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**A Social and Economic
Cohesion Policy
for the Islands of
the European Union**

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1. Nature and aims of the social and economic cohesion policy

1.1. Introductory themes

The line of argument put forward in this paper, regarding the request for implementation of the actions recently outlined for the benefit of the Islands of the European Union, starts from a brief overview of the nature and aims of the “Social and economic cohesion policy”.

This expression covers the set of provisions and actions aimed at reducing the social and economic disparities existing in the European Union.

While the most obvious differences are to be found in per capita GDP and the unemployment rate, we must also consider, more in general, the many aspects regarding the “quality of life” which may be improved through the intervention of public bodies.

In this regard, it should be noted from the outset that the social and economic cohesion Policy of the European Union, as in every other human setting, has an undeniable ethical value, since the prime aim of each and every political entity must be to develop actions to improve living standards and, in this framework, reduce social and economic differences between citizens, starting from those that are engendered not by individual responsibility, but rather by historical phenomena and geographical, social and economic peculiarities.

In this context, it is evident that the Welfare State, that is the specific concept of the state which aims at spreading well-being, must find its prime element in the prospect of social and economic cohesion.

The need to take firm action towards social and economic cohesion is a key objective in view of EU integration, above all because no institutional system wishing to guarantee its own survival and development can passively accept social and economic disparities. Indeed, such disparities tend to divide rather than unite, and thus constitute a concrete obstacle both to achieving an adequate degree of integration, and to sustaining widespread welfare.

1.2. A misconception that must be eliminated

According to a somewhat superficial – and at all events mistaken – interpretation, cohesion policies, similarly to other Welfare State policies, would seem quite simply to attempt to limit the impact of the social and economic handicaps affecting some territorial areas or groups of individuals, thus focusing on protecting the interests of specific subjects.

In this respect I should like to point out that one of the effects of social and economic cohesion policy is certainly to improve the conditions of a given territorial region or social category, always assuming that this policy is effective and the Welfare State works. This is an effect which of course we all appreciate. But it is not in itself sufficient to explain the enormous importance which the tendency towards social and economic cohesion has for the European Union, as for any other institution.

In fact, the process aimed at removing the great social and economic disparities between areas, economic sectors or groups of citizens, produces two general benefits truly worthy of note.

The first effect/benefit (the internal one) springs from the fact that the various policies of an institutional system can be implemented much more effectively in a situation of widespread cohesion than would be the case, all other things being equal, if they were implemented in a context lacking appropriate social and economic cohesion. In fact, it can easily be argued that actions implemented in a context of cohesion are always more fruitful not only from the political and social point of view, but also in other respects – including the cultural, technical and material. Conversely, it is equally true that a lack of cohesion always produces high economic, social and other costs which are closely dependent on this very lack of cohesion.

The second effect/general benefit deriving from social and economic cohesion originates from the fact that the “capacity for action” of an institutional system in the international sphere is closely linked to its degree of internal cohesion. In this respect, we all know that the world at large would greatly benefit from an effective international role played by Europe as a single entity (rather than by single European States); indeed, such a role is repeatedly called for by various opinion makers, by experts and politicians as well as by many Heads of State and Government of third countries.

1.3. Historical background

The whole history of European integration, confirming what I have already stated, has been marked by a strong tendency towards social and economic cohesion: this was evident right from the start, with the setting up of the European Coal and Steel Community, later with the European Economic Community and subsequently in the phase of evolution towards the European Community and finally in the last phase after the ratification of the Treaty of Maastricht.

Indeed, right from the very beginning, one of the most important policies in support of social and economic cohesion has been social policy. To this, early on, were added on the one hand regional policy and on the other the Common agricultural policy.

Subsequently, many other actions aimed at social and political cohesion were gradually implemented, making it possible to set up other tools. In particular we should mention the activity of the European Investment Bank (EIB) – which in recent years has actively supported actions under the Structural Funds and for the development of SMEs - of the financial instrument for fisheries guidance (FIFG) and the Cohesion Fund. The latter was set up with the aim of reducing the gaps in development that Spain, Portugal, Greece and Ireland showed compared to the other countries of the European Union.

1.4. New challenges for social and economic cohesion

I have so far argued that a cohesion policy is absolutely vital for the European Union and that it has a markedly comprehensive character, while also taking into account local features, specific economic sectors and groups of citizens. I would now like to point out that the social and economic cohesion policies of the European Union today are more topical than ever, because of the deepening and widening of the European integration process.

This process, after the official Euro changeover on 1 Jan 2002, is undergoing a critical phase of transition, when the political evolution of the European Union is not only necessary but also undeferrable. Indeed it is now essential that we match the economic and social powers already coming under the exclusive purview of the

European Union, with political powers of equal level. Failure to do so would have dire consequences.

Europeans, taken as a whole, are well aware of the problem I have outlined; so much so that starting from the European Council of Laeken in December 2001, they have decided to carefully examine the possibility of a political evolution of this process. To this end, they have set up the Convention on the future of Europe.

Another source of serious concern for the achievement of satisfactory levels of cohesion is the planned enlargement of the European Union to include the countries of Eastern Europe.

The question of enlargement is so important and complex that it cannot be addressed in depth during this congress. But we do wish here, in no uncertain terms, to affirm that enlargement, despite the many problems it gives rise to, is a key necessity. It is a course we have already agreed on, and which we would not dream of contesting in this meeting, even if we wished to do so.

2. Why a specific cohesion policy for the Islands is necessary and urgent

2.1. Specific aspects of the development lag in island regions

In the travail accompanying the renewal, re-launching and development of the social and economic cohesion policies, the guidelines we refer to are those set out in the articles of the European Union Treaty concerning social and economic cohesion, as defined by the recent Amsterdam and Nice Councils.

In particular, as regards the subject of my speech, we should refer to the new article 158 and, in particular, to the passage stating that “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.”

The above provision clearly shows that the Community places the Islands and the less-favoured Regions on the same level and has expressed a commitment to reduce the disparity in development which marks them.

Thus, the Island Regions must be beneficiaries of the social and economic cohesion policy because they suffer from structural handicaps and a lasting lag in development.

Moreover, the ranking of Island Regions with less-favoured Regions deserves more detailed examination. Indeed, I would argue that the islands, while falling within the general category of less-favoured Regions, also require specific measures within the framework of an overall social and economic cohesion policy.

2.2. The diverse elements characterising the development lag of Islands

The Islands of the European Union – but the same may be said for all islands – suffer from a number of social and economic handicaps, of a structural and largely permanent nature.

In this regard, we should point out that Islands almost invariably have a long history of foreign domination, often including depredation and the submission of the local communities and their economy to the invading powers. This historical heritage,

which marked most islands to varying degrees, had serious social and economic implications, whose effects have lasted over time.

We also find in each Island, as a rule, an obvious separateness from other territories, a fact which has deeply affected the local economy, usually marked by small size enterprises, a tendency to autarchy and lack of flexibility. Indeed, this separateness has usually made it difficult for the economic activities flourishing in mainland territories to spread to the Islands.

The islands' infrastructure systems also suffer the negative effects of separation from the mainland, and are thus often of lower standards than the infrastructure found on the mainland.

One of the most serious consequences of this situation was – and in many cases still is – the strong dependency of Island economies on external sources of miscellaneous supplies, investment, capital and technologies.

In particular, some of the major shortfalls are found in the areas of external and internal communications, water supply, energy availability and the availability of technology to meet economic and civil development needs.

Moreover, we should stress that while all islands in the world share a number of general characteristics, they can be further classified, according to specific features, into island subgroups (according for instance to their geographical extension, population density, political status). Obviously, specific characteristics are important from a social and economic point of view in the sense that they contribute to identify the social and economic individualities of the Island under consideration.

Thirdly, each island territory undoubtedly presents unique features arising not only from its general characteristics as an island and its belonging to a specific subgroup, but also from other unique characteristics connected with its own individual geographical position, climate, history and culture.

Ultimately, from the social and economic point of view, each Island may be seen as the combination of a number of geographical, social and economic elements, some of which may be positive - healthy environment, beautiful scenery – while others put a strong brake on island development.

These negative elements may in turn be classified into three types:

- a) General features
- b) Category-specific features
- c) Features of individual islands

In the light of the remarks made above, we may conclude that, in brief, each Island is a unique entity from a social and economic point of view, with unique traits that distinguish it from any other Island.

Therefore, any strategies aimed at restoring the social and economic balance of the Island should not be designed only on the basis of the general features shared by all Islands.

3. Towards a European social and economic cohesion policy for the Islands

3.1. From formal recognition to concrete action

It has taken almost 50 years for the European Union to officially recognise islands as a category needing special measures to foster social and economic cohesion. This came about with the amendment of article 158 of the Treaty I mentioned earlier: this decision, while indispensable, is certainly not sufficient in itself to find an equitable solution to the problems of social and economic cohesion affecting the islands.

The obvious lag in development experienced by islands has a number of specific features that cannot be addressed with the same policy instruments designed for other, non-island disadvantaged territories. From the technical and economic point of view, it goes without saying that the specific reasons for any given development lag must find equally specific remedies.

Let us not forget that the European Union has on several occasions made specific provisions to meet specific situations: this was the case for rural areas, mountain areas and more recently ultra-peripheral areas and some areas in Finland and Sweden, which were recognised as suffering from development lag – in spite of the lack of the correlated parameter regarding GDP – due to their low population density and harsh climate.

This policy line and its associated remedies are obviously acceptable and indeed must be pursued and intensified. However, I feel it necessary to stress that islands urgently need a valid policy of social and economic cohesion, tailored to meet the specific nature of their social and economic lag. At the same time, we must not forget that – as already stated – Islands, while all suffering from permanent structural handicaps, also have strong elements of individuality. If we accept this truth, the cohesion policy specifically formulated for the Islands must be comprehensive and open, providing a flexible framework that can be adapted to the individual characteristics of each Island under consideration.

Turning now to the general handicaps affecting islands - but without forgetting category-specific and individual characteristics - we may list some particularly

important priorities for action.

The first of these is certainly a fundamental development factor identified by the European Union itself: “knowledge”, a term which includes ‘knowing’, ‘know-how’, and relational skills. This is the essential condition enabling individuals to organise their actions in rational, well structured and organised ways (for further information, consult the “White Paper on growth, competitiveness, and employment: The challenges and ways forward into the 21st century”). As is well known, the most common way – though at times somewhat limiting and certainly not the only way – to promote a knowledge-based society is to organise professional training programmes.

Another very important area of action is undoubtedly the completion and upgrading of infrastructure systems, with special emphasis on communication networks with the mainland and on internal communications systems between the communities living on the same Island.

A third urgent area of action concerns the water and energy supply systems, which again are usually inadequate, for obvious reasons, on every island but are, at the same time, of prime importance to combat the development lag.

3.2. Contribution of the Island Chambers of Commerce in the formulation and implementation of social and economic cohesion policies

The mission of the Island Chambers of Commerce - as indeed of those of mainland Europe – is to represent and support the entrepreneurial categories operating in their area.

The regional Chambers of Commerce are therefore extremely well suited to play an active support role in the formulation of the concrete measures implementing the social and economic cohesion policy for the Islands. It is indeed obvious that island business communities, since they suffer directly from the effects of the lag in local development, have in-depth knowledge of the nature, characteristics and implications of the social and economic situation of their islands. This rich store of knowledge cannot be neglected if we wish to ensure that European social and economic cohesion contains the necessary element of realism and incisiveness.

The entrepreneurial reality of each Island is based in the main on local small or very small enterprises. Indeed on many Islands we find a prevalence of micro-enterprises. In

percentage terms, whereas in the European Union small and medium-sized enterprises cover about 95% of the total, on the Islands (or at least on some of them, including Sardinia) this rate reaches 99%, with greater presence of micro-enterprises.

Obviously, the small and very small size of these enterprises shows that they are deeply rooted in the local reality and makes them important beneficiaries of the ongoing and systematic action of the Chambers of Commerce.

If the Chambers of Commerce received recognition of their role in the implementation of the social and economic cohesion policy for the benefit of the Islands, they would clearly need to equip themselves to play their role of permanent support tool of the European Union in favour of said policy.

We should create within each Chamber of Commerce a permanent Observatory of the local economy and of the social and economic cohesion actions of the European Union. This can best be achieved with the help of the local Universities and requires the continued and systematic commitment of a certain number of officials and experts from the Chambers themselves who should be tasked permanently with the collection and correlation of data aimed at improving cohesion actions.