

Developing the ‘outermost regions’ of Europe: Some lessons from economic geography

Kristian Behrens*

Carl Gaigné†

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Abstract

The aim of this article is to critically review, in the light of economic geography theory, various strategies often suggested for developing the outermost regions of Europe. Doing so allows to point out pitfalls and to bring to the foreground various relatively neglected aspects. We point out the current shortcomings of the economic geography literature for analyzing the issues related to the ultra-peripheral regions, and suggest avenues that may be fruitfully explored in future research. The key messages are as follows. First, insularity, difficult topography and climate, and exposure to natural disasters are not, in fine, insurmountable obstacles to economic development. Yet, a small internal market and excessive reliance on homogenous products traded in increasingly integrated world markets most surely is. Second, alleviating remoteness by improving infrastructure may backfire, which is one of the main lessons of economic geography. Improvements and developments efforts should mainly target relatively immobile resources, both physical and human.

Keywords: outermost regions; ultra-peripheral regions; economic geography; regional development; European Union

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*CORE, Université catholique de Louvain, Belgium. E-mail: behrens@core.ucl.ac.be

† *Corresponding author:* INRA-ESR, France. E-mail: carl.gaigne@inra.rennes.fr

Developing the seven outermost, or ultra-peripheral, regions of Europe (the French overseas departments, the Azores, Madeira and the Canary Islands) is an explicit objective of the European Union, as stipulated by Article 299.2 of the Amsterdam Treaty of 1997. It is also an integral part of a broader social cohesion objective (Article 2 of the Treaty on European Union), made precise in a regional context by Article 130a of the Amsterdam Treaty which stipulates that 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.*” The Treaty explicitly foresees that this will be achieved by financial transfers from the EU budget and through lending by the European Investment Bank. Considering only the amounts allocated in the regional programmes over the 2000–06 period as either Structural Funds or National Matching Funds, over 13 billion have been injected into the economies of these regions. In terms of investment, and compared with gross fixed-capital formation in 1997, this represents about one-third of total regional investment in the Portuguese regions and the French overseas departments, and almost 20% in the Canary Islands. Despite such a significant financial effort, developing the least favored regions and achieving the cohesion objective is a challenging task as the empirical evidence suggests that regional policies may not deliver the expected outcomes (Boldrin and Canova, 2001; Puga, 2002). This seems to be especially true for the outermost regions of Europe, which are known to cumulate several structural handicaps: *remoteness, insularity, small size, difficult topography and climate, and an economic dependence on a few products* (Fortuna *et al.*, 2001).

The objective of the present note is twofold. First, we briefly review which are the most penalizing handicaps for the economic development of the ultra-peripheral regions and distinguishing between those that are beyond the reach of economic policy and those that can be improved upon. Second, focusing on those handicaps that are in the reach of economic policy, we critically review different development strategies that have been repeatedly advocated, pointing out the pitfalls one should avoid when implementing them and suggesting new paths to explore. We argue, in particular, that a mix between investments to strengthen immobile and location-specific assets, when combined with a selective infrastructural policy, is likely to deliver the best results while minimizing the risks of further marginalizing the ultra-peripheral regions.

While developing the foregoing two points, we simultaneously review some of the limitations of current regional economic theory for addressing more comprehensively the economic problems and the particular realities faced by the outermost regions. As will become clear, the current state of regional economic theory is not particularly suited to deal with the main issues arising.

1 Structural handicaps and possible policy vectors

When analyzing the structural handicaps of the ultra-peripheral regions, a first step consists in separating those factors that can be improved upon by economic policy from those that cannot. In the light of this, the structural handicaps of the ultra-peripheral regions can be roughly classified as follows:

1. Beyond the reach of economic policy and human design: *insularity; difficult topography and climate; natural disasters*
2. Partly in the reach of economic policy and human design: *remoteness*
3. In the reach of economic policy and human design: *economic size; dependence on a few products*

Previewing the subsequent developments, a few remarks are in order.

First, although the factors in the first category are beyond the reach of economic policy and human design and must, therefore, be taken as given, they do not constitute per se an insurmountable obstacle to economic development. Indeed, several regions of the world characterized by insularity, difficult topography and climate, and exposure to natural disasters, have overcome these obstacles and developed quite rapidly.¹ Keeping this qualification in mind, we will not say anything more on this issue in the remainder of this paper as we focus on policy-based development strategies.

Second, the factor in the second category has the strongest geographical flavor: *remoteness*. This factor can be partly improved upon, at least from an economic perspective, by gradually reducing the frictions to moving goods, people, and information via infrastructure and information and communication technologies (ICT). Doing so may, however, backfire as reducing spatial frictions usually affects both directions of movement and may, therefore, lead to quite unexpected results. This aspect has to be borne in mind when designing economic policy and constitutes one of the main messages of this paper. The real challenge consists therefore, in our opinion, in improving upon the factors in the last category. These are clearly within the reach of economic policy, even though history tells us that economic size is something very difficult to affect given the strength of market mechanisms. Thus, a special focus should rest upon the product range, which may serve as a catalyst

¹Japan is an especially illuminating example of a country having developed rapidly despite combining insularity, difficult topography, and exposure to natural disasters. Several other islands, cumulating the same structural handicaps than the outermost regions of Europe, have partly developed by offering favorable financial and fiscal environments (e.g., Cayman Islands, Isle of Man, Bahamas). Because the ultra-peripheral regions are an integral part of the European Union, such a development strategy based on preferential fiscal conditions is not available as it is incompatible with the single market.

for achieving economic development by fully utilising and developing mostly immobile local resources.

2 Reducing remoteness: a double-edged sword?

The most visible structural handicap of the ultra-peripheral regions is certainly their sheer remoteness from the European continent and, almost always, their insularity. Although both of these handicaps have been somewhat alleviated by the secular improvements in transportation technologies and ICT, which have put the ultra-peripheral regions more clearly on the map by making them more accessible, there is no doubt that they are still “remote”. In an economic sense, a market is “remote” when shipping to it from any location, or shipping from it to any location, involves high monetary and time costs of transportation. It is often put forward that one may expect that falling trade costs between the European continent and the ultra-peripheral regions would lead to a gradual development of the latter by making firms there ‘more competitive’. This is why the European Commission proposes for the 2007–13 period additional funds in order to alleviate difficulties of access due to extreme isolation.² However, we voice two doubts about the success chances of such a remoteness-reducing policy, at least when it is not combined with a direct and significant development of local immobile assets: (i) Remoteness is a relative concept and the ongoing integration of the EU’s internal market may offset any improvements of access to the ultra-peripheral regions; and (ii) falling trade costs and better access to the ultra-peripheral regions are likely to harm them, both because more efficient outside firms can supplant domestic industry by selling into their markets and because footloose production factors may relocate to the larger markets to serve the periphery by taking advantage of the improved access.

²How to alleviate economic remoteness of the ultra-peripheral regions by reducing transport costs is not quite clear. First, one should note that reductions in transport costs in the international context often arise because of *density economies* in commodity transportation. Roughly speaking, there are density economies when a one percent increase in all outputs, holding network size, production technology, and input prices constant, increases the firm’s cost by less than one percent. Density economies are a prevalent features of many transport modes and shipping routes. It is indeed a well-documented fact that shipping costs are lower on routes processing large volumes of freight and/or linked to hubs because specialized services and large scale infrastructure can be profitably developed there (the increasing containerization of world commodity trade provides a striking illustration of both aspects). For example, Mori and Nishikimi (2002) observe that transport costs from Japan to a non hub-port in Southeast Asia are approximately 23% higher than to a hub-port in the same region, thus showing that density economies are far from being negligible. How to realize those density economies in the context of the outermost regions is unclear because of the low trade volumes. Furthermore, to exploit density economies by either maritime freight or air freight requires shipping goods in both directions. Yet, this implies that there will be more sales at lower prices in the outermost regions, which might hurt the development of a local industry.

2.1 European integration and the ‘fortress effect’

Even in a world where trade costs take low values, it should be clear that economic remoteness remains a *relative concept*: a market is more or less remote when compared to another set of markets. Consequently, any change in the geography of demand or supply between two regions in the set of markets has a direct impact on all the other regions by affecting the competitive environment there (‘third country effects’; Behrens *et al.*, 2005). This ‘relativity of remoteness’ is especially important in assessing how the European integration process is bound to affect to outermost regions. Indeed, this integration process largely changes all the relationships between the regional markets as barriers to trade are gradually removed and as new member states join the EU. Although the specificities of the outermost regions have been acknowledged by Article 299.2 of the Amsterdam Treaty, the ongoing integration process is almost surely bound to hurt these regions’ export performance. The reason is that economic integration seems to proceed more rapidly within continental Europe than between Europe and the outermost regions, thereby placing them at a competitive disadvantage by transforming Europe more and more into a “Fortress” that is impenetrable for exports from the ultra-peripheral regions.³ In some sense, one may argue that we face a semantic and economic paradox since the *ultra-peripheral* (“situated on the edge”) regions are considered as being part of the *internal* (“situated on the inside”) market.

A consequence of the increased difficulties for remotely located firms to penetrate the European market is that foreign FDI into the EU, as well as intra-EU FDI, has increased (Dunning, 1997). Yet, the main recipients of FDI are located close to the European core markets, which then serve as an export platform for serving the rest of the internal market (e.g., Ireland). Any deepening integration of the ultra-peripheral regions and the European continent then allows those multinationals to serve the outermost regions using their production sites as export platforms.

To summarize, European integration and the eastern enlargement certainly adversely affects the access of the ultra-peripheral regions to the large European core markets. Whether structural spending on infrastructure, transportation technologies and ICT allow to partly alleviate this problem is more than questionable. It is, indeed, unlikely that the *relative access* of the outermost regions improves when compared to either the old or the new member states.

³Head and Mayer (2001) analyze the “Fortress Europe” effect by focussing on how European integration affects the export performance of U.S. and Japanese firms in a large number of sectors.

2.2 Serving the outermost regions remotely

Although improvements in transportation and communication links between the ultra-peripheral regions and either the European continent or their regional markets appears to be a tempting idea, one should keep in mind that *infrastructure is a double-edged sword*: it allows domestic firms to easily export, yet conversely allows foreign firms to easily penetrate the domestic market. Although the first effect favors regional development by strengthening the competitive position of domestic firms in foreign markets, these firms may want to relocate to these foreign markets due to the change in accessibility. There are two reasons for this. First, firms can more easily sell into the domestic market from abroad due to lower trade frictions; and, second, increased import competition erodes markups and operating profits which, when combined with the small size of local markets in the outermost regions, makes firms want to serve the larger market locally to cover more easily fixed costs through increased operating profits. Improved accessibility therefore triggers a “straw effect” and economic activity is sucked up by the large markets like orange juice in a glass.⁴

Note, furthermore, that a sufficient decrease in trade costs may even make interregional market access asymmetric in the sense that only firms established in the larger region can profitably export to the smaller one. The intuition is that the competitive environment in the larger markets is fiercer, because there are more firms in that market and these firms are on average more productive (Melitz and Ottaviano, 2006). In such a context, the asymmetry in market access works as a very strong driver for relocation from the small to the large regions, even though firms would have remained in the small region otherwise (Behrens, 2005). However, it should be underlined that falling trade costs for final goods do not have the same effect on firm location than falling trade costs for intermediate goods. As shown by Gaigné (2004), when transport costs for intermediate goods are high, firms have an incentive to agglomerate in the larger country when transport costs for final goods decrease. By contrast, when transport costs for final goods are high, a fall in transport costs for intermediate goods favors the dispersion of the industrial production. Thus, any assessment of how integration may affect the outermost regions should carefully study the industrial structure of those regions to identify the strength of the intermediate input linkages. Yet, given that most of the outermost regions rely on a few relatively homogeneous export products (e.g., bananas, dairy products, fishing, sugar cane), which do not appear to benefit from significant intermediate linkages, the first scenario strikes us as being the more likely one.

⁴Such relocations towards the larger markets have been frequently observed within countries after improvements of inter-regional infrastructure, e.g., in the Paris region or around Tokyo.

Summary results. To summarize the arguments pertaining to remoteness-reducing policies, one should keep in mind that it is probably illusory to expect to attract footlose activities to the outermost regions by improving transportation links (which may not even be possible in the first place). On the contrary, the relocation of such activities to the European continent is the more likely outcome given the current configuration and the prevailing market forces.

Given the increasing integration of the European market, one possibility for the ultra-peripheral regions would be to recenter their activity on tying closer links with the trading partners in their geographical areas. A profitable strategy could be to favor economic integration with the neighbouring countries and to increasing the access to other trading areas, which are close to South America and the ACP countries (African, Caribbean and Pacific countries). Just as Hong-Kong in the case of China, the outermost regions could play the role of nodes linking these different trading agreements are providing transshipment and distribution services.

Hence, as argued below, infrastructure should be aimed at facilitating the exports of goods and services produced with the help of immobile local factors.

3 Increasing market size: a hopeless endeavor?

All outermost regions are characterized by a small local market size, both in terms of population and purchasing power.⁵ This small size, when combined with high trade costs, implies that many products are not sold in that market. The reason is that a small market size leads to low demand, which is quite price elastic, whereas high trade costs imply that firms need to charge a high markup in order to cover trade costs. Consequently, their best strategy may be to not sell in these markets as they cannot break even (Behrens, 2004).

Table 1: Firms' main modes of serving foreign markets

	Trade costs	
Market size	High	Low
Small	No sales in the market	Exports to the market
Large	FDI	Exports / FDI

Table 1 summarizes firms' main modes of serving foreign markets as a function of that market's size and trade costs for accessing it. As can be seen, and as stated in the foregoing,

⁵The Canary Islands have the largest local market with a population of about 1700000 and a GDP per capita of about 91% of the EU-25 average (Figures from the organizer's MACRORUP report, 2006).

small and remote markets are unlikely to be served by many firms. Consequently, the range of consumption variety, as well as of intermediate inputs, is quite small there. This further reduces the incentives for immigrants (since consumption diversity is a strong determinant of residential choice; Krugman, 1991), and for firms relying on imported intermediate inputs (since their production costs are higher; Venables, 1995).

No matter which type of improvements are considered to alleviate the remoteness problem, one should keep in mind that remoteness and market size are inextricably linked. It is well known that a disadvantage in geographical location *per se* is not incompatible with a region hosting a large share of production (Behrens *et al.*, 2006), *once such a pattern has somehow been established*. Yet, as is well known, the EU pattern does not even remotely look like this: the continent is the big ‘core’, whereas the ultra-peripheral regions are the small ‘periphery’. One idea that naturally comes to one’s mind is that it may be possible to accelerate economic development by artificially increasing the economic size of a region. There are three basic ways of doing so (or a combination of them): immigration; to increase local spendings and consumers’ purchasing power; and to reduce internal trade costs.

Immigration as a tool to increase the size of the market is surely bound to fail and, if anything, economic theory tells us that migrants “follow market potential” and will, therefore, flow from the ultra-peripheral regions to the European continent (Crozet, 2006). Note also that policies which aim at increasing the level of general human capital may prove extremely counter-productive. Indeed, numerous empirical studies have shown that the probability of emmigration to core markets raises with the education level. Thus, an increase in the education level of a growing fraction of the population in the outermost regions could induce a growing fraction of young workers to leave those regions. The argument is the same as in the previous section: increasing the mobility of production factors, or favoring accessibility, will most likely backfire. As we argue later, improving the level of location-specific human capital is much more efficient as this capital cannot relocate and, thus, is not affected by a deepening integration.

We now focus on local spendings and reductions in internal trade costs.

3.1 Structural transfers

Channeling funds into the ultra-peripheral regions to artificially increase market size, influence the location decisions of firms, and increase productivity, may prove inefficient. At least, there is some empirical evidence suggesting that this is the case in continental Europe (e.g., Boldrin and Canova, 2001; Puga, 2002), where the peripheral regions do not seem to catch up whereas intra-country core-periphery patterns remain fairly stable (Combes and Overman, 2004) and production efficiency is jeopardized as firms locate counter to economic determinants. As is well known, expenditure-driven redistributive policies do

not deliver adequate results in an increasingly globalized world economy, while it is worth stressing once more that market forces are very strong. A particularly illuminating example is provided by the post-reunification experience of former East Germany, which despite a huge amount of money channeled into it did not succeed in catching up with the rest of Germany.⁶ This is surprising since former East Germany is neither remote, nor small, nor geographically or climatically difficult, yet the expected development did not take place as firms relocated massively to West Germany or simply went out of business. This is even more surprising since it highlights the asymmetric nature and the lock-in (the irreversibility) of geographical economic processes. Indeed, as shown by Redding and Sturm (2006), the border cities in West Germany were initially hurt by the isolation of the eastern part after WWII. Yet, opening the border after the reunification did not lead again to a catching up, as the eastern market was quite small and not attractive after 40 years of communism.

We may thus safely state that the lock-in generated by market forces is very strong, thereby inhibiting almost completely the impacts of regional development policies based on the (distortionary) redistribution of purchasing power. This is tentatively illustrated by Figure 1, which shows that redistribution of income to the outermost regions via public sector expenditures and social security is not efficient in terms of reaching high levels of GDP per capita. Fortunately, the Lisbon agenda puts more emphasis on the funding of regional projects intended to promote innovation and economic growth. As we will argue shortly, a precise targeting of those objectives to specific regional characteristics, when combined with targeted infrastructural improvements, may pay off.

3.2 Favoring agglomeration in outermost regions

The internal market size of the outermost regions could also be improved by favoring agglomeration of its mobile production activities (Krugman, 1991). We know from ‘new economic geography’ that agglomeration can be promoted by either low internal transport costs or high external costs (Behrens, Gaigné, Ottaviano and Thisse, 2007). Turning to the improvements of internal infrastructure, such improvements may prove especially efficient for the outermost regions. Indeed, decreasing the costs of moving goods and people within those regions amounts *de facto* to increasing their internal market size, as less resources are wasted for transportation and distribution and may be allocated to production per se (Martin and Rogers, 1995). This could be especially fruitful in the case of outermost regions

⁶“East Germany with massive support from West Germany has in a decade moved up from 40% to 60% of the West German GDP per head. But such levels of support will not accompany EU enlargement.” (and not ultra-peripheral regions); (Source: David Pichaud, 29 March 2002, BBC News Europe; <http://news.bbc.co.uk/1/hi/world/europe/1901293.stm>). As argued by Hunt (2006, p.3) “West Germany has sent at least 4% of its GDP to East Germany every year from 1991-2005”, a total of about 1 trillion. Yet, population has fallen, GDP grown slowly and jobs have been lost.

Figure 1: National government spendings as % of total activity and relative economic performance (Source: Data taken from Fortuna *et al.*, 2001)

composed of several small islands, for which the costs of shipping goods across islands are comparatively high when compared to other areas. As a beneficial by-product of a reduction in internal transport costs, the market becomes more competitive, thereby reducing the outside impact of foreign firms and strengthening the position of domestic firms (thus turning the "Fortress effect" on its head).

Furthermore, the reduction of internal transport costs and the associated increase in the size of the internal market may give rise to other advantages: (i) reducing foreign firms' penetration capacity (Behrens, Gaigné, Ottaviano and Thisse, 2007); (ii) boosting productivity via external effects, driven by increased agglomeration (Rosenthal and Strange,

2004);⁷ (iii) a finer division of labor, boosting productivity (Duranton and Puga, 2004); and (iv) an increase in the number of firms (Gaigné, 2006).

Summary results. With respect to size, market forces are extremely resilient and we conjecture that there is not much that can be achieved by using redistributive economic policies. The redistribution of purchasing power is plainly inefficient, whereas migration will (if anything) flow in the opposite direction. A better access to Europe for moving passengers may even lead to a relocation of people, in particular the more mobile skilled ones.⁸ This also significantly limits any policy promoting a deeper investment in general human capital.

4 Expanding the product range and using targeted infrastructural investments

The main message thus far is that: (i) improving accessibility will most certainly backfire with respect to the location of mobile activities; (ii) market size cannot be reasonably improved, as market forces are too strong; and (iii) investments in general skills are likely to be inefficient as the more mobile skilled are susceptible to emigrate to the European continent. Thus far, our findings cast a gloomy light on the future of the outermost regions.

Let us turn to the final structural handicap: an excessive reliance on a few quite homogenous export products. *We believe that there is a real opportunity for developing the outermost regions via a specialization in niche products that primarily rely on immobile local factors, when combined with investments in location-specific human capital and the right infrastructural investments.* Such a development strategy also largely fits with the Lisbon agenda and should, therefore, be readily negotiable within its broad objectives fixed by the European Commission.

The production of new products, which mobilize a large array of relatively immobile local resources, can be a very efficient way to foster economic development in the long run. However, the penetration of foreign markets in the presence of the high transport costs faced by the outermost regions, requires that the goods be relatively differentiated from those sold in the single European market. For agricultural produce of the outermost regions, this holds largely true as these goods are usually not found on the European continent since they

⁷It is worth pointing out that Madeira and the Canary Islands are the best performing ultra-peripheral regions of the EU, which fare better than the rest. Although this may be partly due to the fact that they are located closer to the European continent and “relatively close” to their capitals, we believe that another factor explains their relatively good economic performance: *both have a high population density, whereas the Canary Islands also have a large population.*

⁸Recall that the outermost regions are an integral part of Europe so that there are no migration controls.

mostly grow only in the more tropical climate of the outermost regions (e.g., bananas, sugar cane). Yet, these largely homogeneous goods face tough competition on world markets given the current wave of international integration and the continuing pressure for non-discriminatory tariffs on agricultural produce. Furthermore, although the subsidization of agriculture in the outermost regions remains very significant, public subsidies for farmers are decreasing and it is unlikely that there will be any reversal in this long-run trend. Hence *“if farmers were to continue producing only generic goods, they would have no way of escaping from the direct competition in price and cost. Then, given the increasingly more severe competition in the commodities markets due to globalization and expanding domestic markets, farmers (except those in the most advantageous locations) would be able to survive only under increasing subsidies and protection, while suffering from the gradual decline in their wages and incomes.”* (Fujita, 2007, pp. 2-3).

Fujita (2007) has recently shown how remote rural regions in Japan and other parts of the world have significantly boosted their economic development by specializing in niche products and ‘brand agriculture’.⁹ To do so requires three basic ingredients: (i) an exploitation of immobile region-specific assets, including natural, human and intellectual resources; (ii) a timely investment in infrastructural projects and ICT, possibly with the outside help of the EU; and (iii) a continuing improvement and accumulation of location-specific human capital that serves in the exploitation of the immobile region-specific assets to create and improve highly differentiated products that can be competitively sold in remote markets even in the presence of high trade costs and small local market size.

Why is such a development strategy susceptible to work? First, it emphasizes the improvement and exploitation of local immobile resources. Therefore, an improvement in accessibility is not likely to lead to a relocation as the resources are specific to the region. Second, it focuses on the investment and improvement of human capital applied to the exploitation of these region-specific resources. Thus, since it is not general human capital, there is again a lesser chance for relocation as this capital cannot be readily used in a different context. All this implies that targeted improvements in infrastructure and ICT are not very likely to backfire, since (i) the additional import competition will not affect the highly differentiated goods; and (ii) the local resources are not likely to relocate, since they are used together with local and largely immobile resources.

Note that such development strategies are already pioneered in several regions. For example, the French DOM La Réunion produces wine and markets it under a specific brand that recently obtained the label “Appellation contrôlée” and “vin de pays”. The

⁹This movement, initiated in a decentralized way by the remote villages themselves, is known as the OVOP (One village, one product) movement, which originated in Japan with the aim of developing remote rural regions. Since then, it has been adopted successfully in some developing countries, whereas results in some other countries have been far from satisfying.

production is now of about 50000 bottles per year, which are via Internet and shipped on a regular basis to foreign countries, including the European market. Note that the climate allows for two vintages per year, thereby boosting productivity when compared to other vineyards that have only a single vintage per year. Although transport costs are quite high, this wine seems to sell quite well.

5 Tentative conclusion and outlook

Investigating the economic questions pertaining to the outermost regions of Europe is a challenging task as the standard tools of economic geography are hard to adapt to match their specific realities. As argued in the foregoing, the development of these regions most probably has to rely heavily on locally available and immobile resources, most of which are linked to brand agriculture and/or tourism/services. Yet, a cursory glance at standard development economics and economic geography reveals that the agricultural sector plays only a marginal role in these literatures. It is put in the background, as development is perceived to stem mainly from the secondary and the tertiary sectors only (Fujita, 2007). In this respect, economic development and regional economics utterly fails to come to grips with the issues under scrutiny.

To summarize our foregoing results, we do not believe that either infrastructural improvements or regional income transfers constitute by themselves viable options for achieving regional development of the ultra-peripheral regions in the light of what economic geography teaches us. Improvements in infrastructure and trade costs are most likely to backfire on the regions, since market access remains highly asymmetric. Although measures intended to artificially increase market size are implementable, the gains stemming from doing so would probably be low given the financial means one has at its disposal. Yet, the picture is not as gloomy as it may seem, since a strategy that tackles the product range offers an approach to development that may prove useful to the ultra-peripheral regions. It is, therefore, the combined development of location-specific factors and immobile assets, combined with targeted infrastructural and organizational improvements, that is most likely to pay off. As such a strategy fits into the Libon agenda on the competitiveness of the European Union, it should be considered very seriously as one (maybe the only) feasible development option.

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