



**To: Hon Robert Abela
Prime Minister of Malta**

Cc: The Members of the European Council

July 6th, 2020

Ensuring an Adequate Recovery in Islands' collapsed economies

In its June 18th, 2020 letter addressed to Mrs Ursula Von Der Leyen - President of the European Commission, Mr David Maria Sassoli - President of the European Parliament and Mr Charles Michel - President of the European Council, **The Network of Insular Chambers of the European Union-INSULEUR** (www.insuleur.eu) welcomed the European Commission's ambitious proposed recovery instrument, Next Generation EU, and the proposed changes to the Multi Annual Financial Framework 2021-2027 which reflect the scale and size of this unprecedented crisis and the challenges facing us. In its letter, INSULEUR moreover lists the factors that have left islands particularly exposed during this pandemic, leading to a significant reduction in their economic activity and Gross Domestic Product (GDP), and a substantial increase in unemployment, making them the ones suffering some of the most severe economic setbacks and therefore revealing even more the continued/growing presence of regional and intraregional inequalities, affecting the economies and the development of insular regions compared to the mainland.

A much needed territorial, differentiated and permanent dimension

The health crisis hitting Europe will generate a very serious economic crisis, especially for islands experiencing a severe economic decline in comparison with other regions, due to their dependence on tourism. It is therefore essential that the Recovery Package of the EU is channeled to give priority to regions with economies which have been impacted most negatively by the COVID-19 pandemic, and which also have limited capacity and resources to recover from its effect. Such an approach should ensure a *level playing field* for all insular businesses.

INSULEUR therefore agrees with the focus put by the European Commission in its Communication of the 27th May on the need to support the hardest hit and not leaving any



region behind: “No person, no region, no Member State should be left behind.”¹ This is because an important subset of regions that deserve targeted attention within the concept of territorial cohesion are EU islands. The recovery must be “fair and inclusive. It must address the disparities and inequalities either exposed or exacerbated in the crisis and promote territorial cohesion.”²

INSULEUR also seizes this momentum to reiterate the need for the implementation of a **specific strategy for EU islands with an appropriate policy/legislative framework that encompasses a much needed territorial dimension at all levels: European, national, and regional/ local.**

Such a territorial dimension is also required in the **EU State Aid Framework**. An urgent and immediate component of this framework should be a **differentiated**, but **permanent** state aid regime for islands where insularity would be recognized as a permanent feature affecting negatively, directly and indirectly islands’ economies. This framework would ensure the sustainable development of islands at *pari passu* with the mainland.

The way forward

The ‘endemic’ fragility of islands must be taken into account in the solidarity mechanisms that the Member States, with the support of European funds, will implement. We therefore call for specific emergency measures and a reinforced and adapted solidarity mechanism to prevent, and limit, the major economic crisis looming in the EU islands:

- We agree with the European Commission that the **green economy** and the **digital transition** should be the main focus points at this particular point in time: “We must invest in protecting and creating jobs and in driving our competitive sustainability by building a fairer, greener and more digital Europe. We must repair the short-term damage from the crisis in a way that also invests in our long-term future.”³

INSULEUR is already working to explore the full potential provided by the EU Green Deal, for islands and insular businesses, analysing the key points of the Green Deal regarding island eco-systems, and to promote islands as test-beds for the implementation of the measures provided by the new instruments and Action Plans (Public Transport, Cleaner Air, Food, buildings, electrical cars etc.). Islands are at the forefront of the global fight against climate change, since they are facing the devastating impacts on their local ecosystems and livelihoods. Currently islands face significant difficulties in this area due mainly to: autonomous systems sometimes hosting most of the infrastructure that is used to manage their resources; significant fluctuations in electricity demand due to tourism; very high energy dependence on fossil fuels for electricity generation; a significantly higher cost of electricity production; and fragile ecosystems which are being impacted negatively by unsustainable tourism patterns. However, islands also have huge potential for Renewable Energy Systems (RES) and Energy Efficiency

¹ European Commission (2020), *Europe’s moment: Repair and Prepare for the Next Generation. Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions*. COM(2020) 456 final, p.1.

² *Ibid.*, p.10.

³ European Commission (2020), *Europe’s moment: Repair and Prepare for the Next Generation*. p.6.



(EE). This is why islands are already being used as test-beds for the deployment of innovative technologies addressing real-life challenges. Indeed, islands represent excellent laboratories for technological innovation particularly in the fields of energy, transport, mobility, and sustainable tourism etc.

Moreover, INSULEUR is trying to develop a Common Digitalisation Strategy for EU islands recognising the importance and potential of digitalisation for insular economies. As reiterated in the **Statement on Conclusions and Intent on Developing a Common Digitalisation Strategy for EU islands**, which was the outcome of the INSULEUR Forum held last October, “digitalisation can serve as a roadmap to tackle the difficulties that are generally associated with their geographical isolation by developing stronger links with the main centres of economic activity, developing innovative products and services and diversify business activity.”⁴ Equally, as indicated in the European Commission Communication on **Tourism and Transportation 2020 and Beyond** “tourism can gain from the digital transition, providing new ways of managing travel and tourists flows, opportunities and more choice as well as more efficient use of scarce resources.”⁵

Given this context INSULEUR is putting forward these proposals:

- The recovery funds should be allocated in such a manner as to ensure the sustainability of island economies which have been mostly hit by the pandemic. This should translate into funds which would ensure the **diversification of island economies**.
- Certain islands in the Mediterranean are also coping with an **influx of migration** which is also affecting their welfare system. EU governments therefore need to factor a solution to this concern in the policies and national budgets, providing meaningful support to islands.
- During this global emergency INSULEUR is asking that **unused funds already earmarked for the islands from the 2014/2020 budget are preserved and maintained** avoiding transferring sums of money to other regions equally affected by coronavirus but better equipped in terms of infrastructure and a developed industrial network, compared to islands.
- We also need to extend the **flexibility** in providing state aid to Europe's islands **long after the initial phase of the crisis will have passed**. For instance, and for the islands to realize their full potential, EU common sectoral policies that are without differentiation need to consider and include the insularity clause. To achieve the EU's principles of Territorial Cohesion and Sustainability, the development model needs to be permanently changed to include equal opportunities for all islands, in sectors such as transport, tax policies, waste management and energy. VAT particularly, should be

⁴ INSULEUR. 2019. *Statement of Conclusions and Intent on Developing a Common Digitalisation Strategy for EU Islands*. INSULEUR Forum 2019. [ONLINE] Available at: <https://www.gozobusinesschamber.org/wp-content/uploads/2019/07/Statement-of-Conclusions.pdf> [Accessed 12 June 2020].

⁵ European Commission (2020), *Tourism and Transport in 2020 and Beyond*. Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions. COM(2020) 550 final, p.5.



lower and remain lower as it is already on some islands (Corsica, Leros, Samos etc) whereas there is no VAT in the Helgoland islands. The current situation is woefully inadequate and we call for the termination of the traditional perception that islands are too different from one another to justify policy measures at EU/national level.

To assure a level playing field, INSULEUR argues that all European islands should benefit from policies and measures adopted at EU AND national level, based on the “insularity” factor.

“One size fits all” solutions will have negative or even catastrophic consequences for our Islands.

As more details will emerge in the coming months concerning the terms of the Recovery Fund, INSULEUR will remain particularly attentive and active in adopting a position on aspects linked to the distribution of funding across EU islands. INSULEUR will never cease to voice the difficulties and concerns of the island populations, if these are not addressed, both during this crucial period but also beyond

Yours sincerely,

Joseph Borg – President (INSULEUR)

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