

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the Council and the European Parliament on VAT rates other than standard VAT rates’

COM(2007) 380 final — SEC(2007) 910

(2008/C 211/18)

On 5 July 2007 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the Council and the European Parliament on VAT rates other than standard VAT rates.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 28 March 2008. The rapporteur was **Mr Burani**.

At its 444th plenary session, held on 22-23 April (meeting of 22 April), the European Economic and Social Committee adopted the following opinion by 112 votes, nem con with five abstentions.

1. Conclusions and recommendations

1.1 The Committee welcomes the Commission's initiative to provide a basis for a 'political debate' within the European Parliament and the Council which can produce widely accepted principles on granting derogations from the VAT regime. Since the process has a clear political dimension, the deadline of the end of 2010 set for the adoption of the new rules is entirely realistic.

1.2 The original objective of the VAT regime was to establish the pre-requisites for **tax harmonisation** which would ensure the smooth operation of the internal market: the numerous changes which have been made since then, especially the exemptions and derogations, have, however, **had the opposite effect**, and the endeavour to standardise derogations is the best that can be hoped for in the present circumstances.

1.3 Derogations are implemented in each Member State on the basis of fiscal criteria together with **political and social concerns**; they are permitted when they do not have cross-border impact or when they meet established Community policy criteria. The Committee, for its part, believes that, while these criteria must be observed, derogations should be viewed first and foremost — although not solely — from the point of view of their contribution to an **income redistribution** policy.

1.4 Discussions should focus particularly on **local services that cannot be supplied at a distance** and therefore do not have a direct impact on the internal market. This category includes numerous activities which, while undoubtedly economically and socially beneficial, are **controversial in some respects** or could be subject to other considerations: craft activities, services provided by restaurants, public and private health services, unskilled labour-intensive sectors, books and newspapers.

1.5 The Committee points out the need for exemptions to be granted on the basis of different expenditure for **low and high-income groups**. It stresses in particular that exemptions should be guided by **criteria ensuring transparency** and take

into account the **costs entailed by vague, general regulations for tax administrations and businesses**, which are ultimately passed on to the end consumer.

1.6 There should be particular focus on **direct subsidies as an alternative to reduced VAT rates**: a solution which the Commission puts forward without, however, taking a particular stance. The Committee believes that this alternative should be treated with great caution and adopted sparingly and only in cases where it is difficult to find other solutions; in any case, subsidies should never take the form of state aid.

2. Background

2.1 The VAT regime is, by its very nature, based on a complex system. It was created in 1977 as a 'temporary' regime ⁽¹⁾ and is still referred to as such today, after some 30 years! Over the years the regime has been amended countless times as a result of: changes to temporary or long-lasting situations, political considerations, developments in the internal market, and enlargement.

2.2 The Commission took the action needed to simplify the work of administrations and economic players with the **2006 VAT Directive** ⁽²⁾, which tidied up the legislation and constitutes in practice the 'consolidated text' on the matter. The directive is underpinned by the original principles from 1977, partially revised in 1992: generally speaking, the **normal minimum rate** is 15 % ⁽³⁾ and the tax is generally levied in the place of origin. Some derogations and exceptions are, however, provided for: the standard rate can be reduced and some goods or services can be taxed at destination.

⁽¹⁾ Logically, a 'definitive' regime should provide for taxation at destination, or rather, place of consumption. At the time, various obstacles prevented general implementation, and these persist to this day.

⁽²⁾ Council Directive 2006/112/EC of 28 November 2006 on the Common system of value added tax (OJ L 347 of 11.12.2006).

⁽³⁾ Articles 96 and 97 of Council Directive 2006/112/EC of 28 November 2006 on a Common system of value added tax (OJ L 347 of 11.12.2006); a maximum rate has never been set.

2.3 According to the rules, Member States can apply one or two reduced rates, but only to goods and services listed in the VAT directive ⁽⁴⁾. All Member States, with the partial exception of Denmark, take advantage of this option, but to a different extent and applied to different goods and services selected from those permitted. Such inconsistency is far from conducive to achieving the coordination needed for the smooth operation of the single market. The Commission now proposes to launch an **'invitation to the political debate' in the Council and the European Parliament** — with the participation of the Committee, whose opinion has been requested — with a view to reaching an agreement between the Member States on a **new architecture for reduced VAT rates**.

2.3.1 In practice, this involves **reviewing the entire framework** of specific and temporary derogations that have already been granted, the former to the Member States that joined less recently and the latter to the 'new' group of Member States, and rebuilding a framework that takes account of objectives that are consistent with the logic of the internal market. This is not a simple process: a **jointly accepted balance** will have to be found between all the political, economic and social imperatives which, over time, have been used to justify the derogations and exclusions that each Member State has applied according to its own particular requirements. The Commission is under no illusion as to the difficulties involved here: it does not envisage the consultation process leading to a **new regulation before the end of 2010**.

2.4 A preliminary step that was needed to put all Member States on an equal footing in terms of derogations was taken with the draft directive that extends **the temporary derogations granted to new Member States** to 31 December 2010 ⁽⁵⁾. The reason for the proposal, which was adopted on 20 December 2007, lies in the different regimes governing the derogations: Member States that joined less recently have the benefit of open-ended derogations whereas those for the new Member States expired at the end of 2007. The extension granted on 20 December 2007 to the latter put everyone on an equal footing, at least until 2010, by which date the Commission hopes that the Council and the European Parliament will have reached agreement on the adoption of a **stable, uniform regime for VAT rates other than the standard rate**.

2.5 The communication addressed here aims to provide a **basis for a 'political debate'** within the European Parliament and the Council which can produce **widely accepted principles** that will enable regulatory proposals to be drafted that have a **very good chance of being accepted**. Bearing in mind past and present experience, the Commission is taking a cautious approach in the statements it makes and is realistic about the decisions that need to be taken: it is waiting for signals to be made. Its communication therefore confines itself to a balanced presentation of all **information useful for making a considered assessment**, taking its inspiration from the tried and tested principles of the single market and the

Lisbon Strategy, but without adopting any fixed stance. The Committee believes that this initiative is crucial to the future of the internal market in the field of taxation: it is a unique opportunity whose success will depend on the sense of responsibility and good will of decision-makers.

3. Gist of the communication

3.1 The communication summarises a **study by Copenhagen Economics** which, on behalf of the Commission and in fulfilment of the remit entrusted to it by the Council and the European Parliament, has analysed the impact of reduced VAT rates and related derogations, focusing on the **social aspects** (income distribution) and the **costs** of the system. The Committee pays tribute to the Commission for the quality of the document it drew up on the basis of the study. Indeed, nothing is overlooked in the document and there are no dead ends: all the necessary information is there to feed the forthcoming debate.

3.2 The Commission starts by setting out its objective 'to ensure equal opportunities for Member States as well as more transparency, consistency and — above all — a smooth functioning of the internal market, e.g. via fewer obstacles to cross-border economic activity and lower VAT-induced compliance costs' ⁽⁶⁾.

3.3 Specifically, and with reference to the *Copenhagen Economics* study, the Commission notes that *from a purely economic point of view*, the most rational solution would be a **single VAT rate**: it would produce a reduction in operating costs for administrations and businesses and, in theory, reduce distortions of competition. As with all rigid regulation, however, there is a risk that the single rate might not be suited to every circumstance, and a certain amount of flexibility could therefore be required: this is what underpins the argument for **reduced rates**.

3.4 A reduced rate is a response to economic criteria, but also partly to social and political criteria. Examples include labour-intensive services (especially unskilled) and local services when they do not have a major impact on cross-border traffic. The thinking here is that lower rates (and therefore lower prices) will increase productivity and employment: thus, people will be less likely to indulge in DIY and more inclined to hire a professional, with the underground economy taking a hit into the bargain.

3.5 The full list of goods and services that benefit from reduced rates (Article 98 of the VAT directive) is contained in Annex III of the directive. **Labour-intensive services** must comply with three criteria (Article 107): in addition to those referred to in the previous point, these must be **services largely provided directly to end consumers** and services of a **local nature, not likely to create distortions of competition**. For **goods** and 'normal' services, the criteria are less explicit, but

⁽⁴⁾ Cf. Articles 98-101 and Annex III of the directive.

⁽⁵⁾ Draft Directive COM(2007) 381 final, and EESC opinion CESE 1467/2007 on the *Proposal for a Council Directive amending Directive 2006/112/EEC with regard to certain temporary provisions concerning rates of value added tax* (OJ C 44 of 16.2.2008, p. 120).

⁽⁶⁾ See Introduction to Communication COM (2007) 380 final.

their inherent 'social' nature is clear from the list: they are in fact food and pharmaceutical products, water, publishing, television services, etc. The Committee will comment on these aspects later (see point 4.12).

3.6 The Commission comments on one of the more common arguments for reduced rates, which is that they would help to secure **greater social justice** in that they would improve income distribution in favour of the less well-off. The study and, it would seem, the Commission, **qualify** their endorsement of this argument: reduced rates only have a real distributive effect if the share of consumption expenditure of 'favoured' goods is stable over time and creates a **real difference between low and high-income groups**. The communication finds, moreover, that there are significant differences from country to country, and that the degree of effectiveness of reduced rates depends on the extent to which incomes differ between social classes.

3.7 Another important aspect is the **cost of the system**: rates which are different from the standard rate create significant administrative burdens for businesses and tax authorities, especially when implementation is open to interpretation, which is almost always the rule.

3.8 Quoting the study, the Commission does not call into question the reduced rates system, but it does wonder whether **alternative policy tools** might be better suited to the objectives of the Member States. One example is a **system of direct subsidies**, which would achieve the same objectives at a lower cost. This system could be designed to avoid negative spill-over effects at EU level, ensure greater transparency and be less expensive for Member State budgets. The Commission notes, however, that direct subsidies might be of dubious benefit to businesses: they might be granted arbitrarily or for a temporary period, depending on national budget imperatives or the policy direction of the day.

3.9 The Commission seems to attribute considerable importance to this last alternative, and indeed to *any* alternative to the reduced rates system: in fact it **recommends that Member States carefully examine all the options available**. Without seeming to take sides, it notes that **'often other tools than reduced VAT rates are more efficient and less costly for the State budget, and this should be taken into account in the decision-making-process'**.

4. Comments and observations

4.1 The Commission should be congratulated on producing a rigorous, balanced communication. The Committee is particularly pleased to **find confirmation of some of the views it had expressed originally**, which will be recalled in the comments below. Firstly, and with reference to the

comments made in point 3.9 above, the Committee would recall that it expressed its **concern regarding the system of derogations** in its opinion on the VAT directive (⁷). It said at the time that 'there seems to be no plan [on the part of the Member States] to discuss the derogations ... *with a view to abolishing them*'. This position is now confirmed and strengthened by the authoritative *Copenhagen Economics* study and — it would appear — also shared by the Commission. However, it is apparent that as things stand, and barring any sudden change of heart on the part of the Member States, any **suggestions for alternative solutions** remain just suggestions.

4.2 VAT is an intrinsically complex tax; it is difficult to collect, widely evaded and **expensive** for Member States and businesses to operate (⁸). Most importantly, however, **it does not achieve the original objective**, which was **to create a definitive tax harmonisation regime**. Nevertheless, it must be noted that harmonisation is not an end in itself but a pre-requisite for the **smooth operation of the internal market**. This was in any case the intention of its creators, as the Commission recalled in its communication of January 1993, which the Committee considers to be a milestone in the history of VAT; it regrets that it was not followed up (other than with acceptance of the minimum rate of 15 %) owing to opposition from some Member States. Today the situation remains unchanged: the Commission's attempt to sort out at least the derogations aspect is certainly welcome, but at the same time it betrays an **inability to make more progress towards tax harmonisation at Community level**. To be fair, the Commission cannot be blamed for this, but nor can the Member States, or at any rate the Member States alone: **the fundamental problem lies in the very structure** of VAT as a 'temporary regime', as will be explained below.

4.3 Basically, there is a need to realise and accept for some time yet that VAT as it is currently conceived is used by the Member States to achieve largely fiscal goals and to address political and social concerns that lead them to apply a lower or higher rate than the standard rate. At Community level, then, harmonisation remains a pipedream; the communication in question constitutes an attempt to provide a partial remedy by **harmonising the reduced VAT rate, at least for activities that have a cross-border impact or comply with accepted Community policy criteria**. For its part, the Committee would stress that decision-makers should always remember that, while **income redistribution** is one of the objectives of a reduced VAT rate, it must **genuinely translate into practice**. In other words, every VAT reduction must be analysed scrupulously to make certain that it *genuinely* corresponds to a social criterion and is not concealing any less palatable aims. Other considerations are **simplification of obligations and transparent**

(⁷) Cf. EESC opinion on the *Proposal for a Council directive on the common system of value added tax (Recast)* (OJ C 74 of 23.3.2005, p. 21).

(⁸) Cf. the EESC opinion on the *Proposal for a Council Directive amending Directive 77/388/EEC with a view to simplifying value added tax obligations and the Proposal for a Council Regulation amending Regulation (EC) No 1798/2003 as regards the introduction of administrative cooperation arrangements in the context of the one-stop scheme and the refund procedure for value added tax* (OJ C 267 of 27.10.2005, p. 45).

rules: these both make life easier for businesses but they also make it easier and cheaper for the tax authorities to carry out inspections.

4.4 Annex III of the VAT directive contains a list of 18 categories to which the reduced rate applies; each Member State has the option to choose the categories, make exclusions within them and determine the amount of the reduction. The communication in question calls on the Member States 'to analyse the different candidates for **further** reduced rates to determine the level of distortions that can arise from their — optional — eligibility and to decide if such level of distortion is acceptable' ⁽⁹⁾. From the general context of the communication it does not seem possible to interpret this as an invitation to extend the list of goods and services; if anything, it lends itself to the opposite interpretation. In any case, the Committee is openly opposed to extending the categories of goods or services to which reduced rates could be applied: if the idea is to continue to work — at least ideally, for the moment — towards harmonisation, then the Member States should actually shorten rather than lengthen the list contained in Annex III.

4.5 The line taken by the Commission is, however, on the whole understandable: given that the mirage of 'a definitive' regime has been either forgotten or put on the back burner, one of the priorities is to grant the Member States greater autonomy to set reduced rates for **local services that cannot be supplied at a distance**. The Commission notes that these services 'are of no concern for the functioning of the internal market': this is not mere pragmatism but rather an acknowledgment of **the political or social imperatives behind the granting of exemptions**.

4.6 Furthermore, affirmations that lend themselves to easy generalisations should be studied carefully: if taxation of local activity does not affect the functioning of the internal market, then **all goods or service produced and consumed locally would have to be subject to taxation established on a local basis**: this principle would totally undermine the very basis of the VAT directive. Clearly, the Commission intends neither to establish nor accept such a principle.

4.7 Turning to the details of the aspects mentioned by the Commission, some comment is called for as regards the affirmation that there may be specific benefits from operating a reduced VAT rate in carefully targeted sectors, increasing **overall productivity** and thus, GDP. This category includes **locally supplied services**: it is suggested that a reduction in VAT could persuade consumers to do less DIY and thus devote more time to their professional activities. However, we need to look at the facts: DIY is a leisure time activity that is not just socially useful but also economically beneficial for families, and should therefore be encouraged. Moreover, while it is possible that a tax reduction could lead to larger tax receipts for the treasury, this would only apply to DIY activity that can be replaced by tax-

paying firms; no mention is made of the extent to which the black economy might benefit. It is clear that the underground or partially underground economy — not to mention tax evasion — will not come to the surface just because it benefits from a reduced VAT rate. Very different measures are needed to achieve this.

4.8 A special reference is made to **services provided by restaurants**, which the Commission sees as being 'in-between', or at least controversial. On the one hand, it notes that they are mainly directed at domestic consumption, but on the other it is acknowledged that they may be of significant importance to tourism policy in some countries, and in all countries in border regions. It will not be easy to reach agreement on this issue, as past experience has shown: the Committee believes it will **require a decision of a purely political nature**. Factoring in any other economic or fiscal considerations could prolong the argument indefinitely: no-one will budge from their position, justifying it on valid domestic policy grounds.

4.9 Still on the issue of services provided locally, the Committee would draw attention to an area which could become the subject of important debate, namely **public and private health services**, to which — in certain circumstances — lower rates can already be applied ⁽¹⁰⁾. There is a growing tendency for the citizens of some Member States to take advantage of public medical and surgical services in other countries, which they consider rightly or wrongly to be more efficient. This phenomenon has little to do with taxation, but the use in other countries of **services provided by private clinics and health professionals** has greater relevance for tax purposes. The large differences in the rates charged in the various Member States create — especially in some areas of healthcare — a diversion from the domestic market towards other countries. The 'local' nature of these services is therefore declining as they take on a transnational appearance for some services and in some countries. It is not easy to make distinctions here, nor is it possible to generalise: there is therefore a high risk of controversy.

4.9.1 Reaching an agreement depends on achieving a balance between different and opposing requirements: on the one hand, given the eminently social nature of health protection, it would seem advisable to include these services with those to which a reduced rate applies; but on the other, competition issues could arise. The final decision would have to take account of an individual's right to seek treatment at the lowest possible cost to the family budget; in other words, **the interest of the citizen/consumer must take priority over principles of competition**.

4.10 The application of a reduced VAT rate to **unskilled labour-intensive sectors** is controversial. The study the Commission refers to notes that it can lead to a permanent increase in employment, but that the gains are 'likely to be

⁽⁹⁾ Cf. Communication COM(2007) 380 final, point 3.3 'Internal Market imperatives', second paragraph.

⁽¹⁰⁾ Paragraphs 15 and 17, Annex III of the VAT Directive.

minor'; this is probably true. It is difficult to reach a decision here, too: sectors such as these (building, road works, cleaning firms, markets, etc.) respond to a generally inelastic demand, and therefore a reduction in VAT for these sectors would have only very little effect on employment. Furthermore, these are also the sectors which tend to employ unskilled workers in the 'black economy' more frequently. A reduction in VAT would certainly help to reduce costs for businesses, but the question of whether this would correspond to a reduction in prices and a 'real' increase in employment remains open.

4.11 More generally, the Commission notes that reduced rates are effective only when the share of consumption expenditure of goods or services is stable over time and differs substantially between low and high-income groups. These differences are more pronounced in the food, clothing and building sectors: there are considerable differences from country to country, but often the most obvious differences (and the most unfair from the social point of view) are to be found within the individual Member States. The Committee would recall that in several Member States the reduced rate is applied by category, without taking account of the fact that many categories contain mass-market products while others are decidedly exclusive and priced many times higher than the former. The problem remains as to how — and according to what criteria — to apply different tax rates to goods or services which are in the same category but which actually target different social classes according to quality and price. Another problem is how to decide on enduring distinctions that would not be affected by changes in fashion, and how to ensure they are complied with without resorting to costly and complicated inspection. Finally, consideration must be given to fraud, which is a possibility in all sectors but particularly in the two considered here: strict, detailed categorisation could facilitate fraud, and it is extremely difficult to monitor. The Committee points out the need to apply criteria which differ according to social considerations: in other words, reduced rates should contribute to a social policy of income redistribution or, where the alternatives referred to in point 4.15 are not feasible, support for major social programmes. In any case, however, transparency must be ensured in respect of a country's own citizens and those of other Member States.

4.11.1 The same comment could be made with regard to **books and newspapers**, in which category socially valid publications are sometimes grouped together with others of no educational or entertainment value or, worse still, that are borderline illegal or beyond the realms of common decency. Although problematic, the distinctions appear necessary and at any rate justifiable in terms of democratic transparency.

4.12 Finally, the Commission notes that operating several rates involves **significant costs for businesses and tax authorities**: that is obvious. The Committee would prefer to speak of **an increase in costs**, given that in the field of taxation **VAT is already by far the most expensive tax to implement and**

collect. The Committee has already highlighted this fact ⁽¹¹⁾ and would call here on the Member States to make public their **net revenue from VAT** once payments to the Community budget and costs for operation, collection, inspection and combating tax fraud have been deducted. It urges the Commission to take ownership of this call, in the name of transparency, and also **to consider whether there might be a case for an alternative tax system** ⁽¹²⁾. It is to be hoped that any rethink of this whole area will also factor in the payoff (which could be surprising) in terms of **net gains for the treasury**: once the 'real' results are known, it could well be the tax authorities themselves that take the initiative.

4.13 However, the only issue currently being discussed is the side-issue of increased costs 'for business and tax authorities', or the administrative and accounting costs of implementing — and interpreting — rules that derogate from standard. The Committee would point out that **any cost increase for business is transferred to the end consumer**; consequently it will be necessary to assess, on a case by case basis, whether and to what extent the application of a reduced rate translates into real benefits for citizens. At present, the vast majority of the — countless — cases of dispute are due to the **broad scope of classifications**, leading to controversial interpretations, involvement of consultants, inspections and appeals: the new rules should therefore be designed to be inexpensive to implement.

4.14 For the moment, the system of reduced rates, while expensive, is the only one practical. However, given that even the Commission has defined it as rigid and incoherent ⁽¹³⁾, the Committee hopes that the political discussions between the Council and the European Parliament will lead to joint decisions

⁽¹¹⁾ This was first raised by the Committee in its opinion on *Combating tax evasion in the single market* (OJ C 268 of 19.9.2000, p. 45) and on several later occasions, most recently in the EESC opinion on the *Proposal for a Council Directive amending Directive 77/388/EEC with a view to simplifying value added tax obligations and the Proposal for a Council Regulation amending Regulation (EC) No. 1798/2003 as regards the introduction of administrative cooperation arrangements in the context of the one-stop scheme and the refund procedure for value added tax* (OJ C 267 of 27.10.2005, p. 45), which has — naturally — fallen on deaf ears.

⁽¹²⁾ The Committee also began to draw attention to this point in 2000 in the opinion referred to in the above footnote, and has continued to make the point in a number of opinions since. The Committee also commented on this in its Opinion on the Proposal for a Council Directive on the common system of value added tax (Recast) (OJ C 74 of 23 March 2005, p. 21).

⁽¹³⁾ Cf. EESC opinion on the *Proposal for a Council Directive amending Directive 77/388/EEC with a view to simplifying value added tax obligations and the Proposal for a Council Regulation amending Regulation (EC) No 1798/2003 as regards the introduction of administrative cooperation arrangements in the context of the one-stop scheme and the refund procedure for value added tax* (OJ C 267 of 27.10.2005, p. 45).

which, while obviously guided by the **principles of the internal market, always respect the needs of citizens/consumers, companies and tax authorities.**

4.15 With regard to **alternatives** to reduced rates, the Commission asks whether these might be replaced by **direct subsidies**: this is a more effective, more transparent and less expensive policy instrument. The Committee believes that national-style alternatives are viable in some specific cases on a temporary basis, provided that any measures resembling state aid are avoided. However, any kind of national solution as an alternative to VAT derogations should be decided on the basis of

criteria ensuring transparency, bearing in mind that, in any case, it would move us **further away from the objectives of the single market.**

4.16 Finally, as a back-up to its numerous opinions on the subject, the Committee would reiterate a suggestion inspired by transparency and common sense: **the VAT regime should cease to be called 'temporary'**. This adjective — which is still used thirty years on and has no medium-term prospects of becoming definitive — is deceptive and damages the credibility of EU rules. It also proves, if ever proof were needed, the old adage that 'nothing is more definitive than the temporary'.

Brussels, 22 April 2008.

The President
of the European Economic and Social Committee
Dimitris DIMITRIADIS

Opinion of the European Economic and Social Committee on 'Strategy for the outermost regions: Achievements and future prospects'

COM(2007) 507 *final*

(2008/C 211/19)

On 21 September 2007 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Strategy for the Outermost Regions: Achievements and Future Prospects.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 28 March 2008. The rapporteur was Mr Coupeau.

At its 444th plenary session, held on 22 and 23 April 2008 (meeting of 22 April), the European Economic and Social Committee adopted the following opinion by 128 votes to three, with five abstentions.

1. Introduction

1.1 Article 299(2) of the EC Treaty recognises the particularity of outermost regions (hereafter ORs), enabling them to preserve their special characteristics and to mitigate their constraints.

1.2 The seven regions classified as outermost regions are the autonomous Spanish community of the Canary Islands, the Portuguese autonomous regions of Madeira and the Azores and the four French departments of Guadeloupe, French Guiana, Martinique and Réunion.

1.3 Since 1989, these regions have benefited from a specific programme to support socio-economic development measures aimed at achieving greater convergence with the rest of the European Union.

1.4 Through its Communication of 12 September 2007 entitled *Strategy for the Outermost Regions: Achievements and Future Prospects*, the Commission has launched a public consultation process to gather the views of all stakeholders on its OR policy in view of the major challenges to be faced by these regions in the coming years. This opinion is the EESC's contribution to that process.

1.5 The EESC maintains that while the EU's OR financial policies have had certain beneficial effects, structural difficulties remain, which must be resolved: these policies must therefore be stepped up in future.

1.6 The Committee notes that access to Europe and its market is a constant issue for ORs, as a result of their remoteness and insularity (except for French Guiana) and their particular geographical and structural nature.