

**Speech by Henri Malosse, President of the Section for Economic and Monetary Union and  
Economic and Social Cohesion of the European ESC  
Forum on *SMEs in the island regions of the European Union*  
Cagliari 14 - 16 November 2002**

**(Summary)**

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**Mr President**, Members of the European Parliament, dear friends,

It is a pleasure for me to take part in the closing session of your Forum, particularly as it is my first "performance" as a section president of the European ESC and I am giving it in front of my friends from the European islands!

I thank you for inviting me here, but I also understand that it is a tribute to the commitment of my colleague **Mr Vassilaras** who drew up our institution's opinion on "SMEs in EU island regions", adopted unanimously on 25 April 2002, which you will find in your files.

I shall frequently quote from this excellent document, which sought to make practical proposals on the basis of the conclusions of the Nice European Summit held on 7 and 8 December 2000 (point J 57).

I wish first of all to congratulate the INSULEUR network on the choice of the theme of SMEs, for it is indeed relevant to the islands. I shall mention only one figure, taken from the Vassilaras opinion: whereas in the EU the average is 51 SMEs per 1000 inhabitants, the figure is generally double that in the islands, for example 94 per 1000 in the island of Corsica which is particularly dear to me! Indeed, SMEs are of vital importance there as a factor for social cohesion and attachment to local identities, and the basis for endogenous development and particularly for tourism! (Unlike large concerns which do not have this local attachment).

I should like here to quote from the Vassilaras opinion a passage which in my view sums up very well a point we need to make:

"Island SMEs are however experiencing difficulty in participating in these programmes because of problems with implementing projects, lack of own resources, their geographical position, demographic situation, small size of the local market, dependence on larger urban centres, vulnerable economy, the seasonal nature of employment and the lack of economic diversity."

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### Do Community programmes favour island SMEs?

One can have serious doubts about this, as emphasised by the excellent report presented here by the Corsican Chambers of Commerce and Industry! The gap with the other regions has not been closed – far from it – especially if one bears in mind that certain statistics can be "swollen" by seasonal incomes or enterprises, as in the Balearic islands, and mask a reality which is much less impressive. The brain drain is still a reality!

It can be argued that whereas Objective 1 of the Community programmes has had a positive effect in terms of improved access, measures taken under Objective 2 and Interreg have apparently not come up to expectations: delays, bureaucratic obstacles, poor matching of measures to needs ... Moreover, the report stresses the relative inefficiency of the public funds in meeting the expectations of island SMEs. Rather than direct subsidies, they would prefer a climate favourable to initiative and to business development.

Faced with this situation, what do we propose? Not a specific policy for islands, for how could one imagine a single policy for territories as different as the island of Saaremaa in Estonia and the island of la Réunion in the Indian Ocean, Corsica or the Shetland Isles? Rather than defending a dogmatic vision of the islands question – which would produce a classification excluding certain Scottish islands as too close to the mainland or Malta because it also contains the capital of a state – we in the European ESC prefer a more global and more pragmatic policy: we propose a new approach to all the Community's cohesion policies, based on the following three points:

#### 1. A radical reform of the structural funds

We have recently developed this point in the opinion on "The future of cohesion policy in the context of enlargement and the transition to a learning society":

- Broadening of the eligibility criteria, to take account of factors such as remoteness, isolation, lack of education and entrepreneurship and absence of civil society structures.
- New priorities: improved access and trans-European territorial cooperation, education and training, maintenance and development of basic public services in isolated or enclaved areas, including services to enterprises.
- Simplifying procedures with an instrument of the Cohesion Fund type for Objective 1 areas, experiment and exchange networks for other regions, and a very flexible, decentralised instrument for trans-territorial cooperation, including infrastructure for transport, energy, water etc.

#### 2. A new form of European governance

In our view this would be characterised by a strengthening of the role of local authorities and of local identities, and by associating the economic and social partners with all stages of drawing up, implementing and monitoring Community measures.

3. New Community policies which open up new prospects for island territories

Here I wish to mention in particular the tax position of enterprises, with the European ESC's proposal for a harmonisation of the tax base, as a prelude for a convergence of rates within which arrangements adapted for islands could be envisaged. I am also thinking of the question of company law, on which our Committee has proposed a status in European law for SMEs, which would for example enable a Sardinian SME to develop its activities without constraints in Corsica or the Balearic islands. The European Company status created by the EU concerns at this stage only joint stock companies and is therefore very unsuitable for island SMEs! In terms of economic policy coordination, which we wish to strengthen particularly for the euro zone countries, one could also envisage common measures (on tax, investment, territorial continuity) for the islands.

In conclusion, I should like to point out that our ECO Section, which is currently drawing up its work programme, will develop its work in future in fields very close to these concerns, such as the future of structural measures outside Objective 1 areas, the role of the economic and social partners, the development of trans-European territorial cooperation and the role of the regions, or the impact of the other Community policies on cohesion (which was the subject of a request for an exploratory opinion from **Commissioner Barnier**). Here I would like to stress the great interest I have in your suggestion for an "Island SMEs Observatory", as a network for services and exchange of experience rather than a centralised structure. I undertake to have this considered as part of our work and of our proposals to the other European institutions.

I should like to make the point that the work of the Convention on the future of Europe, and the enlargement of the EU in 2004 to include ten new Member States including two islands – Malta and Cyprus (*pace* the statisticians!), militate in favour of a new form of European governance, which may turn out to be positive for our island territories.

This is an opportunity for the islands, which rather than claiming a specific nature which is often synonymous with marginalisation, would thus be the precursors of a new Europe – less technocratic, closer to the needs of economic and social actors and of society, and with more respect for identities and diversity!

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