



**B7 Baltic Islands Network**  
**B7 Gotland Chairmanship 2005**

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Gotland 24 March 2004

**B7 Position Paper on  
State Aid and Territorial Cohesion in the Baltic Sea Region.**

As an organisation promoting the interests of seven islands in the Baltic Sea, the B7 expresses its concern over the cohesion policy of the European union. The B7:-

- recognises the importance of a reduced and more focussed policy limiting potentially distortive forms of aid and allowing sufficient flexibility,
- encourages a concentration of public funding on less favourable areas concerning their social, economic and territorial situation to promote cohesion,
- reminding of the need for concern with regions with multiple, natural constraints as set out in the constitution,
- emphasizes the need for a differentiated and flexible approach to regional aid and policy measures in view of the Lisbon Agenda, concerning infrastructure, services of general interests and the innovative capacity of microfirms and SMEs.

Taking into concern the sensitivity of island communities in terms of migration, transportation, maritime environment, demography, limited labour market, institutional limitations and small scale business units in comparison with urban areas, and the consequent need for cooperation with other maritime areas:

**The B7 Position**

The B7 urge the European Commission in relation to present proposals to amend the cohesion framework specifically so that:

- the diversity in the regions as concerns islands and areas with comparable difficulties is reflected in the rules for regional state aid,
- distance limitations should not exist in the Baltic Sea. The proposed 150km limit contradicts the policy of territorial cohesion and introduces barriers to historical and cultural co-operation around the Baltic Sea

The background to the B7 position and Baltic island issues is explained on the next two pages.

Yours faithfully

**Claes Kullberg**

**B7 Chairman**



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### **BACKGROUND TO B7 POSITION**

#### **Reform of State Aid.**

The Baltic Sea Region is an inland sea region of the EU, a sea surrounded by land. Motorways, shipping - ferry transport and air transport form the links to the major economic hubs of the Baltic Sea Region. For islands, transport and communication are essential pre-requisites for development and growth. Ferry and air connections are the islands motorways to the economic hubs and markets of Europe.

In practical terms for the islands this means that state aid for ferry and air transport is an essential element in creating economic, social and territorial cohesion and reducing comparative disadvantage, which is also compliant with ARTICLE III-167 of the Constitution for Europe.

The B7 islands support policies that will lead to better territorial cohesion and better equality of access to markets, which means concrete state aid measures for the islands.

The territorial impact of DG Competition's proposals on the review of regional state aid (maximum amounts of subsidies that public authorities are allowed to grant businesses) has spatial consequences for many of the B7 islands. In current Objective 2 areas (Bornholm, Gotland, Öland and Åland) wealth at national, regional and sub-regional level would no longer be taken into account. The capacity to attract businesses or to encourage their development would be considered to be exactly the same for all territories suffering from permanent handicaps that are not eligible under Objective 1, phasing in or phasing out. According to the proposal the islands concerned will have up to a 20 percent difference in regional state aid possibilities while unassisted regions will have their capacity increased! This goes against the principles of economic, social and territorial cohesion as laid down in the treaty. Moreover there are no special provisions for islands. It is not clear whether or not island status, which is not explicitly mentioned, will be considered as a handicap and whether or not limits will be imposed. DG Competition's proposal is in opposition to DG Regio's Cohesion Policy!

The B7 supports the technical paper of the CPMR of 07 February 2005 on the "Territorial impact of DG Completion's proposals on the review of regional state aid"

#### **Cross border co-operation in the Baltic Sea Region**

In the COUNCIL REGULATION laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, article 7 1 a maximum distance of 150km is set for cross-border co-operation along maritime borders.

In the Baltic Sea Region cross-border co-operation has existed for at least a thousand years before WWII and resumed again after the fall of the Berlin wall. National policies and funding promoted bi-lateral co-operation between states and regions in the Baltic Sea region before the recent enlargement. Arbitrary distance limitations:

- contradict the policy of territorial cohesion
- introduce barriers to historical and cultural co-operation in the Baltic Sea Region.
- hinder existing co-operation in various fields between partners on both sides of maritime borders.

A limit of 200km is also not acceptable for the same reasons.



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### **WHAT ARE BALTIC ISLAND ISSUES?**

#### **THE ISLANDS DIMENSION**

**Islands** have permanent constraints that put them at a comparative and competitive disadvantage to the mainland.

**Islands** often cannot or do not know how to benefit from the single market.

**Islands** need to develop win-win strategies with their neighbouring regions.

**Baltic Islands** have a small population base, face geographic constraints but must still be able to offer their citizens the basic range of services and quality of life compared to the mainland.

#### **Typical Baltic Island Issues:**

- Accessibility - transport limiting development.
- Comparative disparities with major city regions
- Maritime safety and the environment.
- Limited markets
- Limited tertiary education and training opportunities.
- State commitment for lagging regions.
- Tighter budgets
- Total population and population in employment decreasing.
- Younger citizens moving to the mainland and a greater proportion of elderly.

### **WHAT IS THE B7?**

The B7 is a co-operation of the 7 largest islands in the Baltic Sea from 5 different countries that began in 1989.

The B7 islands believe that as a co-operation they can influence developments for their common good.

The partners of the co-operation are, Bornholm (Denmark), Gotland (Sweden), Hiiumaa (Estonia), Rügen (Germany), Saaremaa (Estonia), Åland (autonomous region of Finland), Öland (Sweden). Since 1996 B7 has had an office in Brussels.

The B7 has an annual rotating Chairmanship and Secretariat. In 2003 Hiiumaa holds the Chairmanship of the organisation and is responsible for the Secretariat.

#### **The principles of membership are:**

- Each member is a Baltic Sea island.
- Each island contributes to the co-operation based on population size.
- The B7 Co-operation is a partnership of equals.
- The B7 islands believe that they can better serve the interests of our islanders and achieve more as a co-operation than alone.