to the success of the initiatives undertaken and to improve the "acquis communautaire" regarding these regions.

The Portuguese Outermost Regions, Madeira and Azores, are engaged in this debate, and participated in the joint initiative with the other OR to produce a Memorandum delivered to the President of the European Commission at the 4th Forum of the Outermost Regions specifying the challenges and concrete proposals post 2020.

The Institutions — in particular the European Commission and the European Parliament — have played a pivotal role in stimulating the reflection and action that these regions deserve and in finding appropriate solutions to their situation: a better access to the EU internal market, reducing their dependence upon certain products by promoting greater economic diversification and mitigating climate and geographical constraints.

We would like to underline the commitment of the Outermost Regions Unit of DG REGIO in defending and deepening the status of the Outermost Regions within the EU, as well as its (DG REGIO’s OR Unit) important role in coordinating with other Directorates General of the Commission.

Synergies between the various actors are certainly advantageous to all and are key to the important work that has been done for the benefit of European territorial diversity.

The Portuguese Government, in its commitment to contributing actively to the process of shaping the EU’s future, will continue to pay the needed attention to the constraints and potential for development of these regions. This contribution seeks to identify the main challenges and opportunities for the Portuguese OR and what Portugal considers the key
areas that the future strategy policy should focus on. This should ensure an integrated approach towards a growing recognition of the OR.

2. Main potential opportunities and challenges

The OR are a heterogeneous group of regions where, despite their different characteristics, a number of constraints and common opportunities can be identified.

There are several opportunities arising from their geographical position and specific characteristics:

- the possibility of operating as a link between Europe and other continents, particularly in trade and territorial cooperation;
- the important contribution towards maritime strategies, including the EU’s global geopolitical and potential in the development of R&D&I in the context of an innovative integration of issues such as space, climate, oceans and energy;
- the role in the pursuit of “grand challenges” on the use of islands to test models as a “living laboratory” for circular economy projects, climate change mitigation and adaptation, biodiversity preservation and the possibilities for research and development in renewable energy and smart energy networks and bioprocesses for sustainable use of bio marine and terrestrial resources specific to the OR;
- the possibility of setting up research and innovation networks between OR in these areas, with possible replication of results at European and global level;
- the development of aerospace;
- the opportunities in the tourism sector, made possible through a unique natural and cultural offer, emphasising the contribution of economic, social and environmental impacts in more traditional sectors of activity.

On the main challenges and constraints, there is still a need to address: the distance to the European continent, which raises the costs for transport and communications and prevents the full benefit from the advantages of the EU internal market; the limitation in size and the
dispersion of the local market (regional) and economic dependence on a small number of products make these economies more vulnerable; specific geographic and climatic conditions that affect the development of certain sectors (in particular in the primary and secondary sector); the condition of double insularity, affecting also the Portuguese OR, given the difficulty and the increased cost of providing goods, services and mobility between islands; unemployment, in particular youth unemployment; the difficulty to attract critical mass in key areas for further impetus to their development; and the difficulty in attracting foreign private investment.

3. **The most relevant policy areas for the OR**

Taking account of the challenges and opportunities identified for the OR, it is now important to improve the action and adaptation of certain EU policies which are essential for the development of these regions. This will help to effectively implement the possibilities offered by Art. 349 TFEU.

The need to conduct impact studies to identify adaptation needs of the various policies of the EU and evaluations of the impact of international agreements (commercial and other) in these regions has been repeatedly highlighted. It is expected that the new strategy can bring concrete proposals in the following key areas, thus ensuring an approach that could have a real impact on the development of these regions.

**Cohesion Policy**

Cohesion policy, economic, social and territorial, supporting the convergence of Member States and the correction of imbalances, has a major impact on the mitigation of permanent structural constraints, resulting from the specific conditions of the Outermost Regions. The levels of implementation of Cohesion Policy clearly demonstrate its importance in the development of these regions in the context of the EU.

The joint work carried out by Portugal, Spain and France, the OR and the European institutions during the negotiations of the current Multiannual Financial Framework and of the Cohesion Policy regulations has led to
important results in the integration of the Outermost Regions. Amongst other provisions adopted concerning these areas are the following: a specific allocation to compensate for additional costs (additional OR); co-financing rates of 85%, including the additional OR; the same treatment as less developed regions as far as the thematic concentration within the ERDF (the additional OR is not subject to thematic concentration); the possibility for the ERDF to support productive investments in enterprises, irrespective of their size; the guarantee of a minimum amount allocated to the OR in the framework of the ‘European Territorial Cooperation’ (150% of the allocation of 2007-13); the possibility of participation in cross-border cooperation and in the programme Atlantic Area (PT and ES Outermost Regions).

As a result of constraints and challenges facing Europe strong pressures are foreseen as regards the future of Cohesion Policy. This will require a coherent approach that does not undermine the achievements of these regions. As a result, we consider that flexibility to adapt the Cohesion Policy to local reality of the OR should be kept in order to ensure that the next programming period provides for the specific treatment stated in the Treaty and the ECJ ruling.

**Agriculture**

Agriculture is a vital sector of the OR economies and due to its multifunctional character also contributes to their cultural identity, tourism, landscape, land planning and their fight against climate change. In the case of the Portuguese OR, particularly Azores, the traditional agricultural sector is considered as an export sector — mainly of milk and cheese — which creates and develops wealth.

Nevertheless, the production conditions in the Outermost Regions are so specific due to the permanent constraints (topography, climate, reduced productive agricultural land) and socio-economic and health characteristics that make farming difficult. Therefore, a direct transposition of the European agricultural model is not possible in the case of the OR. The future CAP should maintain flexibility taking into account their differences, recognised in the primary law of the EU.
The production conditions, specific to the Outermost Regions, are permanent constraints and the POSEI programmes have had a positive impact — as recently stated in Commission's Evaluation Report on the implementation of the programmes for the period 2006-2014 — it is essential that the specificity of this programme is kept. It should also be adapted and endowed with adequate tools for the needs and challenges of the regions in order to ensure the servicing and maintenance of agricultural activities. This will contribute to a balanced territorial development, increase the self-sufficiency and guarantee economic and social stability in these regions.

Equally important is the existence of instruments to support risk management specific to these regions, in particular harvest insurance against climate and health risks to protect farmers’ incomes.

On the other hand, competition is becoming increasingly fierce in the global market with increasing access to the European market of many agricultural products from third countries (reduction of tariffs, lack of quotas, etc.). Protection measures should be adopted, with appropriate commercial safeguard clauses, accompanied by clauses to exclude sensitive products for the OR. Other financial mechanisms and measures are also needed in order to mitigate the effects of significant changes in the international markets, as happened recently in the milk and dairy markets.

As well as the agriculture sector, the forestry sector should keep its support given its importance in preserving the environment and combating natural erosion in the OR. A significant part of the forest area in these regions is occupied by natural environment, home to many endemic species. Forests represent a unique opportunity for OR development, involving a wide range of economic activities with a significant potential for growth and innovation and specialisation (energy, biomass/bio-based industrial recovery of plant extracts, bioclimatic building, among others).
**Fisheries and Aquaculture**

The marine area of the OR provides the EU with the world’s largest maritime territory and a huge store of marine resources. At the same time it has an enormous potential for development, not yet exploited, to create jobs and boost the local economy, so that fishing and aquaculture become basic elements to attain sustainable development at a time when Blue Growth is of significant importance at EU level.

Fishing activities in the Outermost Regions play a key role in assuring food self-sufficiency and is based on a small-scale and sustainable model characterised by its interconnection with other sectors such as tourism, culture and traditions of coastal communities. Fishermen have a close link to fishery resources, facilitating the understanding of the need for its preservation. The fishing fleet of the OR consists essentially of vessels using selective fishing techniques and not predatory ones. It contributes to a sustainable and responsible fishing as well as to the socioeconomic equilibrium of coastal communities since it helps to their food self-sufficiency.

Considering the positive aspects described above, it will be important to consider a strategy to modernise the fisheries chain, from primary production to marketing and internationalisation of their more distinctive products, which should also include training and developing skills relevant to the sector.

The specificity of both fisheries resources and the activity of the small-scale fleet in OR, demands appropriate measures of conservation and management of resources, notably by setting total allowable catches (TACs) and quotas but also specific, proximity, fleets adapted to the characteristics of the sea and weather conditions on these regions and as such the promotion of the safety of vessels and fishermen should be a basic principle.

**Integrated Maritime Policy**

Due to their maritime dimension and their geo-strategic location, the OR also need a European maritime policy which is realistic, coherent and with
enough effective resources for its implementation. The EU maritime policy should ensure a cross-cutting and multi-sectoral approach of the exploitation of marine and maritime environment in all sectors related to the seas and oceans, in particular: marine energy; maritime transport and port infrastructure management; coastal tourism and nautical leisure activities; protection and management of coastal zones; maritime surveillance; sustainable exploitation of resources; marine biotechnology; data management; research and innovation.

However, the OR natural potential has not been properly recognised. For this reason, resources must be concentrated on training, innovation, research, technological development and planning ensuring the involvement of the regions in this area as well as the upgrading of local research infrastructures in order to address the existing research needs.

Blue growth is a development opportunity for OR since they are exceptional natural laboratories to test innovative technologies and to develop flagship projects that can be exported to other regions. In this respect, we welcome a study on Blue Growth in the OR and expect results leading to a genuine integrated maritime strategy in favour of the OR, contributing to their socio-economic development.

For this purpose, there should be greater coherence between different sources of funding to Blue Growth and steps taken to ensure that the instruments available are better adapted to the EU objectives taking into account their regions, especially the Outermost Regions.

As oceanic regions, the development of a more active role of the OR in the context of international ocean governance necessarily entails the implementation of regional strategies and ambitious governance systems that encourage cooperation, particularly between the OR.

**Transport and communications**

The remoteness of these regions from mainland Europe makes difficult the principle of territorial continuity. In this sense, the reality of the OR should be truly integrated in the common transport policy, as these regions should also be integrated in the TEN-T priority corridors, in order
to have an effective access to the Connecting Europe Facility (CEF) which finances the network.

As air transport is the most important means of connection of these regions with Europe and the world, the need to support the creation of new routes and increase and improve the quality and regularity of the existing ones is stressed.

It is also necessary to support the construction, management, security and maintenance of airport infrastructures and the possibilities of investment should not be limited just to environmental objectives.

For the maritime and port sectors, given the geographical difficulties of the Outermost Regions they should be appropriately integrated in the Motorways of the Sea to allow all ports of the OR an effective link to other EU ports (including ports of Outermost Regions belonging to the same geographical area, ports of third countries, and, in the case of archipelagos, amongst the various ports). Furthermore, the European guidelines on State aid to maritime transport of passengers and freight, should be reviewed in order to facilitate the establishment of new connections between ports of the OR and third countries.

The importance of OR Portuguese ports as strategic refuelling stations for liquefied natural gas, whose location is strategic in transatlantic shipping, should be stressed.

As regards communications and digital accessibility, a crucial element and a priority for the mitigation of the remoteness of the OR is the improvement of the physical infrastructure that will enhance continuity, including digital connections by submarine cable between the OR and mainland Europe, due to the age of the cables that constitute the link between the mainland and the autonomous regions of the inter-island ring. It should be noted that, currently, these account for 100 % of international traffic. Also with a view to supporting scientific partnerships and projects that generate large volumes of data, submarine cable connections could make a significant contribution to the competitiveness of these regions and countering the teething problems resulting from the
absence and/or obsolescence of communications infrastructure and/or its running costs.

In addition, also relevant are enhanced broadband services using satellite networks (Low Earth Orbit - LEO), in particular by identifying and reducing regulatory barriers that may limit the development of such networks to access within regions.

**Research and Innovation**

In line with the objectives of the Europe 2020 strategy and taking into account their geostrategic position, strengthening this sector could be an important factor for the development of the OR’s potential in specific research areas such as biodiversity, renewable energy, surveillance and tracking of climate, atmosphere, oceans and space.

However, the constraints resulting from their geographical position hamper the capacity of its institutions in accessing financing on a competitive basis, most notably through Horizon 2020.

In this context, it will be important to: encourage training and mobility actions stimulating growth of critical mass in the OR; disseminate research and innovation produced in these regions; set up mechanisms for promoting the internationalisation of institutions based in the Outermost Regions, with a view to increasing knowledge, skills and integration into broader scientific networks. Also important will be the development of financing tools that can support synergy/partnerships between these regions and other regions of mainland Europe in themes (or challenges) that are specific to the OR.

The development of the Atlantic International Research Centre (AIR Centre), an inter-governmental organisation aiming to promote international cooperation in the Atlantic dimension, north-south and south-north, on innovation and research integrated in the areas of space, energy, ocean, atmosphere-climate and data is particularly important. The main task of this international research centre will be to connect research institutions around the Atlantic. We believe that this initiative, located in the Azores, could be seen as a flagship initiative of the OR and
is open to integrating other Outermost Regions, particularly those located in the Atlantic.

**Energy**

As in transport, the geography of the OR prevents the access of these regions to the Trans-European Energy Network and, consequently, to the CEF, which is a major obstacle to the completion of the energy single market. It is, thus, necessary to ensure that these regions can access this important mechanism in order to reduce their high dependence on foreign fossil fuels.

The OR have made unquestionable efforts to develop renewable energy sources. This is why it is highly relevant to support projects aiming at improving the energy transition, for example, amongst others, to promote mobility using electricity. It is also considered that the OR can serve as living labs for implementation of smart energy networks.

**Environment**

The natural wealth and the unique variety of terrestrial and marine ecosystems of the OR represent an opportunity in terms of growth and jobs for these regions. The major environmental challenges would be the preservation, conservation and enhancement of biodiversity and resources, implementation of a circular economy and climate change.

The use of the genetic resources of these territories and the sharing of benefits arising from their use should therefore comply with the Nagoya Protocol to the Convention on Biological Diversity, and through compliance with the EU Regulation on this subject, which aims to ensure a system of conformity with that Protocol. This system seeks, on the one hand, to ensure — within the EU and globally — the conservation and sustainable use of genetic resources and on the other hand their use in conformity with the legislation of the countries of origin of such resources and with any benefit-sharing rules contained therein.

It will be important to consider and reflect on mechanisms to empower and equip these territories for the application of that Regulation, having
regard in particular to their sensitivity, extension and high genetic diversity.

This rich biodiversity calls for a commitment to conservation, surveillance, prevention, research and innovation, in order to exploit the existing potential.

Under the LIFE Programme — Environment and Climate Action (2014-2020), emphasis should be given to developing projects in the OR in nature and biodiversity, resource efficiency, the circular economy, climate change as well as to projects put forward by SMEs which are “close to market”.

In the transition strategy to a circular economy, in addition to the waste management, which is an essential element in the development of a green economy and the creation of employment in the OR, the focus should be also in the sharing economy and resource efficiency. Intervention should therefore take into account local actors and their interaction and cover all stages of the product’s life cycle, i.e. design, production, consumption and waste collection and waste management.

In view of the specific characteristics of the OR, a circular economy adapted at regional level is therefore necessary in order to overcome the existing obstacles and this by simplifying and streamlining processes and procedures and by harnessing the different consumption patterns existing in these areas in order to meet the objectives of the prevention and reduction of waste production and reintroduction of secondary raw materials in the economy.

The opportunity of the circular economy is essential for the OR as it represents a possibility to support new business and new models of economic development at local level with important added value with a low cost in terms of investment.

The issue of sustainable tourism needs to be underlined, given the importance of this sector for the Outermost Regions. In order to promote their sustainable development it is essential that their policy on tourism is adequate. In this context, it is suggested that the EU Ecolabel is
implemented on a large scale in the OR. This is an important European instrument to promote sustainable tourism accommodation services with a very limited environmental impact.

We would also stress the importance of maintaining a different European strategy of regulation for the OR, as it has been adopted in the context of the European legislation on atmospheric emissions, in order to avoid disproportionate costs with regards to the effects caused by pollution, in particular combustion plants for the production of energy.

Given the specificities of the OR as regards reliance on air transport as link with the outside world and the impact that the EU ETS aviation has on citizens’ mobility and competitiveness of the economy, we agree with the need that the exception regime of EU ETS aviation is kept.

With regard to the effects of climate change, the OR are particularly exposed to extreme natural events due to global warming. Therefore resilience in sectors most exposed to climate change should be enhanced. In this context, it appears to be necessary to develop specific measures to address the OR own environmental challenges.

**State aid**

The inclusion of the Outermost Regions in European State aid has been crucial in supporting investment, job creation and improvement of competitiveness in the OR.

In particular we consider very positive the recent revision of the General Block Exemption Regulation (GBER), which in essence welcomed the proposals presented jointly by FR, ES and PT allowing the inclusion of previously excluded sectors — energy, transport, agriculture and fisheries — for operating aid and the setting up of higher thresholds on the basis of studies showing the excess costs in these regions.

The progress achieved will allow a quicker implementation of aid measures in OR and a more effective implementation of existing mechanisms, which are essential for the development of these regions.
It is important to ensure that the joint work of the three Member States, in partnership with the Commission, will continue in the future review of Regulations and Frameworks concerning State aids. There is scope for further adapting the State aid rules to the economic and social realities of the OR, notably through increased thresholds for the "de minimis" aid for agriculture, fisheries and aquaculture. We also believe that an increased coherence between the different horizontal or specific limits should be ensured.

Migration

The Portuguese Outermost Regions are regions marked by a large migratory pressure. These diasporas are a very important asset in the relationship between the European Union and the third countries where they are based, in particular South Africa, the United States, Venezuela, Brazil, among others.

At present, due to the political crisis at international level, there is also a strong immigration, with major repercussions on all public policies.

The management of migration flows is a challenge for MS, with more significant repercussions in the case of the OR and that is why increased attention and full solidarity of the European Union on this issue is needed.

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