

SMEs versus island handicaps

Survey carried out on the island CCI of the European Union (July 2002)

Regional Delegation of Corsica

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For several years the Chambers of Commerce of Corsica have been advocating the necessity of structuring systems designed for the requirements of a balanced and durable economic development.

Corsican businesses are confronted by specific ongoing constraints due to insularity which are likely to worsen because of the standardization process as well as the increase in size of the European Union.

Programs of economic development bolstered by the states and by the European Union are being implemented in almost every insular region.

It is a fact that the integration of Eastern European countries into the European Union will immediately reduce the average gross domestic product per community inhabitant and, should no decision be taken by 2006, this first impact will be followed by the exclusion, generally speaking, of the insular regions from the N° 1 objective.

They will also see a significant decrease in their volume of allocated structural funds. The sums earmarked to help businesses will be reduced and some exemptions jeopardized.

They will be forced to accept the privatization of public services too, in spite of the fact that this kind of service cannot possibly be viable or competitive in an island context.

Two important studies on island regions are or will be shortly available :

"Au large de l'Europe", produced by Eurisles at the instigation of the Islands Commission of the CPMR and published in July 2002,

"Analyse des Régions insulaires de l'UE", produced by the Consortium Planistat Europe and Bradley Dunbar Ass. at the instigation of the DG Regio and due to be published within a few weeks.

Within this context, taking their knowledge of the problems inherent to Corsican firms and the Corsican economy as a base, the Corsican Chambers of Commerce together with the support of the technical committee of the INSULEUR network and through their regional delegation, initiated a survey submitted to island Chambers of Commerce.

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This survey consisting of a questionnaire stating the drawbacks inherent to insularity revealed three main themes :

- 1) The nature and importance of structural drawbacks,
- 2) The appropriateness and the performance of existing systems of public aid to businesses,
- 3) The appropriateness of policies regarding transport.

Sixteen Chambers of Commerce (most of them are part of the INSULEUR Network) answered ; they cover the geographical area of thirteen insular regions: Aland Archipelago, the Balearic Islands, the Canary Islands, Corsica, Crete, Guadeloupe, the Ionian Islands, Martinique, the northern Aegean Islands, Reunion, the southern Aegean Islands, Sardinia, Sicily.

The results of this survey will be presented at the Forum of Cagliari on 14th and 15th November 2002. DG Regio and Eurisles will also present the results of their studies.

On this occasion it will be particularly interesting to look at the situation from the angle afforded, on the one hand, by the concrete data produced by the survey submitted to the CCI and, on the other hand, from the one afforded by the analytic and statistical approach favoured by the DG Regio.

Summing up of the survey's results regarding the features common to all islands

The first comment consists in pointing out that the situations in which the European islands find themselves vary extensively.

Nevertheless we identified a certain amount of points they have in common.

- All the CCI having answered, with the exception of the CCI of Aland Archipelago, wish to see concrete and specific measures applied in their respective territory to ensure its economic development and compensate for the drawbacks due to insularity.
- 88% of the contacted CCI have identified one or two sectors of activity that are little developed or inexistent, in their region. They lay the blame on insularity as the factor responsible for slowing down the development of these sectors thus handicapping heavily, both economically and socially, the affected areas.

All the CCI are of the opinion that the regional economic climate depends a lot on the dominating sector although its importance is generally not the result of voluntarist policies.

This means that the regional economic climate of the islands appears to be less dependent on the general national or international climate than on the well-being of the dormant sectors.

The economic specialisation of the islands and their physical separation from the mainland tend to exclude them from the big internal market.

The preponderance of the public sector is one of the common features which contribute to the vulnerability of the islands to any austerity measures affecting adversely public spending.

Lastly, all the contacted CCI are of the opinion that most sectors of activity face high or very high drawbacks where it comes to competitiveness.

The limited impact of assistance policies on the economic development of the islands

All the CCI have doubts where it comes to the actual beneficial impact of assistance to the economic development policies, currently implemented in the island region with an aim to reducing additional costs due to insularity.

They are of the opinion that, although they target virtually all the sectors of activity, the current systems have had over the past ten years very minor impact on their territory.

If one adds to all this the difficulties expecting the PME trying to have access to various community programs and to formalized assistance contracts, the administrative slowness and the delays in the payments, one understands better the attitude of the PME towards those structures.

Where taxation is concerned few insular regions benefit from exemptions.

Those who do are globally satisfied because they contribute to compensate appreciably insularity related handicaps and are, from an administrative point of view, easy to implement.

The contacted CCI are also of the opinion that the existing structures dispensing financial assistance are not very satisfactory.

Most regions having participated to the survey mention some structures dispensing financial assistance to firms : loans of non-private origin, counter-guarantee structures, modification of interest rates, refundable advances.

In spite of this the satisfaction level of the island regions with regard to the end result of the structures aimed at improving the financing of PME, is relatively low.

Moreover the satisfaction level of the contacted CCI with regard to the performance of the regional banking system is relatively low and they point out a very low level of trust on the part of the banks in the local SMEs.

The limits of transport policies

No matter the importance and the quality of the economic policies implemented in an island region, they cannot have the necessary impact in terms of development if they are not implemented together with a suitable transports policy.

The majority of contacted Chambers of Commerce are of the opinion that the liberalization of transports did not give any major problem and that it has, in fact, had rather positive spin-offs.

Nevertheless, the CCI of the island regions contacted concerning transports performances are very critical whether it comes to air and sea transport or to passengers and goods transports.

They complain of an insufficient transport offer and high tariff levels that act as brakes on expansion.

However they are of the opinion that, generally speaking, transport infrastructures (ports and airports) are satisfactory.

There therefore remains an important effort to be made to improve, at all levels, air and sea communication between the islands and the continent.

In conclusion

This survey is only a stepping-stone towards more collaborations which will render possible the elaboration of propositions made in common aimed at improving the understanding of permanent handicaps in the island regions of Europe, territories where improvement of the European, national and international policies' efficiency seems to be a priority.

The taking into account of this situation shall materialize through the adoption, at European level, of certain decisions defining the principle of :

- the creation of a permanent, specific goal for the island regions,
- the acknowledgement of their specificities through the grant of a permanent, global, dispensatory status which will take into account both the diversity and the evolution of situations in each of the insular regions,
- the setting-up of a body monitoring the economic policies of the islands, which will make it possible to adjust these policies as need be in each of them.

These decisions will make it possible for the European Union to assert and consolidate its policy of economic and social cohesion while giving the territories and the populations adversely affected by severe and permanent handicaps, their due.
