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“The Ultra Peripheral Regions of the European Union: the case of the Canary Islands.”

The ultra peripheral regions, as they are known, within the European Union have a series of characteristics that both identify them and clearly distinguish them from the rest of the European Union. From both a local and a regional point of view, they are particularly vulnerable to the adverse effects inherent in the process of European integration. These areas have continually lobbied for express recognition of their singularities for a long time. The process of defining the concept of their ultra peripheral status is closely related to the dynamics of the very process of European integration, whilst, at the same time being heavily influenced by the role these regions have traditionally played in world-wide geo-strategic designs.

The approach of this work is based on an analysis of the history and evolving definition of the concept of "ultra peripheral region" within the European Union and the different factors that have had an influence on the dynamics of the process: the framework for action and instruments that have been designed to tackle the problems of these regions, with special emphasis being placed on the Canary Islands and, finally, the current situation of these regions in the European Union.

## **“THE ULTRA PERIPHERAL REGIONS OF THE EUROPEAN UNION: THE CASE OF THE CANARY ISLANDS”**

### **I.- DEFINING THE CONCEPT OF ULTRA PERIPHERICITY IN THE EUROPEAN UNION.**

The category of ultra-peripheral region is explicitly taken on board in the Treaty of Amsterdam. It includes a series of territorial enclaves of the European Union (E.U.) that are clearly different from all other Community territory, despite the fact that there are differences between the individual ultra-peripheral regions<sup>1</sup>. The differences between the ultra-peripheral regions and the rest are what enable us to draw up a list of common characteristics for all of them, in comparison with the rest of the E.U.

The definition of this concept of being an ultra-peripheral region and, even more so, the international recognition of this condition by the Union has not been an easy task. Right from the beginning, the E.U. has used a different yardstick in treating the territories or enclaves that belonged to the different former powers that made up the core of this regional block, compared with other territories and countries that joined the Union at a later date. Some of these territories, having lost any chance of gaining independence when the de-colonisation process originated and became generalised, remain part of the national territory of the nation states that colonised them. Thus, these overseas territories, with their important geo-strategic positions, joined the E.U. as the states they belonged to signed up to the Community process<sup>2</sup>. It could be said that a colonial heritage is the first common characteristic of all these E.U. ultra-peripheral territories, which, furthermore, has determined a development model that has led to the structural deficiencies that exist in these areas becoming enshrined. This prevents these regions, now E.U. regions, from participating in the process of integration in the same conditions as all the other regions that make up the mosaic of the E.U.

There are seven of these so-called “ultra-peripheral” regions: Guadeloupe, Guyana, Martinique and Reunion (French overseas Departments), along with Azores, Madeira and the Canary Islands. The European Union presently recognises a series of singular specific traits in these territories, which have gradually given content to the term “ultra-peripheral”.

These regions are characterised by a limited range of resources and a high degree of extraversion and dependency, making them extremely vulnerable to the vicissitudes of the international situation of the

moment. One can not approach a study of these areas from the standpoint of a conventional economy. On the contrary, the absence of economies of scale, constraints and limited diversification of resources and the high cost of transport, as a consequence of the isolation and distance from markets, etc., are factors that make it necessary to seek “unusual” alternatives for developing these regions. Furthermore, most of these regions have high rates of population growth, which, when taken with the heavy dependence of their economies on the tourist industry, which accounts for more than 50% of their GDP, puts a lot of pressure on the resources and resource balance of these enclaves.

The ultra-peripheral regions are areas that are particularly affected by the perverse effects inherent in the process of European integration. The pressure brought to bear on the Community, by these zones in order to gain European recognition of their singularities has been continuous and dates back many years. The process of defining the concept of being an ultra-peripheral region is closely related to the dynamics that characterise European integration, whilst, at the same time, it is highly influenced by the role these areas have traditionally played in the world-wide geo-strategic design.

Island territories have played an important role throughout history, as most were considered as strategic enclaves for achieving different objectives, within the political agendas of the different powers. They have been assigned different functions, for which they were specially apt, and depending on the interests being pursued at any one time by their central governments. Traditionally, they have been seen as re-supply ports for shipping, logistic support centres with military installations, sea traffic enclaves for providing adequate control over trade routes, experimental areas for economic models that are later exported to other areas, and even as nuclear experimental centres and radioactive waste disposal sites, etc.<sup>3</sup>

The reality of island life, however, was not assessed as a phenomenon in its own right until the second half of the XX century. This was the fruit of the process of de-colonisation that would lead to the appearance of a growing number of mini-states, which took on a renewed strategic importance in the bipolar dynamic that characterised international relations at the time<sup>4</sup>.

At the same time as island territories in general gained importance, a similar phenomenon was occurring in the Community. The work carried out by the Council of Europe’s Conference on Local and Regional Powers and the European Community’s Conference on the Peripheral Regions made a decisive

contribution, thanks to which, island territories would play an increasingly important and different role, within the context of the so-called European peripheral regions<sup>5</sup>

The Community integration process, both in the deepening and the widening aspects, also revealed the fact that its very dynamic contained implicit polarising effects, which manifested themselves in an accentuation of the inequalities between regions and, far from being corrected, they became accentuated<sup>6</sup>. That is why there is a need to implement corrective measures<sup>7</sup>

Despite the fact that the Community started to become aware of its internal problems in the seventies, island regions were not given different treatment from the rest of the peripheral regions of the Community until 1979<sup>8</sup>. The starting point for island regions, as a completely different category in the European political framework, was marked by the draft resolution on the specific problems of European Atlantic regions (Azores, Madeira and the Canary Islands), which was presented during the 13<sup>th</sup> session of the Conference of Local and Regional Powers in 1978. Just as important as this resolution was the resolution presented at the annual meeting of the European Communities' Maritime Peripheral Regions, held in Santiago de Compostela, in November 1979, in which the meeting voted unanimously in favour of creating a Peripheral Islands Committee, within the Conference<sup>9</sup>. The creation of this committee led to the first Convention of the Peripheral Islands of the Conference of the Peripheral Maritime Regions being held on Nuoro (Sardinia) in 1980.

Later on, and as a result of these meetings, the conference on island regions was held in Tenerife, in April 1981, under the auspices of the Conference of Local and Regional Powers of Europe. This conference was declared "an important step towards a global and regular review of the economic and political problems of European islands and archipelagos, the "most peripheral" of the peripheral regions"<sup>10</sup>.

All these different elements led the Community to become increasingly aware that Community regional policy, as it had been conceived thus far, did not allow for specific programmes or measures to be drawn up for the less favoured island regions<sup>11</sup>. But, furthermore, the change in the Community's attitude towards the reality of the situation of the islands must be considered as part of a general approach that goes beyond merely becoming aware of the problems of island environments; it became part of a far more ambitious programme aimed at establishing a medium term framework for development to enable each region to overcome their structural deficiencies, using the range of measures in a "Community Development Programme for Less Favoured Island Regions"<sup>12</sup>.

In the eighties, the Community became immersed in a major process of deepening. With the approval of the Single Europe Act, the objective of creating a single internal market, including the concept of economic and social cohesion, triggered a series of actions and measures that, in the case of the ultra peripheral regions, signified the recognition of their singularities and the first manifestation of this was the approval of the Programme of Specific Options for the French Overseas Departments (POSEIDOM).

The POSEIDOM action programme sought to provide a solution for these territories that took into consideration both the regional characteristics of these areas and the fact that they were members of the Community. The solution was based on two fundamental elements. On the one hand, on legal factors that make it possible to face the specific problems of these regions, which cannot be solved by a uniform application of Community law. And, on the other, a more active intervention with structural funds, which was reinforced by the fact that this coincided with a profound reform of these funds.

In the early nineties, this EC initiative was complemented by the fact that the Programme of Specific Options due to the Distance and Isolation of the Canary Islands (POSEICAN) and the Programme of Specific Options due to the Distance and Isolation of Madeira and Azores (POSEIMA) were approved and came into force. Along with POSEIDOM, this completed the “POSEI” initiatives of the Community, aimed at facilitating the integration of the Canary Islands, Azores, Madeira and the French overseas Departments in the single market, a priority Community objective.

In short, the aim of these programmes was to provide an EC political response to the special difficulties of these regions, by adopting measures that are proportional to the effects of common policies, when these are applied, and by designing a policy that showed solidarity with the effort of economic recuperation, with a multi-disciplinary approach, and that was coherent and a catalyst for generating local development. It was clear, however, that the political will of the Union alone is not enough to achieve these objectives, they also require the support of local forces.

## **II.- THE CANARY ISLAND EXPERIENCE FROM THE PERIPHERY TO THE ULTRA-PERIPHERY**

The process of Canary Island integration in the European Union has shown characteristics of its own, making it clearly different from the rest of Spain and from most other regions of Europe. A progressive approach has been taken in the process. On the one hand advances have been made with caution and mistrust and, on the other, with weaknesses that have translated into the dismantling of the traditional special treatment that the Canary Islands have received since they became part of the Kingdom of Castille. Although this argument is often used for informing public opinion and for justifying the core of negotiations with the E.U., the Economic and Tax Regimen (REF) has been gradually dismantled, giving way to a process of harmonisation, with modulations and transition periods, with European Union legislation. Because of this, with the passage of time, far from attenuating regional differences, they are being accentuated.

The process of incorporating the Canary Islands in the E.U. has been characterised by a lack of vision concerning the essentially dynamic nature of the integration process. Other failings have been that this situation was not taken into account when designing strategies for negotiating with Europe and a lack of a medium and long term development plan to vertebrate the economy of the islands. This combination has meant that the incorporation of the Canary Islands in the European project has suffered constant adaptations and fixes. In the end there is a conflict of philosophies. On the one hand, the establishment in the Canary Islands has tried to maintain their legacy of privileges from an earlier age and, on the other, a growing harmonisation and homogenisation of everything European as a result of the widening and deepening undergone by the process of European integration.

But, what are the characteristics that make the Canary Island experience so special? The case of the Canary Islands can be divided into three stages:

- a.- A first stage that corresponds to the time that Protocol number 2 of the Spanish Membership of the European Communities Treaty.
- b.- A second stage, corresponding to the full integration of the Canary Islands in the Community.
- c.- And a third stage, with the Treaty of Amsterdam and the review of POSEICAN.

The possibility of Spain joining the European Community led to much debate in the Canary Islands, which boiled down to three different options for the Islands in the face of Spain's future membership:

1. The Canary Islands remaining outside the European Community.
2. Integration with specificities.
3. Full integration.

The first and third options were rapidly discarded, and the second option is the one that carried the day in the end. Right from the beginning in the Canaries, formulas were sought that would maintain the differential status of the Islands in comparison with the mainland, either by negotiating specific clauses, or by a special membership protocol for the Canary Islands. In the early stages the people of the Canary Islands were not very involved in the debate and the studies carried out sought to justify a decision that, in the end, was essentially political, rather than merely economic, given the confrontation and lack of consensus between the interests at stake.

The opinion was deliberately spread that Canary Island integration in the Community would enable the region to break the log-jam of its development process. Joining under Option 2 was presented as the formula for extending the privileged relations the Islands had had thus far with the mainland, to the whole of the European Community, thus gaining a larger market with special treatment. This view contains no novelties, the continuist view rules, in which “supposedly” all economic sectors would benefit, achieving a consensus that lasted very little time at all.

All in all, the Canary Island’s European Community membership document<sup>13</sup> was not substantially different from what had been proposed and adopted by the Canary Island Parliament. The only thing missing was complete freedom of trade between the Canary Islands and the Community, something to be expected. The Canary Islands remained outside of the pillars that underpin the process of European integration: outside the Customs Union (Non application of Common Trade Policy), out of the Common Agricultural Policy (CAP) and Fisheries Policy (CFP) and out of the scope of application of Value Added Tax (VAT). In short, “political integration”, as it was known at the time, was chosen, rather than “economic integration”, which in Community terminology can be translated as “non-integration”. Therefore, the treatment given to the Canary Islands was that of a third country with preferential treatment similar to the treatment given to certain non-member countries by the European Community. Very shortly, however, this model started to show signs of having reached its limit.

On the one hand, there was a growing confrontation with opposing interests, within Canary Island society; especially after seeing that the alleged advantages of the model for all sectors involved did not exist. The special regimen proved prejudicial, largely due to commercial difficulties between the Canary Islands and the rest of Spain, where, as a part of the Customs Union, access was more highly regulated than before Spain joined the EC, whilst remaining the traditional market for Canary Island exports. All in all, and with a view to the future, these problems, far from being palliated, would have become worse once the transitional period came to an end, because of the static nature of Protocol 2, the potential or desired evolution of the different sectors of the Canary Island economy and, above all, because of the single market within the European Community. This was obvious in the case of quotas based on traditional export volumes that, together with the Community's external protection mechanisms, proved to be a curb on the necessary restructuring and growth of Canary Island production, limiting exports and local production. One should not forget that the Community's commercial policy with the Canary Islands made it very clear that the objective was to maintain traditional trading flows from the Canary Islands to the Community. No mention was made of progressively increasing them.

“Non integration” in mainstream Community policies led to Canary Island products being considered as extra-Community and in some cases, they were treated worse than some products from third countries, as was the case of Morocco, which competed directly with some of the Islands' export products.

Thus, the entire primary sector was severely jeopardised (including export agriculture) and the industrial sector was subjected to rules of origin and quotas, despite presenting structural weaknesses in the economy of the Islands. The major beneficiary of this membership protocol was the services sector, which was able to intensify its European connections within the framework of Protocol 2, and continue to benefit from Community refunds which now spread to include mainland production and, in short, could continue to operate on the same terms as before joining the EC, strengthening its position in comparison with the rest of the economy.

On the other hand, Community evolution highlighted the deficiencies of Protocol 2. The Community dynamic, immersed in creating the single market, clashed with the static character of the Canary Islands' membership protocol, which, unless modification was to be considered, could aspire to no more than minor adjustments and to reducing the chances of really becoming part of the European project. What is more, the principle of economic and social cohesion that was introduced with the Single Europe Act,



meant that the E.U. could treat certain territories differently, with a less stringent application of Common Policies in these regions. So, the launching of POSEIDOM opened the way for establishing other Programmes whose special characteristics made them necessary, such as Azores, Madeira and the Canary Islands.

In 1989, an application was made to the European Communities for a change in status for Canary Island membership, with a proposal being made for full integration with specificities. In 1990, the Commission ruled in favour of the application and in June 1991, the second stage can be formally said to have started. This stage was characterised by the full incorporation of the Canary Islands in the European Communities. They became Community territory on joining the Customs Union, and Mainstream Common policies were applied, although there were a series of transitional periods (for full application of Common Commercial Policy), specificities and modulations (of a temporal nature and subject to review) in the application of mainstream policies. The aim of these was to enable the Canary Island region to become a full member of the single market dynamic, in the medium term, in the same conditions as the other regions of Europe.

The second stage was built on the foundation of the POSEICAN Programme<sup>14</sup>. This was based on the fact that the Canary Islands were structurally backward, and this was aggravated by a set of geographic constraints that had a serious negative impact on social and economic development. Starting with the need for economic and social cohesion that must come with the creation of the single market, a reinforced application of structural funds is implemented and an express Community initiative for the ultra-peripheral regions is taken on board (REGIS). The particularities of the Canary Islands are also recognised in the application of common policies, which, in the case of the CAP, are articulated around two objectives. One the one hand, to guarantee a supply of basic farm products essential for consumption and processing (Specific Supply Regimen – REA from its initials in Spanish). This works in the following way: each year, the Commission, through its management committees, approves a provisions supply plan for certain agricultural produce for human consumption and local processing. Produce imported from third countries as part of their fixed quotas is completely exempt from customs duties, whereas Community imports receive a grant that is equivalent to the profit made from the import duties exemption. On the other hand, measures are adopted, aimed at providing support for internal production, marketing and processing of agricultural produce.<sup>15</sup>

Concerning the Common Fisheries Policy, it is applied in a somewhat particular manner in the Canary Islands. A programme of grants has been established to off-set over-costs derived from its status of ultra-peripheral region, marketing and processing grants for certain products and for farm produce, like the REA, and the temporary suspension of the common customs duty for certain products.

In fiscal policy, and more specifically in the area of indirect taxation, there are important differences. The Canary Islands are outside the area in which VAT is applied, although the Community brought pressure to bear on the Canary Islands to review the REF in 1991 and introduce the General Canary Island Indirect Tax (IGIC from its initials in Spanish). The structure of this tax is very similar to that of VAT, but with lower rates of taxation. Furthermore, the Community Directives on special taxes (tobacco, hydrocarbons, alcohol and alcoholic drinks) are not applied. Finally, concerning the dismantling of certain fiscal measures intended to protect local industrial production, and the definitive implementation of the Common Customs Duty, a transition period has been established for its gradual application and the dismantling of the former, which finishes in the year 2001.

The final stage of the experience of the Canary Islands in the E.U. is the struggle to achieve express recognition in the Treaty of ultra-peripheral regions and their definition. It is true that the common declaration taken on board in the Treaty of Maastricht was a major step forward in the fight for recognition of the singularities of these regions, especially with regard to the need for a modulated application of common policies<sup>16</sup>. But it is also true that the common declaration left major gaps in the definitive consolidation of the ultra-peripheral regions in the heart of the Union, and that this could only be achieved via the articles of the Treaty, which include the specific concept of ultra-peripheral status, the enclaves considered ultra-peripheral and the acceptance of specific treatment in matters of economic policy, for these regions.

The changes that have occurred on the international scene; the prospects of extending the E.U. to the east, the major deepening process the E.U. is going through; are just some of the factors that have had an influence on the political opportunity of demanding sufficient legal support for the idea of ultra-peripheral status, from the Inter-Governmental Conference (IGC) that opened in Turin.

To this end, at the Funchal meeting of March 1996, the representatives of the ultra-peripheral regions reiterated the political will stated at the ICG meeting in Turin. They called for the characteristics and

specificities of these areas to be taken into account as differentials, within the vector of ultra-peripheral status defined in the Treaty of Maastricht. In short they were seeking for the position of these regions to be defined before the Union was enlarged with the incorporation of former Eastern block countries. This way, they hoped to prevent the singularity of the concept of ultra-peripheral status being put in doubt compared to the relative position of other Community territories, so that the increase in the degree of homogeneity that will accompany this process does not endanger the advances obtained over the last twenty years in the definition and limitation of this term.

In October 1996, the declaration received the backing of a declaration made in the 24<sup>th</sup> General Assembly of the CPMR held in Puerto de la Cruz (Tenerife). This stressed the need to reinforce the concept of ultra-peripheral status, the need to put measures in place to adapt Community policies to the reality of the regional situation, define the special conditions for applying the Treaty of Maastricht that will meet the needs of economic development, and to include environment-related problems in the framework of the Union's co-operation policy<sup>17</sup>.

The aim of this was to establish particular measures and special conditions for applying common policies, which is why both the media and politicians refer to it as the search for a "Permanent Statute". This obviously and undoubtedly leads to confusion and mistakes, especially if we consider what was finally taken on board after the meeting of Amsterdam, and after overcoming the opposition of countries like Germany, Sweden and Great Britain. Although they did not manage to have a Protocol introduced, as they sought to, they did gain a clear legal base for measures in favour of the ultra-peripheral regions. Article 158 (formerly 130 A) and article 299.2 (formerly article 227.2) of the Treaty of Amsterdam, which came into force on the 1<sup>st</sup> of May of this year<sup>18</sup>, signify the recognition of the ultra-peripheral regions and their specificities, but any economic policy decisions that are taken, based on these circumstances, may not go against the coherence and integrity of Community legislation, or breach the single market or common policies.

### **III.- PENDING MATTERS AND UNCERTAINTIES.**

At this moment in time, the Canary Islands are maintaining several negotiating fronts open in the E.U. Some of these are not new ones, but rather cover unresolved areas. These are: the subject of Common

Market Organisation (OCM) for bananas, the so-called Special Canary Island Zone (ZEC from its initials in Spanish) and the re-negotiation of the POSEICAN programme, based on article 299.2 of the Treaty.

Concerning the OCM for bananas, the situation is a delicate one. Ever since creating this OCM was considered, it has come under major pressure to have it dismantled from both inside and outside the European Union. The critics from within the Union, headed by Germany, have weakened the negotiating position on the other battle front; the World Trade Organisation (WTO). Ever since the regulations covering this OCM came into force complaint after complaint has been presented to GATT, which, once the WTO had been created, are reconsidered by a group of countries headed by U.S.A. as they considered the regimen to be discriminatory. The first OCM ruling was negative, which led the E.U. to modify it as it had to come into force on the 1<sup>st</sup> of January of this year, at the latest. But complaints were presented against the new OCM as well, and this time accompanied by threats from the U.S.A. to apply unilateral trade sanctions. Once again, the OCM ruling was negative for the E.U. and the Union is presently negotiating with the parties concerned, including the U.S.A., to re-design the OCM<sup>19</sup>.

With respect to fiscal matters, the negotiation of the specificities of the Canary Islands in Europe have been marked by bad political timing when these were mooted, and by inadequately designed measures being proposed. This is where lack of attention to the dynamic of the process of European integration can be most clearly seen. This has meant that the process has been approached in an inadequate manner, thus weakening the position of the Canary Islands and the Spanish State in the negotiations.

The economic bases of the new REF were published in 1994, substituting the 1972 regimen. The new bases established the so-called Special Canary Island Zone (ZEC), together with a series of "state aids", but the Commission were not informed of these in time or in the mandatory way. This has led to a late negotiating process, and to the modification of the REF on two occasions. Finally it was decided to separate the ZEC negotiations from the other measures included in the REF.

In late 1997 the Commission approved a series of grants for the REF, with time limits, to promote the regional development of the Canary Islands. In its opinion, the Commission made it very clear that if the Spanish authorities wish to extend the regimen, they must formally notify the Commission of this fact<sup>20</sup>. The package of aid approved is valid for a given period of time, some measures are applicable up to the year 2003 and others up to the year 2005. In the case of operating aid, these are gradually reduced over

time and, at the time of re-negotiating them, if the Canary Islands no longer meets the criteria used by the Commission for considering the Islands a region with abnormally low living standards, then they would no longer be eligible for this kind of aid. In the case of investment aid, as the Islands are an ultra-peripheral region, an extension of this kind of aid would be feasible.

At the present time, the government is arguing that it is time to put the matter of the ZEC to one side and to discuss it when the debate starts on the whole package of measures that must be adopted in accordance with section 2 of art. 229 of the Treaty. So far, the authorities have clearly been politically incapable of defending the ZEC, which has been watered down time and time again by the Commission. Neither the national nor the regional authorities have been able to defend the criteria and the advantages that were so strongly stressed when they were presented to Canary Island society as the backbone of the future model of development for the Islands in 1994 (five years ago now). The worst aspect of all this is that with no arguments being put by the regional or national government in support of what was supposed to be the “only hope” for the Canary Island economy, no alternative strategy has been considered<sup>21</sup>.

As we mentioned above, the partial approval of the REF left out the ZEC part, which, in the view of the European Commission, has serious deficiencies. Furthermore, the Special Zone proposal is being considered at a time of growing global instability and when advances in the Monetary Union are leading Community institutions to state that they have the political will to move forward in the process of fiscal harmonisation. In the Union, fiscal measures that imply a rate of taxation that is considerably below the general level are considered pernicious. In fact, these practises are classed as unfair fiscal competition that go against the principle of the single market. A ZEC in which priority was initially given to financial services and in which companies paid 1 per cent taxes does not seem very feasible at the moment.

Concerning the matter of a statute for the ultra-peripheral regions, one must not forget that POSEIDOM, POSEIMA and POSEICAN are programmes aimed at regulating the modulated application of common policies in certain regions. In none of these cases is modulation supposed to be indefinite. In the end, the application of common policies must lead to their full application in some cases, and a Community assessment of the situation in others, to see whether there are objective conditions for continuing to implement some form of modulation in the application of these common policies.

This fact, together with the negotiating fronts that the Canary Islands have opened with the Union, have undoubtedly created a large degree of uncertainty, both from the standpoint of the political negotiations and from the standpoint of the economic partners concerned, which is far more serious. They do not know if there are going to be substantial changes made to the context that is their reference point for mid and long term planning. This has led to an increase in speculation and opportunism in search of short term profits that constitute a high cost for regions as fragile as these are.

At the European Council held in Cologne on the 3<sup>rd</sup> and 4<sup>th</sup> of June this year, the Commission were asked to present a report on the package of measures to be implemented in accordance with section 2 of article 229 of the Treaty, with respect to the ultra-peripheral regions, before the end of this year.

To this end, the review and replacement of current programmes must take into account two fundamental aspects. On the one hand, the top priority objective must be to provide a backbone for economic activity in these regions, which must involve a revaluation of local production and its effective connection with the tourist industry. On the other had, it is essential that any approach is based on the general principle of sustainable development, which acquires strategic importance in the setting of the ultra-peripheral regions, most of which are islands, with highly fragile environments<sup>22</sup>.

The starting point must be to recognise the limitations of these enclaves. But, at the same time, one must seek out the differential aspects or factors that are being valued in the general view, and integrate them as a development factor. The Islands have interesting and innovative axes on which to base future development. They have a unique cultural and natural heritage and exceptional human resources, especially from the point of view of creativity. This is traditionally associated with the relatively greater difficulties to be found in many aspects of life in these areas, leading to certain skills being developed by the people who live here. Traditionally, these skills have been lost when their potential has not been harnessed because of the remoteness of these territories, making it very difficult to keep in contact with modern techniques and procedures and to introduce these into the immediate surrounds. That is why it is necessary for the competent authorities to make an extra effort in the field of education and research, to generate a revaluation of the skills, attitudes and know-how that can articulate the two levels of man and his environment. Thus, by conserving local identities and striking an adequate balance between economic activity, social participation and environmental conservation, it is possible to achieve suitable insertion at both the community and global levels.

Finally, it may seem a paradox that, precisely when the European project has taken a decisive step in the deepening process with Monetary Union and its third phase coming into force with the single currency (EURO), a series of problems starts to appear like dark clouds on the horizon of the European Union's present and future.

In the final years of this decade, the E.U. is going through one of the worst crises of its history. It is not the first time that the process of integration has run into difficulties, but when this has happened in the past, the solution has been to slow down the deepening process and to seek a consensus between the different forces in play. This time however, the deepening process has been accelerated and a political consensus is more and more difficult.

In the face of the asymmetrical effects of globalisation, the European Union does not seem to provide any form of protection to prevent these effects appearing in Member States and regions<sup>23</sup>. On the contrary, the deepening process reinforces these effects as they filter into the levels of analysis (world wide, regional, national and local), which is why active policies at a local level are necessary to off-set the effects, supported at national, regional and world-wide levels. This counter power is necessary to meet an extremely asymmetric system. This also explains the need for political and economic devolution. This is a vital point for the survival and development of ultra-peripheral regions. They need express representation in the European Union, as a group with a set of characteristics that make them very different from the rest of the Union. This would increase their autonomy over their own development model, integrating it and giving it a central axis in order to overcome the traditional and pernicious dynamic of dependence and replace it with one of inter-dependence<sup>24</sup>.

At the present moment, we get the impression that the E.U. is in a panic, looking for a solution and what remains to be seen is whether this panicked flight is a suicide mission that wrecks the project of "European construction". The step taken with the implementation of Monetary Union is bringing more pressure to bear on the urgent need for a political definition of the European Union, which must be based on the pillar of "de facto solidarity" between the diversity of peoples, groups and regions of which it is made up.

**TABLE N°1**

<b>REGIONS</b>	<b>Superficie(Km<sup>2</sup>)</b>	<b>Population(Thousands)</b>	<b>Population Density</b>
<i>GUYANE</i>	83.534	131,0	1,6
<i>GUADELOUPE</i>	1.705	413,0	242,0
<i>MARTINIQUE</i>	1.100	375,0	341,0
<i>REUNION</i>	2.512	652,0	260,0
<i>ACORES</i>	2.333	239,0	102,0
<i>MADEIRA</i>	795	254,0	320,0
<i>CANARIAS</i>	7.447	1535,0	206,0

Source: EUROSTAT

**TABLE N°2** **UNEMPLOYMENT RATES**

<b>REGIONS</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Change 93-97</b>
<i>GUYANE</i>	na	na	24,0	na	na	na	18,2	23,0	22,4	na	4,2
<i>GUADELOUPE</i>	na	na	31,1	na	na	na	24,0	26,1	29,3	na	5,3
<i>MARTINIQUE</i>	na	na	32,1	na	na	na	26,2	26,0	27,2	na	1,0
<i>REUNION</i>	na	na	36,9	na	na	na	31,7	34,3	36,8	na	5,1
<i>FRANCE</i>	9,6	9,3	8,7	9,0	10,0	11,2	12,2	11,3	12,0	12,0	1,0
<i>ACORES</i>	2,2	2,5	3,0	3,7	3,4	5,3	6,6	8,1	7,2	5,4	0,1
<i>MADEIRA</i>	4,8	5,5	5,0	3,0	3,0	3,7	4,6	4,8	5,5	5,4	1,7
<i>PORTUGAL</i>	6,0	4,8	4,1	3,6	3,8	5,3	6,7	7,3	7,4	6,7	1,4
<i>CANARIAS</i>	22,5	22,5	23,1	24,4	24,7	27,9	28,3	24,0	22,0	20,9	-7,0
<i>ESPAÑA</i>	20,1	17,4	16,4	16,0	17,8	22,3	24,4	23,1	22,5	21,1	-1,2



<b>EUR 15</b>	9,0	8,3	7,7	8,2	9,2	10,5	11,2	10,7	10,8	10,7	0,2
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Source: EUROSTAT

**TABLE N°3** **EMPLOYMENT**

<b>REGIONS</b>	<b>Employment 1997(thousands)</b>				<b>Employment 1997(%)</b>			<b>Employment rate(%)</b>			<b>GDP/Employed</b>	
	Agricl.	Indust.	Service	Total	Agricl.	Indust.	Service	1988	1993	1997	1993	1996
<i>GUYANE</i>	3,0	4,0	33,0	44,0	7,8	10,0	82,2	..	..	..	68	58
<i>GUADELOUPE</i>	10,0	24,0	90,0	124,0	7,8	19,7	72,5	..	..	..	52	49
<i>MARTINIQUE</i>	9,0	12,0	102,0	123,0	7,5	9,7	82,8	..	..	..	67	61
<i>REUNION</i>	8,0	24,0	128,0	160,0	5,1	15,1	79,8	..	..	..	75	68
<i>ACORES</i>	15,0	19,0	57,0	91,0	16,0	21,2	62,8	60,1	59,6	58,5	52	57
<i>MADEIRA</i>	13,0	30,0	64,0	107,0	12,5	27,7	59,8	71,3	67,7	63,3	51	57
<i>CANARIAS</i>	44,0	93,0	384,0	521,0	8,4	17,8	73,8	44,3	41,0	47,6	105	97
<b>EUR 15</b>	7426	44036	97924	149386	5,0	29,5	65,6	61,0	60,7	60,9	100	100

Source: EUROSTAT

TABLE N°4

## GPD PER HEAD(in PPS)

REGIONS	1988	1989	1990	1991	1992	1993	1993	1994	1995	1996
GUYANE	49	51	53	54	52	50	51	48	na	na
GUADELOUPE	37	37	37	37	39	40	41	40	na	na
MARTINIQUE	51	50	50	52	52	53	54	54	na.	na
REUNION	43	43	45	47	48	46	47	46	na	na
ACORES	43	45	43	44	46	48	49	50	50	50
MADEIRA	43	45	41	45	47	49	51	52	55	54
CANARIAS	73	72	71	72	73	74	76	75	75	74
<b>EUR 15</b>	100	100	100	100	100	100	100	100	100	100

Source: EUROSTAT

Note. The period split into two subperiods to correspond with the two programming periods, 1989-93 and 1994 on. For the second period, Eur 15 includes the new Länder

<sup>1</sup> [See Table number 1, Table number 2, Table number 3 and Table number 4]

<sup>2</sup> [See art. 227 of the Treaty of Rome in the case of the French Overseas Departments, and the Acts of Adhesion of Spain and Portugal that recognise the specificity of the Canary Islands on the one hand, and of Azores and Madeira, on the other.]

<sup>3</sup> [See SEERS, D.: "The Limitation of the special case", en Bulletin of the Oxford University Institute of Economics and Statistics, Mayo 1962.]; [See SELWYNG, P.: "Smallness and Islandness" en World Development, Vol.8, N1 12, 1980] and [See ANDERSON, M.: "The Island Dimesion", en Allan Macrtey (ed): "Islands of Europe". Edimburgh, 1984]

<sup>4</sup> [See MUTEBA, E., RAPPORT, J. y THERATHIL, J.: "Small States and Territories. Status and Problems" Arno Press, New York, 1971]

<sup>5</sup> [See Fifth Regular Report on the socio-economic situation and evolution of the regions of the Community, Commission of the European Communities, 1994]

[See BFRL: "Accessibility and Peripherality of Community Regions: The Role of Higways, Long distance e Railway and Airport Networks", 1992]

<sup>6</sup> [See EUROPEAN COMMISSION: "The Regions of the Extended Community. Third Regular Report on the situation and evolution of the regions of the Community". Luxembourg, 1987.]

<sup>7</sup> [ See EUROPEAN COMMISSION: "One market, one currency. An evaluation of the potential benefits and cost of forming an economic and monetary union". European Economy. October 1990]

<sup>8</sup> It would be four years after the First Convention of the Regional Authorities of Peripheral Europe, held in Galway (Ireland), at the initiative of the Conference of Local And Regional Powers of Europe, in collaboration with the Council of Europe's Parliamentary Assembly and the Conference of the Peripheral Maritime Regions of the European Community.

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<sup>9</sup> [CONFERENCIA OF PERIPHETAL MARITIME REGIONS OF THE EUROPEAN COMUNITYTY (C.P.M.R.), Permanent Commite, Resolution IV.2, Santiago de Compostela, november, 1979]

<sup>10</sup> The island regions represented at the conference were: Sardinia, Sicily, Azores, Madeira, the Balearic Islands, the Canary Islands, the Isle of Man, Orkney, Shetland, the Hebrides and Aland. Other participants included: the Danish islands, the Greek islands and the islands of Campania, Cyprus, Iceland and Malta. [TENERIFE DECLARATION adopted unanimously on 9 april 1981, conference of European Island Region, Canary Islands, Spain, 7-10 april 1981]

<sup>11</sup> It s worth clarifying that the deficiency of measures refers exclusively to peripheral island regions, making a clear difference between them and mainland regions. It must also be pointed out that these considerations refer to small islands and archipelagos, as large islands can benefit from a development programme conceived especially for them. They are also much better equipped from an administrative point of view, to meet the criteria for being earmarked for national or Community grants. [EUROPEAN COMMUNITIES. ECONOMIC AND SOCIAL COMMITTEE: “Less favoured Island Regions” CES 175/87, 30<sup>th</sup> of March 1987].

<sup>12</sup> The special characteristics of less favoured island regions make it necessary to take into account all and any instruments that can stimulate their development, which is why they are included in an “integrated operation” approach. [EUROPEAN COMMUNITIES. ECONOMIC AND SOCIAL COMMITTEE. Ruling CES 1062/86. 17<sup>TH</sup> of December 1986].

“It could be argued that it is the combination of physical distance and cultural difference, along with a large number of reciprocal influences, which give the “island factor” its peculiar dimension. Given that this phenomenon is at the same time concrete and psychological, effective and subjective, it makes the islands a unique phenomenon that is different from the other, mainland peripheral regions” [ibidem].

<sup>13</sup> [See Protocol number 2 and article 25 of the Treaty of Spanish Membership of the European Communities.]

<sup>14</sup> Council Decision of 26 June 1991 setting up a programme of options specific to the remote and insular nature of the Canary Islands (Poseican). Official Journal L 171 , 29/06/1991 p. 5 - 9

Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands. Official journal NO. L 171 , 29/06/1991 P. 1 - 4

<sup>15</sup> “... One should not forget that there are very different interests behind each sector, almost opposing interests, as the patterns of development that have been followed in the Canary Islands have not been aimed at promoting, or even maintaining, the internal consumption sector.” [See WEHBE HERRERA, C.D.: “Canarias y la Unión Europea”, Ed Benchomo, 1998 pages 128-129]

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<sup>16</sup> The Treaty of Maastricht recognises the regional factor in general from a political and institutional point of view, and the ultra-peripheral factor in particular:

“The Conference recognises that the ultra-peripheral regions (French overseas departments, Azores, Madeira and the Canary Islands) suffer a major structural deficiency that is aggravated by different phenomena (great distance, the island factor, small surface area, difficult climate and relief, economic dependence on some products) that seriously jeopardise their economic and social development.”

This recognition is accompanied by a series of considerations concerning the application of common policies in these areas, thus, the document continues:

“..... Considers that if the stipulations of the founding Treaties of the European Communities and Community legislation derived thereof are applied in full in the ultra-peripheral regions, this does not prevent specific dispositions from being adopted in their favour whilst there is an objective need to adopt such dispositions, with a view to achieving economic and social development for these regions. The purpose of these dispositions should be to create the single market, on the one hand, and the recognition of the real situation of the regions, with a view to making it possible for the ultra-peripheral regions to reach the Community’s average economic and social level”. [See Common Declaration number 26 of the Treaty of the European Union]

<sup>17</sup> Thus, the Inter-Governmental Conference were asked to include the following article in the Treaty:

“The dispositions of the founding Treaty of the European Community and of Community legislation derived thereof are applied to the ultra-peripheral regions (Azores, The Canary Islands, Guadeloupe, French Guyana, Madeira, Martinique and Reunion).

Nonetheless, in order to bear in mind the realities and specificities of these regions, the Council will adopt particular measures in their favour and will determine the special conditions for implementing common policies, in accordance with the procedure established in art. 189 B and after consulting with the Economic and Social Committee and the Committee of the Regions to the extent and whilst there is an objective need for adopting such measures.

These dispositions should be clearly in line with the objective of economic and social cohesion established in articles 130 A onwards, of the Treaty. The dispositions of derived legislation concerning ultra-peripheral regions that are presently in force continue to be applicable. The Commission will propose the conditions of application of this article to the Council”.

<sup>18</sup> Article 158 (ex Article 130a)

In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion.

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In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas.

Article 299.2

The provisions of this Treaty shall apply to the French overseas departments, the Azores, Madeira and the Canary Islands.

However, taking account of the structural social and economic situation of the French overseas departments, the Azores, Madeira and the Canary Islands, which is compounded by their remoteness, insularity, small size, difficult topography and climate, economic dependence on a few products, the permanence and combination of which severely restrain their development, the Council, acting by a qualified majority on a proposal from the Commission and after consulting the European Parliament, shall adopt specific measures aimed, in particular, at laying down the conditions of application of the present Treaty to those regions, including common policies.

The Council shall, when adopting the relevant measures referred to in the second subparagraph, take into account areas such as customs and trade policies, fiscal policy, free zones, agriculture and fisheries policies, conditions for supply of raw materials and essential consumer goods, State aids and conditions of access to structural funds and to horizontal Community programmes.

The Council shall adopt the measures referred to in the second subparagraph taking into account the special characteristics and constraints of the outermost regions without undermining the integrity and the coherence of the Community legal order, including the internal market and common policies.

<sup>19</sup> [See WEHBE HERRERA, C.D: “Situación actual y perspectivas del mercado comunitario del plátano” in AAVV: “Economía Canaria”, Tome 1, University of La Laguna, 1998, pages 259-281.]

<sup>20</sup> [See art. 93 Section 3 of the Treaty of European Union]

<sup>21</sup> “The idea of creating an off-shore zone in the Canary Islands originated as a response to the crisis suffered by the tourist-construction industry in the Canary Islands in the 80’s, when the enormous profits being made from speculation started to drop and alternative channels of investment were sought. When Spain joined the European Communities and the process of deterioration of the primary and industrial sectors started in Canaries, certain capital investments started to lose value in comparison with others, which were associated with external values. So, when the decision is made to modify Protocol 2, these new values have become sufficiently consolidated to tip the balance in their favour” [See WEHBE HERRERA, C.D.: “Canarias y la Unión Europea, op. cit. Page 186]

<sup>22</sup> It is especially important to stress the role played by tourism. This can act as a major catalyst for development but, one should not lose sight of the fact that it can also have the opposite effect, mortgaging any possibility of consolidated development of the area because it is so fragile and vulnerable.

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To this end, and with express reference to the Canary Islands, [See WEHBE HERRERA, C.: “Canarias y la Unión Europea”, op. cit.]

<sup>23</sup> In the present dynamic and its potential strengthening, the argument that has been the foundation of European integration from the beginning seems to become increasingly obsolete: “To create an area of stability, security and development...” within the European block, establishing a clear boundary between this and the rest of the world. An attempt is being made to replace the water-tight compartments that States used to be, with regional blocks, and international search for areas that are safe from the growing instability of the global system. This apparent reaction, however, reinforces and is in the origin of the globalisation process. This strategy, which may have been successful in other times, is now showing signs of exhaustion; the fundamental problems are of a global nature and must be tackled as such.

<sup>24</sup> The term dependence is defined as “a situation in which the economies of certain countries are conditioned by the development and expansion of another economy, to which the former is subject. The relationship of inter-dependence .... takes the form of dependence when some nations can grow and become self-generating, whilst other nations can only do the same as a reflection of this expansion. ... The relations produced by the world market for dependent countries mean exporting profits and interests that take part of the surplus generated within their borders with them, meaning they loose control over their productive resources”. [See Theotonio Dos Santos: “ The structure of dependence” en The American Economic Review, may 1970]