

7.2.1. But reform is only possible if the balance of power between the international institutions is altered: this however presupposes an understanding between the European countries to break the present mould and speak with a single voice, resolving the myriad political problems which this entails.

7.2.2. Lastly, the Committee calls on all the international organisations (IMF, World Bank, FATF, Global Forum on Fighting Corruption, etc.) to enter into close and effective cooperation with each other and with national systems. The political will to strengthen control of off-shore markets and of links between off-shore and on-shore markets is crucial in this regard.

Brussels, 18 September 2002.

The President
of the Economic and Social Committee
Göke FRERICHS

Opinion of the Economic and Social Committee on 'The future of upland areas in the EU'

(2003/C 61/19)

On 16 January 2002 the Economic and Social Committee, acting under Rule 23(3) of its Rules of Procedure, decided to draw up an opinion on 'The future of upland areas in the EU'.

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 25 June 2002. The rapporteur was Mr Bastian.

At its 393rd Plenary Session (meeting of 18 September 2002) the Economic and Social Committee adopted the following opinion by 66 votes to one with 12 abstentions.

1. Introduction

1.1. Now that the UN General Assembly has designated 2002 the International Year of Mountains, the European Union should give thought to its policy for upland and mountain regions.

1.2. The European Economic and Social Committee, the European Parliament and the Committee of the Regions have all expressed their concern for upland and mountain areas on a number of occasions, and have called on the European Union to recognise the special nature of these areas and to conduct a proper cross-sectoral policy for them. These views are set out in the following documents:

- CoR opinion of 21 April 1995 on the European Charter on Mountain Areas;
- CoR opinion of 18 September 1997 on A policy for upland agriculture in Europe;
- report of the European Parliament's Committee on Agriculture and Rural Development of 16 October 1998 on A new strategy for mountain regions, based on an earlier study by the EP's Directorate-General for Research entitled Towards a European Policy for Mountain regions (AGRI 111/FR — available in French only);
- EESC opinion of 28 April 1988 on A policy for upland areas;
- EESC opinion of 25 April 1996 on The Alpine Arc — an opportunity for development and integration;
- European Parliament resolution of 6 September 2001 on 25 years' application of Community legislation for hill and mountain farming.

1.3. The Committee is pleased to note that in its first progress report following the second forum on economic and social cohesion, the Commission has turned its attention to the future of the Structural Funds and is considering the possibility of setting new eligibility criteria which take account of physical problems, including those faced by upland regions. The seminar held by the Commission on 27 and 28 May 2002, on The Union's regional priorities — Defining Community value added, offers encouraging confirmation of the Commission's efforts to steer Structural Funds policy in this direction.

2. The special position of upland areas in the EU

2.1. The main feature of upland areas is that they suffer from a serious geophysical handicap as a result of slope, altitude and climate and their generally isolated situation. These areas also have outstanding but fragile natural assets and resources. They are thus of unique concern, and a public policy is needed to curb over-speculation in such areas.

2.2. Upland or mountain areas cover 30 % of the EU and are home to 30 million of its inhabitants. This percentage is set to increase with enlargement.

2.3. Broadly speaking, and subject to sometimes major variations from one upland area to another, these areas face a number of common problems which have a marked transnational character and call for a public assistance or financing policy:

2.4. Demographic situation

Despite the existence of some particularly dynamic areas, uplands tend to have a vulnerable demographic structure (low population density, and ageing population as the younger generations move away and/or pensioners move in). This is also the case in the more mountainous of the candidate countries.

2.5. Public services

By virtue of their social impact, public services (e.g. postal services, schools, medical care) play a crucial part in determining the vitality of upland areas. These services must be available close to the user and must be adapted to local needs (in terms of versatility of the service providers and/or the type of services provided). However, these services are directly threatened

by the liberalisation of public services under Community competition law. A deliberate policy of using public services for regional development purposes is only possible if universal public service provision is wide enough to include profitable services that go at least some way to offset the inevitable extra costs of such a policy.

2.6. Communication links

Communications infrastructure and networks are a key issue in upland areas, where isolation seriously impedes competitiveness and the rise in intra-Community freight traffic puts pressure on mountain routes and on their populations. This pressure must be controlled and counterbalanced.

2.6.1. There is an increasingly urgent need to develop combined transport, particularly piggyback transport. This can only be done within a Community framework, partly in order to get a proper overview of the problem, notably in the context of the European Spatial Development Perspective (ESDP) ⁽¹⁾, and partly in order to guarantee EU co-funding of the requisite infrastructure.

2.6.2. Access to new information and communication technologies is a serious problem in upland areas, where physical relief creates a number of technical difficulties (poor reception, distances to be covered on the ground). This brings significant extra costs and puts upland areas at a serious disadvantage vis-à-vis other areas.

2.7. Tourism

Although upland areas offer obvious attractions for tourism, this type of development must be carefully controlled so that it complies with sustainable development principles. This remark is particularly pertinent in the case of the applicant countries of central and eastern Europe, where upland tourism potential remains largely untapped. Like agriculture, tourism cannot be the sole mainstay of the upland economy, which must be diversified and multi-layered.

2.7.1. To this end, and with due respect for the need for sustainable development, upland tourism must become more diversified so that it is spread out more evenly over the year (better seasonal balance of visitors) and spatially (better spatial distribution of visitors).

⁽¹⁾ ESC opinion on the European Spatial Development Perspective (ESDP), OJ C 407, 28.12.1998.

2.8. Land use

Agriculture is a mainstay of the upland economy and plays an irreplaceable role in the upkeep of upland areas. It also helps in the production of premium agricultural and food products. Upland agriculture must therefore have a specific place within the Common Agricultural Policy, so as to ensure its continued existence in these areas.

2.8.1. The creation of man-made landscapes poses special challenges in upland areas, in terms both of town planning (risk of urban sprawl) and of natural hazards.

2.9. Natural heritage

The EU's upland areas are rich in outstanding fauna and flora, and this can put pressure on land development.

2.10. Soil

The sloping terrain makes upland areas especially vulnerable to erosion, making soil quality a particular concern both within the area (impoverishment of the soil) and downstream (risk of natural disasters).

2.11. Water

Upland areas play a major role in the production of water resources, both qualitatively and quantitatively. This important role involves a service of general interest, and the regions concerned must be compensated for the constraints which it places upon them.

2.12. Energy

Full account must be taken of the contribution which upland areas make to energy production from sources other than fossil fuels (principally hydro-electric power, but also wind and solar power), as this helps to meet the commitments made in the Kyoto protocol for cutting greenhouse gas emissions. An incentive policy involving preferential tariffs for renewable energy sources should be encouraged, with subsidies for regions which supply this type of energy.

2.12.1. The considerable potential which upland areas offer for wind power must be developed with great care to prevent widespread disfiguration of the upland landscape. Local communities must be given a legal framework obliging them to establish an overall strategy for infrastructure and guaranteeing them a fair quid pro quo in terms of local taxation.

2.13. The built environment

Town planning in upland areas faces special challenges. Management of the built environment must provide for new buildings and see that existing ones do not become derelict, while also protecting the integrity of outstanding natural landscapes and ensuring that the development of holiday homes in these areas does not sap the vitality of permanent settlements. Steps must be taken to involve second-home owners more closely in the life of the area.

2.14. Natural hazards

A number of major natural hazards are specific to upland and mountain areas (avalanches, torrential floods, rockfalls). These areas are thus especially vulnerable and potentially hazardous, bringing a need for permanent information, forecasting and prevention activities.

2.15. Economy

The upland economy enjoys a certain number of advantages but also has vulnerable aspects which need special treatment, e.g. the highly seasonal nature of key activities such as agriculture and tourism, which encourages multi-jobbing, innovation and in some cases excellence (e.g. micromechanical industries); and the predominance of small businesses in an environment made difficult by their relative isolation from suppliers or advisory services.

3. Stocktaking of Community action to help upland areas

3.1. Identification of upland and mountain areas: A variable approach based on very different situations

3.1.1. The importance attached by Community policies to upland areas has varied over the years. Under Community law as it currently stands, and in the absence of any recognition of their special characteristics, there is no uniform Community concept of upland or mountain areas. The concept appears only in one landmark directive — directive 75/268/EEC on hill farming — where it is used to identify potential beneficiary areas for the compensatory allowance for permanent natural handicaps. By providing a basis for the payment of compensatory allowances in these areas, the directive formed a long-term initiative and was backed by specific implementing and

development measures. However, Member States' commitment to the directive has been very uneven, largely because of the considerable latitude they have in setting detailed parameters for applying the altitude, slope and climate criteria specified in the Community definition. As a result, quantitative and qualitative divergences remain to this day.

3.1.2. There are thus significant discrepancies between Member States. Objectively speaking, these are justified on the grounds that two areas with the same altitude may have very different climates and vegetation. However, in France, Germany and Italy, the qualifying altitude for a hill or mountain area is 700 metres. In Spain, it is 1000 metres. France and Spain also take slope into account (gradient of over 20 %), while Italy does not quantify slope and Germany does not consider it at all. It is surprising to note that the UK has no mountain or hill areas under the terms of directive 75/268/EEC although the Scottish highlands, for example, fit most people's picture of an upland region. The accession treaties placed Sweden and Finland north of the 62nd parallel on a par with upland areas on the grounds that the problems and conditions of these regions are the same as in upland areas.

3.1.3. The main features which distinguish upland areas from other disadvantaged regions are their particularly harsh climate and topography. For this reason, the slope, altitude and climate criteria remain highly relevant for grasping the upland situation, as all upland areas have to face problems relating to these criteria. However, it is clearly neither logical nor desirable that an area should be recognised as an upland in one Member State and not in another. Whilst a certain amount of subsidiarity should be retained in the final designation of the areas concerned, it would therefore be advisable to standardise the concept of an upland area by adapting the current EU definition and specifying a range for each of the three criteria (or at least for altitude and slope).

3.1.4. Topography and climate have a permanent influence on the economy of disadvantaged upland areas. Compensatory measures are thus needed to preserve the multifunctional nature of these areas. With a view to distinguishing the common features of the EU's upland areas more clearly and providing a more consistent classification of the various categories of disadvantaged area, it would therefore be helpful, with due respect for the subsidiarity principle, to include climate and topography among the typical features shared by upland areas.

3.1.5. Nonetheless, conditions in the different upland areas vary considerably (pasturage systems, hill farming, arid uplands, high mountains, etc.). With a view to making more

diversified use of individual upland areas, it would be worth exploring the possibility of subdividing current zoning systems, for instance in order to distinguish between upland and high mountain ranges or between arid areas and areas with snowfall. Such distinctions already exist in some Member States (e.g. in the Austrian land registry) and it would be helpful if they were better known at Community level so that they could be used to optimum effect when drawing up a harmonised Community framework.

3.2. *A multitude of measures but no guiding thread*

3.2.1. Although the Community has no explicit common upland policy, many Community measures and regulations have a more or less direct impact on upland areas.

3.2.2. The first and most explicit instrument is the compensatory allowance for natural handicaps established under directive 75/268/EEC. To this day, the directive provides the basis for upland zoning within the EU and, despite its undoubtedly wide implications for spatial planning, it remains under the umbrella of the CAP.

3.2.3. Three other types of Community measure are of special importance for upland areas, although not particularly targeted on them. Firstly there is the Structural Funds policy; secondly, within that policy, there is the Interreg programme; and thirdly, there are the Wild Birds and Habitats Directives.

3.2.3.1. Structural Funds policy

The EU's Structural Funds seek to help less developed or structurally disadvantaged regions to bring their economic performance up to the Community average. These funds have had (former Objective 5b) — and continue to have (current Objective 2) — a major impact on many upland areas, 95 % of which are currently eligible for Objective 1 or 2 support. However, it must be remembered that their eligibility is not due to the typical disadvantages they face as upland areas. The programmes financed may not therefore fully match the problems that need tackling.

3.2.3.2. Interreg

As obvious natural frontiers, most of the EU's upland areas qualify for Interreg A programmes. For the same reason, a number of regions on the EU's external borders participate in Phare and Tacis programmes as regards transport, tourism, changes in land use, and conservation of the natural heritage. Although upland areas also take part in some of the Interreg B transnational cooperation programmes (especially in south

west Europe and the Alps), their participation is more incidental, and upland areas within these very large regions have to take very forthright action to secure recognition of their status. Finally, although the very open interregional cooperation framework of Interreg C would appear conducive to the establishment of technical cooperation networks between upland regions, these still have to be set up from scratch ⁽¹⁾.

3.2.3.3. The Wild Birds and Habitats Directives

A large part of the Natura 2000 network — the importance of which has been stressed by the Committee ⁽²⁾ — consists of upland areas. This is not surprising, given the rich and fragile biodiversity of these areas. The most obvious biogeographical example is the Alps, but many other Natura 2000 upland sites have been proposed: a 'continental' system (e.g. the French Massif Central), a 'Mediterranean' system (e.g. the Pindus mountains in Greece or the Italian Apennines), a 'Moroccan-type' system (Gibraltar) and an 'Atlantic' system (e.g. the Cantabrian mountains in Spain). This bears witness not only to the high quality but also to the rich diversity of the EU's upland heritage.

3.2.4. Two other types of Community action concern upland areas: water policy and the Common Agricultural Policy.

3.2.4.1. Upland areas are the main source of water production, and conservation measures obviously have to be taken there to safeguard water quality and supply. It follows that such areas should be compensated for the constraints that this may impose on them.

3.2.4.2. Many CAP measures (apart from the hill farming directive) are relevant for upland areas and can provide useful support for upland agriculture. Examples include the agri-environmental, forestry and rural development measures, the rules on labelling of farm products, organic agriculture, sectoral modernisation, and the Leader programmes.

3.2.5. It is clear from this brief overview that there is a whole battery of Community measures either designed for or, more commonly, relevant to upland areas, whether directly or potentially. Nevertheless, there is as yet no systematic EU policy comprising measures targeted specifically at upland areas, recognising their special features and forming a deliberate cohesive strategy. This is why the Commission's current spatial planning review is so important; the European seminar on mountain areas which the Commission is to stage on 17 October 2002 will be a key event for the future of the areas concerned.

3.3. *The international context*

3.3.1. International law is showing increasing concern for upland and mountain areas, primarily with a view to conserving their environment.

3.3.2. The Alpine Convention was signed in Berchtesgaden in 1989 and entered into force in 1998. Despite the interest which the EU has shown in the convention, difficulties in the negotiation and implementation of truly operational protocols have highlighted the over-technocratic and insufficiently transparent nature of this instrument.

3.3.3. Chapter 13 of Agenda 21 adopted at the Rio Earth Summit in 1992 commits signatory states to improve their information and observation systems regarding mountain areas and ensure appropriate management of watershed areas. The conference held in Johannesburg in August 2002 took stock of Agenda 21 and renewed the Rio international commitments in this field. On this occasion, the EU delivered a message of support for sustainable development. The application of this for upland communities could draw inter alia on the final declaration of the first world forum of upland communities held in Chambéry (France) in June 2000. The forum is holding its second meeting in Quito (Ecuador) from 17 to 22 September 2002.

3.3.4. The UN General Assembly has designated 2002 as the International Year of Mountains.

3.3.5. Other steps have been taken in international law to address both the development and protection of upland areas. The Council of Europe's draft European convention on mountain regions is one example. The EESC and the Committee of the Regions have both called on the EU to draw on this draft convention and establish an EU policy for upland areas.

⁽¹⁾ EESC opinion on the Draft Communication from the Commission to the Member States laying down guidelines for a Community initiative concerning trans-European cooperation intended to encourage harmonious and balanced development of the European territory (OJ C 51, 23.2.2000). EESC opinion on European policy on crossfrontier cooperation and experience with the Interreg programme (OJ C 155, 29.5.2001). EESC opinion on SMEs in EU island regions (OJ C 149, 21.6.2002).

⁽²⁾ EESC opinion on the situation of nature and nature conservation in Europe (OJ C 221, 7.8.2001).

3.4. *Enlargement*

3.4.1. From a more Community-related standpoint, uplands represent one of the key challenges in enlargement:

- firstly, because a number of the candidate countries have upland areas and communities, and in Bulgaria, Poland, Czech Republic, Romania, Slovakia and Slovenia these are quite large;
- secondly, because the EU's financial framework from 2007 could drastically reduce the amount of Community funding for the upland areas of the current Member States.

3.4.2. While aware of the overriding considerations in this context, and in particular the massive needs of the future Member States for local and regional economic development aid, the Committee points out that:

- in 2006 the economic performance of many EU regions currently in receipt of aid under Structural Fund Objectives 1 and 2 will still not have reached the Community average;
- Structural Funds policy will have to adopt a new approach to the regions, on a necessarily selective basis, so that certain regions beset by particularly chronic structural difficulties that are incompatible with the basic principles enshrined in the Treaties retain their eligibility.

4. **Inclusion of upland areas in future Structural Funds policy**

4.1. *Controlled development of the Structural Funds to avoid abrupt change*

4.1.1. Budgetary limits must not lead future Structural Funds policy to focus on the new Member States simply because they have a high concentration of areas with low per capita GDP. The scale of the challenges posed by enlargement must not lead the Union to sideline its chosen development model because of emergency situations which call for exceptional measures relating to a very specific catching-up operation. It is thus vital that Member States make an additional budgetary effort in support of enlargement. This should involve the Cohesion Fund first and foremost, which should provide the main instrument for this problem (thereby necessitating a shift in its intervention provisions), and thus relieve the burden on Structural Fund resources.

4.1.2. Although there is no suggestion of systematically phasing out Structural Fund support, it is essential that the GDP level used as a means of qualifying for this policy must not artificially exclude regions in the current Member States

which have higher average GDP only because of the inclusion of the new candidate countries. Otherwise a drastic downward revision of the initial policy objectives would be necessary.

4.2. *Developing a real Community spatial planning policy*

4.2.1. Regional policy has hitherto had a socio-economic objective. If, however, this policy is obliged to be more selective in future, it could form part of a wider vision of spatial planning designed to ensure the harmonious and balanced spatial distribution of people and activities. Such an idea is already inherent in the objective of 'harmonious development' enshrined in Article 158 of the Treaty, under Title XVII Economic and Social Cohesion⁽¹⁾.

4.2.2. The definition of spatial planning principles and objectives at Community level is increasingly important if the EU is to take on a locomotive role in this field, rather than just a coordinating role. EU spatial planning principles in support of harmonious development should include the following:

4.2.2.1. The principle of balanced distribution of people and activities throughout the EU area. This means:

- controlling overconcentrated urban development, as this creates serious problems in terms of employment, security, the environment and quality of life. Without calling into question the leading role which urban areas play in national economies, this means deploying appropriate instruments to ensure that upland dwellers are not driven to relocate to urban areas simply because of a lack of local facilities and services for businesses and residents. In other words, the aim is positive action for the uplands rather than the penalisation of urban areas;
- not letting certain areas lie abandoned or become American-style natural sanctuaries, as this would be incompatible with the history of the European continent, virtually all of which has been shaped by man;
- positive interaction between human activities and the land, insofar as such activities serve to ensure the upkeep, accessibility and even biodiversity of that land.

⁽¹⁾ Article 158: In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas.

4.2.3. Retention of this link between people and land must therefore be a prime objective of the new policy, with a view to ensuring sound spatial management. This means that the new policy must be active in areas where the balance is particularly fragile or threatened.

4.2.4. Such areas generally face major spatial challenges and/or objective disadvantages which this policy should address.

4.2.5. These areas also have significant assets (which generally go hand in hand with the spatial challenges mentioned above), such as the unique nature of the upland environment and the quality of local products and expertise, which make them regions of excellence. However, these assets can only be fully exploited if proper account is taken of the concomitant handicaps.

4.3. *A policy targeted on areas facing serious handicaps*

4.3.1. The criteria for identifying areas eligible for Structural Fund support (as a spatial development, and no longer solely as a local development, tool) should be as follows:

4.3.1.1. Public interest of the areas concerned: this would be assessed not only in the light of the quality of the natural heritage, and of the local population structure, but also in terms of the amenities offered to the community at large (ranging from the production of goods or infrastructure facilities to the provision of recreational areas or presence of natural resources). Under no circumstances must this approach simply mean taking account of natural resources. It must also reflect the value which the public attaches to the amenities provided, and the views of the local communities concerned.

4.3.1.2. Current or potential threats: it is these threats which form part of the justification for public intervention. The pressures suffered may vary but would include overfrequentation (by tourists or by freight traffic), desertification caused by the rural exodus or by neglect and over-forestation of the landscape, and the risks of uncontrolled economic development.

4.3.1.3. Special nature of anticipated measures: a specific strategy or policy is justified by the fact that the practical measures to be funded or organised will be intimately bound up with the identity of the particular regions concerned and therefore cannot be replicated in other regions (e.g. measures to counter the risk of natural disasters in upland or mountain areas).

4.3.2. These considerations may apply to certain non-upland areas too (e.g. the outermost regions, islands, coastal regions, boreal regions or isolated rural areas, on which the Committee has issued a number of opinions⁽¹⁾).

4.3.3. As some Member States already use this type of approach (e.g. the public service schemes in France), it would be helpful for the EU to harmonise and ensure consistency, not least with the approach taken in the ESDP.

4.4. *A different view of local prosperity*

4.4.1. While a region's future eligibility for Structural Fund support must be based first and foremost on a physical appraisal of the disadvantages and problems it faces, the appraisal must not overlook the question of local prosperity as this is an important yardstick for gauging the results of regional policy. The new approach to be espoused by the Structural Funds should therefore combine spatial and socio-economic criteria.

4.4.2. The local prosperity criterion should not lead to a region being denied any form of compensation for permanent objective handicaps that generate permanent higher costs, such as the compensatory allowance for upland areas.

4.4.3. However, in order to make assistance more effective by intervening where the need is greatest, the assessment of a region's level of prosperity should be conducted at the lowest possible level, i.e. NUTS V (local authority level). All necessary steps must be taken to ensure that Member States' statistical instruments are suitable for this. Nonetheless, bearing in mind the difficulty and risks of imprecision inherent in such an approach, it is important to safeguard upland areas' eligibility for specific aid on a non-discriminatory basis by setting a ceiling to ensure that it does not provide support which is disproportionate to the difficulties that it is designed to offset.

⁽¹⁾ EESC opinion on future strategy for the outermost regions of the European Union (OJ C 221, 17.9.2002). EESC opinion on SMEs in EU island regions (OJ C 149, 21.6.2002). EESC opinion on extending the trans-European networks to the islands of Europe (OJ C 149, 21.6.2002).

4.4.4. The establishment of a European observatory for upland areas could be helpful here, on the basis of the zoning provisions which the Commission has for upland authorities.

4.5. *Transcending compensation for disadvantages*

4.5.1. Permanence and limits of the right to compensation for disadvantages. A system of direct income support to offset the economic disadvantage directly linked to physical disadvantage is justified in the case of physical disadvantages that cannot be remedied (e.g. lower agricultural yields owing to poor soil quality and shorter growing seasons). It can also be justified as a transitional accompanying measure for disadvantages which, although structural, can be remedied (e.g. isolation, which can be eased by installing efficient transport and NICT networks).

4.5.1.1. All the particular handicaps facing these regions must therefore be identified in order to decide which ones call for permanent financial compensation and which ones merely need temporary help to eradicate or at least reduce them.

4.5.2. In other words, upland areas expect a policy that seeks to physically reduce their disadvantages rather than just offer them financial compensation. This means measures in the following fields:

4.5.2.1. As regards structural facilities, these areas have to reconcile the free movement of goods with the fragility of their natural and human environments. They must be equipped with the tools for tackling the pressures they face (notably as regards rural transport) but also for putting their residents on an equal footing with those of other areas (local services that link up with the main communication routes, or with high speed networks, or providing mobile telephony coverage).

4.5.2.2. In the regulatory field, recognition of the special situation of upland areas should mean that certain rules (e.g. technical standards) can be adapted so as not to block innovatory schemes and solutions which, although modest in scale, are often crucially important in local terms. However, under no circumstances should this mean granting exemptions that weaken safety or quality standards. Such initiatives could also make these regions into testbeds for schemes that could provide useful lessons for other regions.

4.5.2.3. Also in the regulatory field, the adoption of specific measures that are limited to the target areas provides a means of positive discrimination that can help these areas to exploit their identity through their own special products and expertise.

4.5.3. Providing a return for compensation for disadvantages. Compensation for geophysical handicaps is justified not so much by the need for fair treatment as by the public interest and the practical return it provides for the community. This return must be assessed from the overall standpoint of the spatial development objectives being pursued.

4.5.3.1. This principle forms an argument for fine-tuning the cross-compliance provisions of the compensatory allowance system for natural handicaps, as the good practices which are currently required in order to qualify for the premium do not necessarily take account of the upland situation and are an agri-environmental, rather than a spatial planning, measure.

4.5.3.2. The return should therefore be assessed on the basis of the practical functions which these regions perform, so that compensation for disadvantages becomes a form of remuneration for these services. The main services provided by upland and mountain areas include:

- agricultural and/or forestry production: these two essential activities require a lot of space, and must retain a primarily economic purpose. However, direct income support may be justified when they are no longer financially viable, if this is necessary in order to safeguard the role they play in the occupation and upkeep of the land and in helping to prevent the risk of natural disasters;
- safety: an area which is carefully tended is protected from the degradation that can trigger natural disasters, the effects of which may be felt in neighbouring areas. This role is particularly important in upland areas;
- shaping of the landscape: these landscapes have been moulded over hundreds of years and form an important part of our natural and cultural heritage. They are now recognised as a service in themselves;
- provision of recreation areas: the attraction of upland areas as a destination for tourists from other areas or simply for recreation is to a large extent thanks to their intrinsic qualities. Nonetheless, this role must be nurtured and adjusted to changing demand;

— production and holding of natural resources: although all natural resources are necessarily linked to the land, some areas are more naturally suited to producing them and storing them. Obvious examples are air in the case of the forests, and water in the case of the mountains. These are the two main natural resources in terms of immediate consumption issues, without forgetting the question of biodiversity.

5. Towards a model EU uplands policy

5.1. Moving on from the above analysis, and from the principles which have been drawn from it to set out the scope for a specific EU uplands policy, the next step is to pinpoint measures that can be taken on the basis of existing Community legislation for furthering this goal.

5.2. *Instilling a common vision of upland areas*

5.2.1. The first step towards instilling a common vision of upland areas is to enshrine their special position within the Treaties, as has already been done for island and peripheral regions in Article 158 of the EC Treaty (and in Declaration 30 of the Amsterdam Conference). Such recognition is justified by the disadvantages and challenges facing these areas, which could be given the right to solidarity, difference and experimentation.

5.2.2. As has also been suggested by the Committee of the Regions, the EU should also adopt the spirit and content of the Council of Europe's draft Convention for Mountain Regions and, mainly with an eye to enlargement, should encourage the Member States and candidate countries to do likewise, so as to ensure convergence of national policies for upland areas.

5.3. *Implementing a strategy based on three lines of action*

5.3.1. Compensation for irremediable handicaps

In view of the fact that some of the geophysical disadvantages faced by upland areas are permanent and insurmountable, upland policy must compensate for these. The system of compensatory allowances for hill farmers should therefore be made permanent. In this context, and bearing in mind the WTO international trade negotiations, this aid should be decoupled from production so that it does not fall victim to the cuts which will be approved at the end of the WTO negotiations.

5.3.1.1. Moreover, given that the constraints and additional costs caused by altitude, slope and climate can hamper other types of activity too, the case should be considered for extending the compensatory allowance system to other activities which play an important role in keeping people on the land and maintaining the upland landscape, or of setting up a similar system for them.

5.3.2. Active reduction of handicap factors

An equally important step is to combat those disadvantages which can be significantly allayed. For example, isolation can be reduced by building appropriate infrastructure. Here the Committee would stress the urgent need to connect these areas to the new ICT networks, as these are already becoming the key factor for a region's future competitiveness.

5.3.2.1. National regional aid has a role to play here, notably for the many small businesses which are a mainstay of the upland economy and whose physical and technical environment puts them at a serious disadvantage vis-à-vis businesses in other areas. EU recognition of the special position of upland areas is vital if this form of public aid is to comply with Community competition law.

5.3.2.2. Another important objective which will help to provide more secure conditions for the development of upland economies is to make upland areas safer by adopting a proper policy for identifying and preventing the risk of natural disasters.

5.3.3. Exploitation of the identity and assets of upland areas

However, resolute and positive action to develop the many assets of upland areas is just as important as measures to allay and compensate for their handicaps. The positive image which people have of upland and mountain areas, and the quality and originality of their products and expertise, offer huge potential, and merit a suitable development strategy. Immediate steps might include:

— EU recognition of the term 'upland' or 'mountain' when used to describe products produced and processed in such areas. Used alongside upland-related geographical indications of PDO or PGI (referring to a particular mountain or valley), these terms could help to boost the positive image of these areas;

- strengthening the cohesion of upland regions by encouraging cooperation between them and networking, in particular under strand C of the current Interreg programmes;
- adopting a specific approach towards upland areas in EU policies, by providing derogations or specific programmes where necessary, especially under each objective of the Structural Funds;
- making it easier to pursue activities in upland areas, by taking account of the special features of the upland economy, more especially by:
 - harmonising and simplifying conditions for multi-jobbing,
 - promoting the development of local services for businesses,
 - encouraging the establishment and development of SMEs and craft businesses.

5.4. *Making upland policy a model of fair and sustainable development*

5.4.1. The EU's upland areas have proven their ability to make the most of their assets, on condition that other areas

show solidarity by helping them to allay the handicaps they face. Today they demand recognition that will enable them to build on the basic principles which will in turn allow them to realise their full potential as regions of authenticity and diversification.

5.4.2. A full-scale Community regulatory and financial strategy is thus needed for upland areas in order to guarantee them conditions of relative economic autonomy, as this is the only way to retain their dynamism — and thus ensure their upkeep — in the long term.

5.4.3. This strategy should be aimed primarily at upland residents, because they are the vital link in the chain, whether as workers or as members of particular social groups (women, young people, older people), and because the actions to be put in place must strive to involve them as closely as possible, first and foremost by providing them with information that will give them a clear picture of the objectives being pursued and enable them to take the ensuing measures.

5.4.4. At a time when economic and environmental issues are becoming increasingly globalised, upland areas can offer a model of fair and sustainable development (i.e. a form of development that takes care to contribute to the economic management of the local area and its resources and to respect the interests of local residents). This model should not only be preserved and safeguarded, but also promoted as a reference point both for other areas and at international level.

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The President
of the Economic and Social Committee
Göke FRERICHS