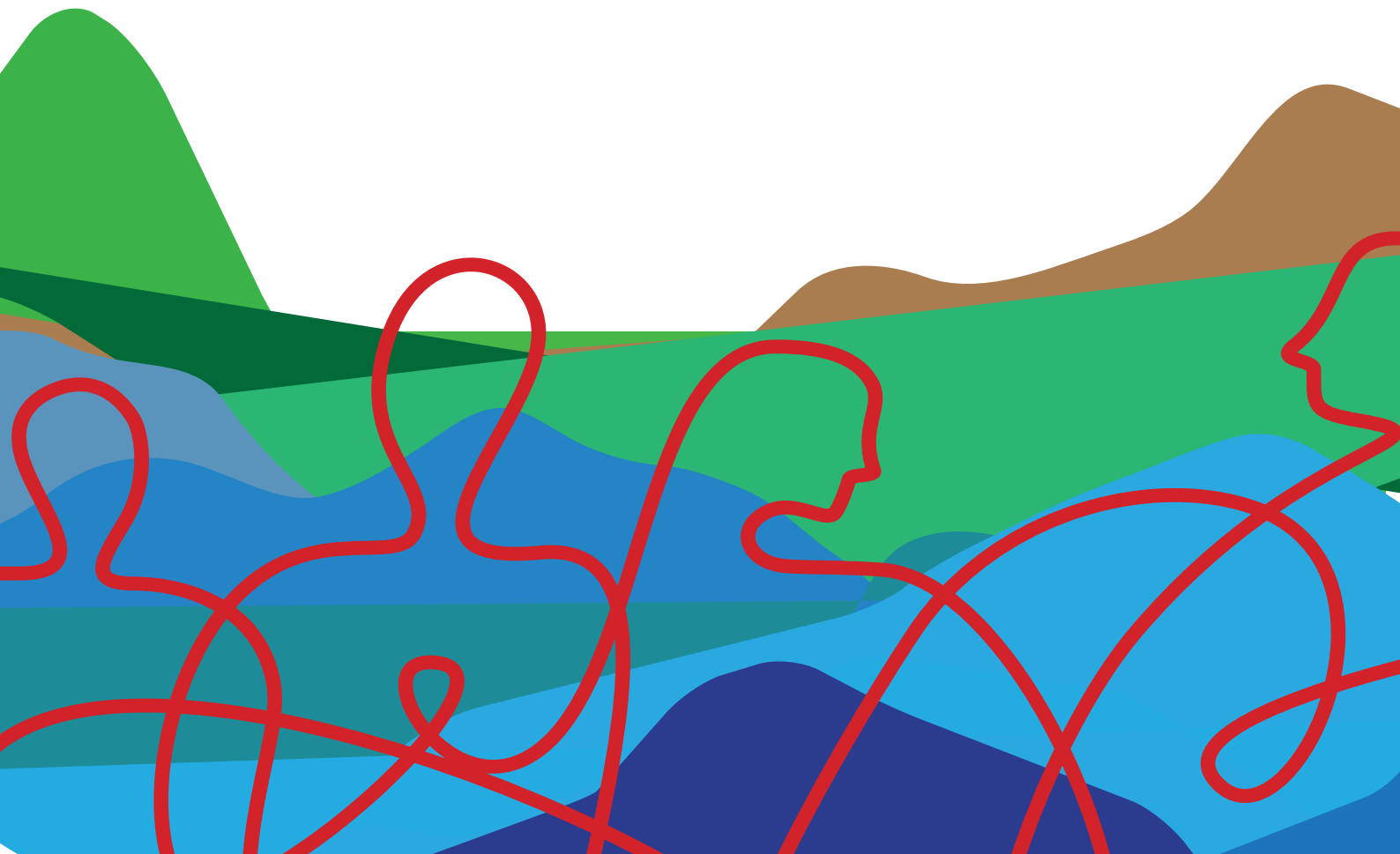


The region **La Réunion** in the world



ABOUT THE OECD

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies. More information: www.oecd.org.

ABOUT THE CENTRE FOR ENTREPRENEURSHIP, SMEs, REGIONS AND CITIES

The Centre helps local, regional and national governments unleash the potential of entrepreneurs and small and medium-sized enterprises, promote inclusive and sustainable regions and cities, boost local job creation and implement sound tourism policies. More information: www.oecd.org/cfe/.

This document builds upon the publication "The internationalisation and attractiveness of French regions" co-financed by the European Union through the Structural Reform Support Programme (REFORM/IM2020/004). This document was drawn up with the financial support of the European Union. The views expressed in this report do not reflect the official opinion of the European Union.

This document is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries. The document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

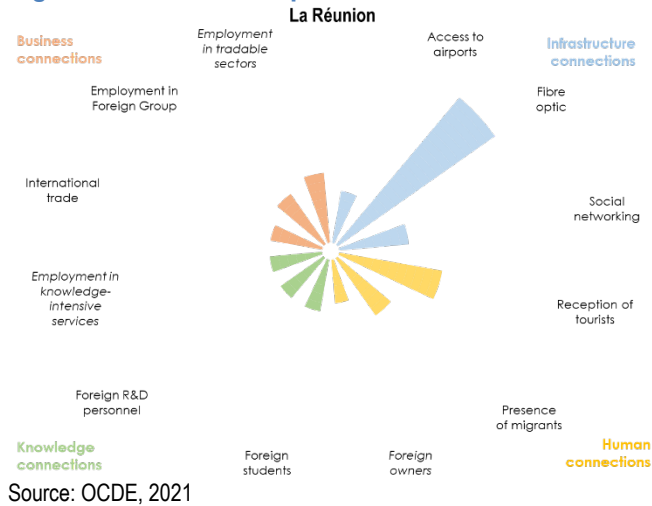
© OCDE 2022

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgement of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org.

Overview: The international profile of La Réunion region reveals the decisive role of infrastructure connections, and in particular the territory's strong digital connectivity, which acts as a lever for attracting talent at a time when teleworking has been rapidly deployed. Abundant natural capital contributes to the attractiveness of the territory with regard to both visitors and as a factor in the development of new economic activities (e.g cinema). Its geographical position in the Indian Ocean makes internationalisation and attractiveness an essential lever for the development of this territory, particularly for the retention of qualified young people and the creation of jobs.

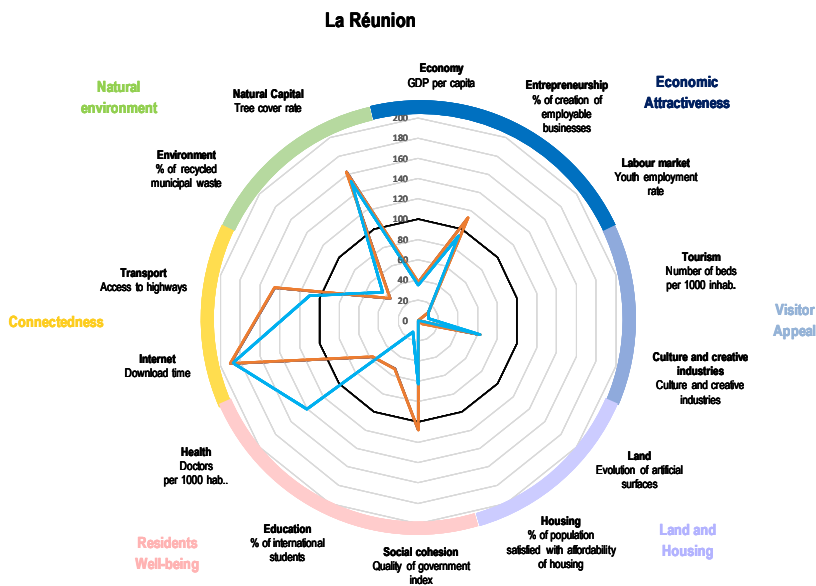
Internationalisation and attractiveness of La Réunion region

Figure 1. International profile of La Réunion



Overview of the region's internationalisation: OECD distinguishes between four families of international connections in order to position regions: business connections, human connections, knowledge connections and infrastructure. In the profile presented here, the length of the petal represents the position of Réunion among the French regions according to the reference indicator: towards the end of the circle when it is first, and towards the centre of the circle when it is last for a given indicator. Given its geographical position, infrastructure connections are a key condition for the region's internationalisation. It is also one of the French and European regions with the best territorial coverage in optical fibre. Human connections, particularly through tourism, also contribute to the internationalisation of the territory.

Figure 2. Attractiveness profile of La Réunion region



Overview of the region's attractiveness: Six areas of regional attractiveness, grouping together fourteen dimensions - based on the analysis of 60 indicators - such as the dynamism of the labour market and the quality of Internet access, have been identified by the OECD. The Region's attractiveness profile, a "radar" comparing the Region to the average of French Regions (in blue) and to the average of European Regions (in orange), highlights the role played by public infrastructures and services to attract foreign targets to the region. The quality of digital infrastructure is, for example, an asset for attracting talent in the context of the development of teleworking. Accessibility to health and care services, the level of security, and the accessibility of transport are also assets for the Region in its geographical environment, as is the natural capital, a vector of tourist and economic attractiveness.

La Réunion is situated in a competitive environment in which access to infrastructure and public services in a secure regional context are essential assets. A comparison with other French or European regions is not always

the most relevant given the environment. On the other hand, it should be noted that the health crisis has underlined the relevance of the island's advantages in terms of attractiveness in its neighbourhood. The availability of data concerning neighbouring countries/regions would undoubtedly make it possible to highlight a certain complementarity between the advantages and challenges of the various territories in the area, arguing for cooperative approaches. However, certain indicators of La Réunion's attractiveness need to be better understood. While good digital connectivity is an asset for the territory, the indicators relating to the use of these digital tools seem less conclusive. This observation calls for the reinforcement of measures to support the development of digital skills.

Communication: analysis of the region's website

The analysis of the Region's website highlights the importance of Europe in the Region's strategies. While this observation is common to all the websites of the French Regions (see representation below), in the case of La Réunion it reflects the role of the European Union and the funding granted to support territorial development. The words "Transport" and "Mobility" appear frequently, due to the overseas location of the Region and the importance it attaches to the mobility of inhabitants, visitors and students. It is interesting to note the weight of the word "Culture". The promotion of La Réunion's local identity - which is reflected in the name of the recovery plan (Local é Vital) - and that of the island's inhabitants' diasporas abroad, are levers of internationalisation and attractiveness explored by the Region. The development of the film industry, particularly through the promotion of the Region's natural capital, is the subject of active communication by the Region to attract investors and talent and to promote the sites of La Réunion through the films made. However, the Region's website seems to be aimed primarily at local targets. The home page highlights the aid schemes intended for local populations, and the words "International" and "Attractiveness" are rarely mentioned. The site does not offer any foreign language content, even though the Region is positioned in an international area.



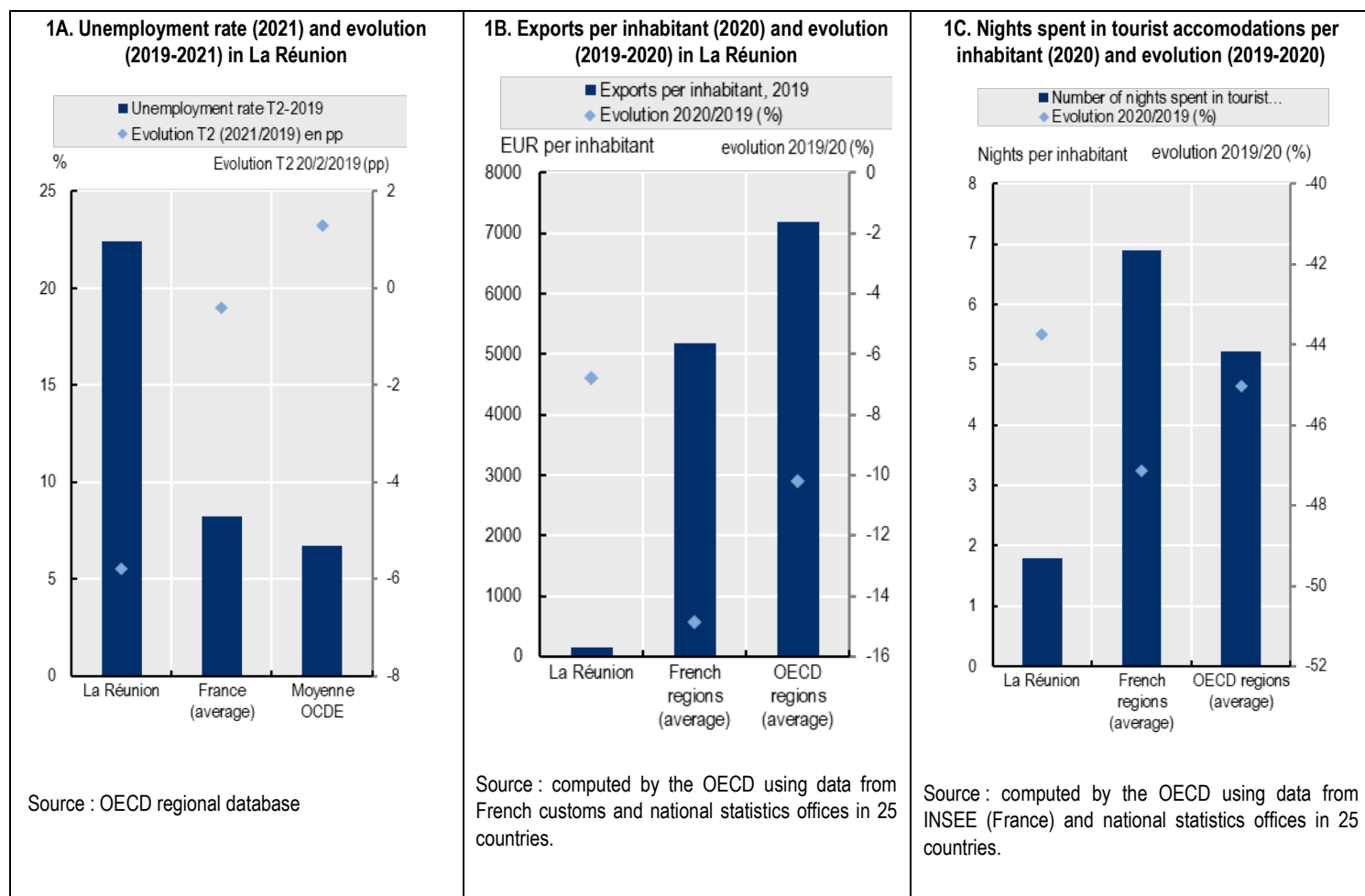
Figure 3. Text analysis of the Region's webpage

From crisis to recovery in the new global environment

The Region has weaker indicators than the French and OECD averages for tourism, unemployment and regional exports in 2019, but the OECD data show that the Region appears to have weathered the crisis better in the short term. Regional exports (in euros per capita) in 2020 decreased by 6.8%, representing a 10% drop in total export volume (in thousands of euros). The small decrease in export flows - in comparison with other French and OECD regions (14.9% and 10.2% on average respectively) - can also be explained by the relative maintenance of maritime traffic in 2020. At the start of the pandemic, La Réunion was the only port providing crew relief in the Indian Ocean basin, thus a large drop in maritime traffic (in tonnage) in La Réunion: 3.8% between 2019 and 2020, and only 0.3% when goods excluding transshipment alone are taken into account. The unemployment rate, which remains very high - 16.6% in the second quarter of 2021 compared with 8% in France - benefits from a 6pp. drop between 2019 and 2021, which is higher than in the rest of France on average, and demonstrates a trend which is the opposite of that in other OECD Regions which experience a 1.3pp. increase in unemployment on average over the same period. This downward trend is also observed among young people, with a decrease in the unemployment rate of 3.2pp between 2019 and 2020. As in the rest of the world, the impact of the crisis on regional tourism has been significant. The Region has seen a 58.9% drop in the number of air passengers and a 40% drop in tourist nights per inhabitant, as a direct consequence of the measures put in place to limit the circulation of the virus. However, this drop remains lower than for the rest of the OECD and France (see graph 1C). The adoption of teleworking and the restrictions on the movement of people introduced

in Europe could also have an impact on the Region's economic development with the arrival of teleworkers attracted by the quality of life offered in Reunion Island, which will have to be assessed in detail given the possible consequences in terms of prices and access to accommodation. The challenge for the Region is to ensure that these developments take place in the long term in an inclusive and sustainable manner.

Figure 4. Recent evolution of three economic indicators in La Réunion



The Region has also set up various strategies to support the recovery in the short and longer term. These recovery strategies are in line with the Schéma Régional de Développement Économique, d'Innovation et d'Internationalisation (SRDEII - drawn up in 2016), giving an important place to local development issues. This is directly reflected in the name given to the "Local Lé Vital" recovery plan, which provides for various aid measures for local players, including for young students on mobility and high school students. These recovery strategies benefit from significant support from the State - 250 million under the France Recovery Plan - and from the European Union, with 369 million euros of European funding under the REACT-EU scheme. The articulation of these different strategies and funding is set out in the State-Region-Department agreement signed on 25 March 2021, around four themes: health, economy, green transition, and digital transition. This agreement provides for a two-stage response: to support the recovery in the short term (by 2023) and in the longer term (2027).

Governance and attractiveness strategies of the region

Good governance of attractiveness and internationalisation policies is essential to ensure that they contribute to inclusive, sustainable and resilient regional development. The OECD has identified various governance challenges that emerge when implementing regional attractiveness policies. Alignment of objectives is a crucial issue, both at the level of Reunion Island and at the level of its activity zone in the Indian Ocean, in order to face up to the competitiveness of other actors in its neighbourhood. Several initiatives aimed at coordinating the various actions at regional or even macro-regional (Indian Ocean) level enable experiences to be shared, common and/or complementary priorities to be identified and encourage the formulation of convergent attractiveness and internationalisation strategies (for example: Cap Business OI, Association des Iles Vanilles, Maison de l'Export). This approach, which is still limited to economic issues (export, tourism), could be extended to other areas of attractiveness, particularly with regard to talent.

The issue of the human and technical capacities of local players, particularly in terms of the use of digital tools and the practice of foreign languages, is a challenge identified to support the internationalisation and attractiveness of the Region, beyond the strong coverage of broadband access. The structure of the regional economic fabric, essentially composed of very small and medium-sized enterprises, also affects the capacity - technical, human and financial - of economic actors to internationalise. The adoption of collaborative approaches as organised, for example, by the *Association Réunionnaise Interprofessionnelle des Fruits et Légumes* (ARIFEL) to support regional exports of fruit and vegetables is an interesting lever to respond to this challenge. European funds also play an important role in financially supporting the internationalisation and attractiveness of the territory, for example via the Erasmus+ international mobility programme and the INTERREG Indian Ocean programme.

The decentralised cooperation actions carried out by the Region, particularly with the support of the French Development Agency (AFD), are also tools for strengthening international exchanges and the integration of La Réunion into its regional basin. For example, FICOL and FEXTE enable the Region to promote its expertise in areas such as health, waste management, urban planning, etc., in the Indian Ocean territories. This regional integration issue is all the more important as the analysis shows the strong polarisation of the Region's so-called "international" trade towards France and the European Union. In 2019 and 2020, France was by far the Region's leading supplier and customer, and the leading destination for air passengers. In an international context that highlights the vulnerability of hyper-fragmented global value chains based on a limited number of trading partners, diversification of trade sources and outlets could be beneficial to the regional economy. In particular, the strengthening of international trade within the Indian Ocean region, which has already been included in several of Reunion's strategies, could contribute to the resilience of these flows, while improving their environmental impact.

Recommendations

Better understand and develop regional assets

- Enhance the island's cultural diversity, the strong Reunionese identity and the existing links with foreign diasporas (present in Reunion) and the Reunionese diaspora abroad, in connection with strategies for attracting talent and the international mobility of young people
- Enhance the attractiveness of the Region beyond the tourism aspects alone, and in particular as a territory with various assets for the development of new economic activities and support for innovation in strategic sectors.

Working better together

- Strengthen the role of the Internationalisation and Attractiveness working group bringing together the public players present in the Region (local authorities, State services and operators, university players and research centres) to enable information to be shared and decisions to be taken quickly, on the model of the *France Coopération platform in the OI*. This group could respond to the challenges linked to the complexity of institutional relations between public actors at different levels of government.
- Strengthen the territorial marketing approach by including all regional priorities (export, youth employment, sustainable tourism, investment attractiveness) and stakeholders in internationalisation and attractiveness (including the academic and economic worlds). This approach could be one of the priorities of the Internationalisation and Attractiveness working group.
- Adapt national support mechanisms for attractiveness and internationalisation to the realities of the overseas territories. In particular, stakeholders are invited to streamline administrative procedures relating to regional internationalisation and attractiveness by relying on the mechanisms put in place by the State, and in particular by enhancing the assistance role played by the General Directorate of Customs and Excise, over and above their mission of control and statistical production.
- Complement the physical infrastructure investments made by strengthening support for the use and development of skills, for example through supporting the acquisition of digital skills and computer equipment. These "soft" investments are important levers and could enable the Region to position itself as a "data hub" in the Indian Ocean, making it more attractive to talent.
- Invite stakeholders in La Réunion to systematically include the land dimension in their attractiveness strategies, in particular by ensuring that the results of the Regional Development Plan (SAR) support the development of attractiveness strategies (tourism, exports, FDI, innovation) at all territorial levels.

Use a common set of diagnostic indicators to select the priorities of attractiveness policies and monitor their implementation

- Feed the preparation of the new SRDEII with a dialogue between stakeholders around a shared set of attractiveness indicators that includes existing tools and the OECD's proposal
- Select the indicators for diagnosing attractiveness and internationalisation proposed by the OECD to complement the economic indicators monitored by the Regional Economic Observatory of the NEXA regional agency
- Integrate indicators that will enable monitoring and evaluation between the various stakeholders of key policies for the internationalisation and attractiveness of La Réunion: international mobility of young people, export (collaborative), support for digitalisation (uses), development of sustainable tourism.
- Involve partners in the Indian Ocean basin in this process in order to create a mutual and dynamic exchange of data and peer learning.

References

ANCT (2021), "L'Europe s'engage en France", Allocation React-EU par région 2021, <https://www.europe-en-france.gouv.fr/fr/ressources/allocation-react-eu-par-region-2021>

INSEE (2021), La France et ses territoires, Édition 2021, <https://www.insee.fr/fr/statistiques/5039919?sommaire=5040030>

INSEE (2021), Taux de chômage localisés au deuxième trimestre 2021: comparaisons régionales et départementales, https://www.insee.fr/fr/statistiques/2012804#tableau-TCRD_025_tab1_regions2016.

Les échos (2021), Mieux connectée, La Réunion attire des télétravailleurs du monde entier, <https://www.lesechos.fr/pme-regions/outre-mer/mieux-connectee-la-reunion-attire-des-teletravailleurs-du-monde-entier-1312690>.

NEXA (2021), Bilan du Commerce Extérieur La Réunion.

OECD (2021), Les Régions dans la Mondialisation : Une approche originale de l'internationalisation des régions et son application au cas français, <https://www.oecd.org/regional/Regions-et-Globalisation-FR.pdf>.

OECD (2022), Stratégies d'internationalisation pour soutenir l'attractivité et l'export des Régions françaises dans le nouvel environnement global.

Région La Réunion (n.d.), Région Réunion, <https://regionreunion.com>.

<https://www.oecd.org/regional/>

