



**To:** Ursula Von Der Leyen  
President of the European Commission

**To:** David Maria Sassoli  
President of the European Parliament

**To:** Charles Michel  
President of the European Council

June 18<sup>th</sup>, 2020

### **Ensuring an Adequate Recovery in Islands**

**The Network of Insular Chambers of the European Union-INSULEUR** ([www.insuleur.eu](http://www.insuleur.eu)) welcomes the European Commission's proposed recovery instrument, Next Generation EU, and the proposed changes to the Multi Annual Financial Framework 2021-2027. INSULEUR acknowledges that the European Commission has put together an ambitious proposal which reflects the scale and size of the challenge facing us, in order to respond adequately to this unprecedented crisis. The pandemic has revealed even more the continued presence of regional and intraregional inequalities, affecting the economies and the development of specific regions. Islands, independently of their size or remoteness, have been affected more adversely.

#### **Island Economies and COVID-19**

The economic and social impact of international tourism is likely to be disproportionate for islands, which economies are mostly dependent on tourism. Due to the COVID-19 crisis, traditional tour operators, which in fact played a crucial role for the development of insular tourism, (offering organised travel and all inclusive packages) have cancelled all their contracts (guaranteed and non-guaranteed) signed with hotels in islands. The same applies for independent travellers who had booked their holidays through online platforms, and who have cancelled their reservations. The Cruise Industry, which for a number of islands represented a significant source of income, was also adversely affected. Cruise operators have cancelled their planned schedules without any clear date when their activities are going to resume.

While the Covid-19 pandemic was in general well contained in islands due to their relative isolation, they are nevertheless the ones suffering some of the major economic setbacks. This is due to a number of reasons. More often than not, islands face, albeit to varying degrees, a number of permanent natural or demographic handicaps compared to their mainland counterparts, including:

- limited accessibility;
- isolation;
- high dependence on a narrow range of economic activities – in some cases reliant solely on tourism;
- inexistent or inadequate healthcare facilities;
- the availability of few resources due to their small size; and
- insignificant internal markets.

All of these factors have left islands particularly exposed during this pandemic. This has led to a significant reduction in their economic activity and Gross Domestic Product (GDP), and a substantial increase in unemployment. While the effect on the mainland was also significant, the economic and social impact on islands due to the factors listed above, was greater.

### **The Way Forward**

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.

While recognising the inherent difficulties to design the fund and instruments to allocate the €750 billion raised, mainly due to the stark variations in the economic impact from the COVID-19 pandemic at EU Member State level, INSULEUR nevertheless highlights that part of these funds, once injected into each state's economy should be invested equitably and fairly across all regions. More importantly these 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.

INSULEUR therefore agrees with the focus put by the European Commission in its Communication of the 27<sup>th</sup> 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.”<sup>1</sup> 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.”<sup>2</sup>

**INSULEUR seizes this momentum to reiterate the need for the implementation of a specific strategy for EU islands with an appropriate policy/legislative framework**

---

<sup>1</sup>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.

<sup>2</sup>Ibid., p.10.

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.

A **reduced VAT regime** for all islands should also be considered. Islands need to be given extra incentives to make their economies more attractive. This would be an important contributor towards ensuring the levelling of regional disparities across the EU.

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.

Nonetheless 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.”<sup>3</sup>

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 (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

---

<sup>3</sup>European Commission (2020), *Europe's moment: Repair and Prepare for the Next Generation*. p.6.

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.”<sup>4</sup> 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.”<sup>5</sup>

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

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

Yours sincerely,



Joseph Borg – President (INSULEUR)

**INSULEUR**  
NETWORK OF THE INSULAR CHAMBER OF COMMERCE  
AND INDUSTRY OF THE EUROPEAN UNION  
MICHAEL LIVANOUS 52, 82100 CHIOS GREECE  
TEL: 003022710 - 41170 FAX: 003022710 - 44722  
T.I.N: 800310329 - A.E.S OF CHIOS 7411

---

<sup>4</sup>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].

<sup>5</sup>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.