

COMMISSION OF THE EUROPEAN COMMUNITIES

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GREEK ISLANDS IN THE AEGEAN SEA

INTERIM COMMISSION REPORT

INTRODUCTION

1. When the Council adopted the Poseidon programme on 22 December 1989, the Commission stated that it would examine the socio-economic problems of certain island regions of the Community. At the Council (Economics and finance) of 24 June 1991 and when the Council adopted the Poseima and Poseican programmes on 26 June, the Commission undertook to prepare a report on those regions by the end of the year.

2. This interim report is made in fulfillment of those undertakings and is intended provide information on progress made in the Commission's discussions with the Greek authorities.

1. THE GREEK ISLANDS IN THE AEGEAN

3. Islands account for 19% of the land area of Greece, the highest proportion of any of the Member States of the Community. The bulk of them are remote from the Greek mainland, itself distant from the rest of the Community, with which it has no land frontier. The Aegean Islands are the largest group, totalling about 1 000, of which 131 are inhabited, and the most scattered, measuring 800 km from north to south and 500 km from east to west, both in Greece and the Community.

4. There are five principal archipelagos (Lesvos, Samos, Khios, Cyclades and Dodecanese) and 36 other islands, administratively attached to mainland regions. The population in 1991 was put provisionally at 488 840,

almost 5% of the Greek total, and the total land area is some 10 425 sq km, 8% of the total.

5. The whole social and economic life of the Aegean Islands is heavily influenced by their island nature, their remoteness and their fragmented situation. This is particularly true of the smaller and less inhabited islands, which account for 70% of their total area. All the 131 inhabited islands suffer from the following problems:

- the grouping of the islands in archipelagos and their dispersion constitute obstacles to supply and trade in the region and substantially increase transport costs. Existing transport networks, most of which are inadequate and structurally deficient, are based on the main islands, Rhodes, Kos, Thira, Mykonis, Paros, Lesvos, Khios, Samos and Skiathos. There are few regular inter-island links;
- the small size of the islands (96 have an area of less than 50 sq km) is an obstacle to integrated development and economies of scale as regards both economic activity and public services (training and education, health, energy supplies, etc.);
- the low population density and tendency to out-migration, particularly from the smallest islands to those offering a minimum of social and transport services. One consequence of emigration is that a higher proportion of the population is aged over 60 than on the Greek mainland;
- the lack of usable raw materials, exacerbated by the distance of centres of production from Greece and the Community;
- difficult natural conditions: arid and mountainous terrain, limited and fragmented agricultural land, dry climate and lack of water, regular strong winds which hinder communications, etc.

The islands in the north-east and the Dodecanese also suffer from their situation on Greece's eastern border, which is also the eastern external frontier of the Community on the Mediterranean.

6. All of these problems also affect both supply and demand on the labour market.

7. From a geophysical and climatic point of view, the islands constitute a unique natural environment which is also very fragile and is beginning to come under enormous pressure, principally from unplanned tourist development, the abandonment of traditional agriculture and port facilities.

8. The socio-economic constraints arising from these handicaps make the Aegean Islands one of the poorest areas in Greece and the Community. In 1989 per capita GDP in the northern Aegean in PPS was 40% of the Community average and in the southern Aegean 55%.

9. Their economic structures are marked by a primary sector which is larger than the average in Greece, a small secondary sector and a swollen tertiary sector. The considerable changes which have taken place since 1971 have translated into a major shift from the primary to the tertiary sector with some growth in the secondary sector.

10. Although the primary sector is shrinking, its size is the result of the large number of farmers working small holdings and the dependence of the islands on fisheries. Although the difficult natural conditions, fragmented holdings and a low level of qualifications among farmers keep productivity low, agriculture is an essential component of the islands' economic activity, particularly in the north, where it accounts for 40% of total jobs, and it has an important social function in retaining rural population. The maintenance of traditional agricultural activity and rural population is also essential to protect the environment of the islands.

With three dominant products (olive oil, wine and citrus fruit), production has developed mainly to supply local market needs but is far from meeting demand by the local population and tourists. This means that a large proportion of foodstuffs has to be brought from the mainland and the same applies to agricultural inputs (e.g. 70% to 85% of animal feedingstuffs are expensively imported due to the high cost of transport). Fishing is largely a small-scale coastal activity which often suffers from adverse weather conditions (storms). Production is mainly for the local market and suffers from a lack of infrastructure.

11. Although it is not the main employer, the secondary sector, which supplies 17.4% of jobs in the northern Aegean and 27% in the southern Aegean, has expanded on most islands (except the Dodecanese), especially on the Cyclades. Part of this growth is due to expansion of the building sector, mainly as a result of tourism. The most important sectors are textiles, clothing, leather, crafts for tourists, agri-foodstuffs and, in some instances, mineral extraction. Industries and crafts are on a small scale and organized in family units with low productivity and high transport costs both for supplies of raw materials and disposal of finished products, a further result of inadequate communications infrastructure.

12. The tertiary sector is constantly growing, providing 58.8% of jobs in the Dodecanese, 45% on Khios and 36.5% on the Cyclades and Samos. The sources of growth vary, ranging from hotel work, catering and commerce in the islands, mostly in the southern Aegean, where tourism is the main activity to the public or semi-public sector (administration, teaching, etc.). Administrative departments have to provide services to meet public

needs irrespective of the size of the population which often entails staff reductions within the archipelago.

2. COMMUNITY SOLIDARITY SINCE ACCESSION

13. Since the Act of Accession of Greece to the Community provided for no exceptions or derogations, the Aegean Islands are subject to Community policies and instruments in the same way as the rest of the country. Community solidarity with the special development problems of the Greek islands in the Aegean Sea has been expressed principally, and to a substantial degree, through Community structural assistance.

14. Between 1981 and 1988, this assistance concentrated primarily on financing projects concerned with transport, communications, tourism, energy, water supply infrastructure and productive investment. From 1981 to 1984 the regions also benefited from non-quota programmes for energy (under which 80% of the Community contribution went to the development and promotion of geothermal and wind energy) and enlargement (mainly concerned with small businesses, tourism and transport).

15. Both the integrated Mediterranean programmes (IMPs) and the Community support frameworks (CSFs), drawn up in partnership with the Greek authorities and giving priority to the Objective 1 regions under the reform of the structural Funds, lay particular stress on structural measures for Greece, including the Aegean Islands.

16. Under the IMPs, which run from 1986 to 1992, the Community contributed ECU 230 million (55.5% of the total cost of the programmes) to the development of the Aegean Islands. The main objectives are to improve

access, control the concentration of tourism and maintain the primary sector (agriculture, facilities in rural areas, fisheries and rural tourism).

17. Of particular significance in implementation of the CSFs from 1989 to 1993 are the two multifund operational programmes for the Northern Aegean and the Southern Aegean, to which the Community contributed ECU 56 million and ECU 55 million respectively. The measures planned, which are being carried out alongside and in coordination with those under the IMP, concern chiefly transport, social and educational infrastructure, improvements to water supplies, drainage and the biological treatment of waste, services for local business and vocational training. There are also measures financed under Community initiatives such as Interreg and Envireg.

18. Although the impact of these measures financed by the structural Funds cannot yet be precisely assessed, Community part-financing has helped launch and sustain a series of basic infrastructure works including airports, ports, roads and sewage plants.

19. The extent and specific nature of the problems facing the island regions of the Aegean Sea mean that this substantial Community effort should be continued and extended after 1993. However, the structural Funds alone cannot resolve all the problems.

3. GREEK REQUESTS

20. Accordingly, on 23 October 1991 the Greek authorities sent the Commission a programme of specific measures for the Aegean Islands 1992-96 based on four objectives:

- reducing geographical isolation at the interregional, national and Community levels;

- improving the general level of development of the islands;
- meeting the needs created by the increased remoteness of these island regions following the single market in 1993;
- acting in conjunction with existing development programmes to complement Community or national efforts.

21. To achieve these goals, the Greek document suggested a series of measures designed to respond to the specific problems and needs of the Aegean Islands. These fall into two categories:

- so-called "institutional" measures, specific adjustments to common policies, mainly as regards indirect taxation (reduced rates of VAT and excise duties), state aids, transport, market aids and specific supply arrangements under the CAP and the supply of petroleum products. Some of these measures should continue beyond the period of the programme;
- structural assistance, concentrating on transport, telecommunications and energy infrastructures, assistance in the social field and with public services (training and education, health), support for the primary sector, water supply and environmental protection.

4. THE WORK OF THE COMMISSION

22. In accordance with the conclusions of the Rhodes European Council in December 1988 and its undertakings to the Council, the Commission, in conjunction with the Greek authorities, has looked at the specific problems of the Aegean Islands in a spirit of openness.

23. This has included consideration of the requests made by the Greek authorities. At a working meeting on 4 December, the Commission asked them for further information about the strategies they wished to adopt to develop the various sectors covered in their document and requested technical data on the actual situation in those sectors. The Greek delegation supplied some of the information at the meeting and undertook to provide the remainder as soon as possible.

24. Consideration of the all the socio-economic problems affecting the Aegean Islands should enable the Commission to present a report accompanied by appropriate proposals as early as possible in the first half of 1992. The Commission is giving particular attention to the following areas:

- structural assistance: the Commission is considering whether certain proposed measures can be implemented by adjusting the current Community support framework in agreement with the Greek authorities. The new resources to be made available under the new financial perspectives should also permit a greater effort to be made, possibly including other areas where the Greek authorities have asked for action to be taken;
- taxation: as part of an overall agreement on the abolition of tax frontiers the Commission is considering whether certain island areas in the Aegean could enjoy special taxation arrangements to help offset the extra costs resulting from their isolation and/or island situation. The impact of such arrangements should in any case be restricted to the local economies concerned without directly affecting completion of the internal market without frontiers and without distorting competition in a manner contrary to the Treaty;

- agriculture: the Commission is considering how to solve the problems of supplying certain islands with basic agricultural products and contribute to the support of certain specific local forms of production.

In the latter two cases especially, any specific measure would have to be justified on the basis of the specific handicaps and the economic and social situation of the regions concerned.