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**DISCUSSION PAPER**

**PRESENTATION**

**BY**

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## *A Time of Change for the United Kingdom Overseas Territories?*

### **Introduction**

The ten United Kingdom Overseas Territories under the purview of the Special Committee are, to varying degrees, facing significant social, economic and environmental challenges, the likes of which have not been seen for at least a generation, and perhaps longer. In recent decades, with the notable exception of the volcanic eruption on Montserrat twenty years ago, there has been relative social, economic, environmental, and political stability in the Territories.

Similarly the academic community which has written on the Territories has highlighted the advantages of their particular status. Baldacchino has argued that non-sovereignty offers “the best of both worlds” with the support of a “larger, benevolent ‘mainland’ patron”.

However, the Territories are now facing a number of challenges, which highlight certain vulnerabilities that come with their close ties to the United Kingdom, and increasing questions are being raised about the UK’s benevolence. This has led the Territories to explore additional avenues of support.

## **Brexit**

Since the UK's accession to the EU, the EU has been a key partner for the Territories, and in recent years the bonds between them have strengthened in several key respects – in relation to trade, aid, free movement of citizens, and policy dialogue.

None of the Territories were in favour of Brexit, and of course with the exception of Gibraltar, none had a voice in the decision to leave the EU. Currently, the Territories are pushing the UK Conservative government to remain as close to the EU as possible, as an official from the Territories has stated, “In many cases some territories benefit more from the EU relationship than the relationship with Britain”. For example, some Territories receive development assistance from the EU but not the UK. However, they are also exploring other options if a ‘hard Brexit’ results, but there are real concerns that when the final deal is struck, the interests of the Territories will not be fully respected.

In addition, the Territories are not reassured that if there is a ‘hard Brexit’ the UK will make good any shortfalls in support that were previously provided by the EU. A particular worry is in relation to the provision of aid. The UK government has given no assurances about funding beyond 2020, and a weaker UK economy will not help.

## **Irma and its aftermath**

The impact of Irma on Anguilla, British Virgin Islands, and Turks and Caicos Islands was very serious. In the immediate aftermath there was criticism of the UK's response, both in terms of preparing for the coming of Irma and the humanitarian aid effort that followed.

One concern was the Territories lack of access to reconstruction funds. They were frustrated by not being able to benefit from funds from the UN donors conference in November 2017. Blondel Cluff noted:

[We] witnessed \$1.4 billion being awarded to Barbuda and Dominica, and we could not utter a word. Nor could we receive funds without the UK's permission, which was not granted ... This is an example of our political voice being mute.

Another, is the emphasis placed on the Territories themselves in the reconstruction effort. As one FCO official explained, "A lot of our focus is on supporting [the Territories] to make their own preparations and have their own disaster infrastructure in place". Some support has been given by the UK but for the British Virgin Islands, for example, it has come in the form of a £300 million loan guarantee and a private sector task force. One official from the Territory noted that "the problem [should not be] pawned off on the private sector". *Within context of hurricane reconstruction:*

### **Cracks in the policy consensus**

Over recent decades both Conservative and Labour governments have largely shared the same policy approach to the Territories. However, that consensus has started to crack. The Labour Party led by Jeremy Corbyn, has been more forthright in its criticisms of some of the Territories, arguing that if they do not make radical changes to their financial services industries then direct rule from London should be considered. It is clear that the UK's approach to several of its Territories may well be quite different going forward. Perhaps a first sign of this was the UK government's decision on 1 May 2018 to accept an amendment to the Sanctions and Anti-Money Laundering Bill that required the Territories to

establish publicly accessible registers of the beneficial ownership of companies, which had support from Labour, but also crucially a handful of Conservative MPs.

### **Recalibrating relations**

The UK's decision to leave the EU, in particular, has initiated a set of centrifugal forces in the relationship between the UK and its Territories. Of course the process is not uniform, and the underlying ties remain intact, but the Territories are certainly looking for new paths of influence and new opportunities to best secure their own development.

In May 2017 Anguilla introduced a change to allow French nationals from French Saint Martin to travel freely to the Territory, without the need for passport controls. Anguilla hopes that some kind of common travel area can be maintained after Brexit. It and other Territories are also lobbying for continued association with the OCTA and payments via the EDF, with the UK contributing on a 'pay as you go' basis. Anguilla is also examining the option of being part of the European Grouping of Territorial Cooperation, which might also be open to Gibraltar, and Pitcairn with its desire to keep strong links with French Polynesia.

Other options to maintain a relationship with the EU are being considered by Anguilla and the British Virgin Islands in particular. Both are already associate members of the Organisation of Eastern Caribbean States and the Caribbean Community (CARICOM), and would like to deepen and broaden those links – for example becoming an Associate Member of CARIFORUM (CARICOM + Dominican Republic) and an Observer of the African, Caribbean and Pacific (ACP) group of states. By aligning with these groups there might be a

possibility of benefiting in some way with these organisations' existing agreements with the EU.

There are Economic Partnership Agreements (EPAs) between the EU and CARIFORUM and Southern African Development Community (SADC); an initialled EPA with West Africa; and an interim EPA with countries in the Pacific. So potentially the Territories in the Caribbean, St Helena, Tristan da Cunha and Ascension, and Pitcairn could be accommodated in the regional EPAs. This would mean creating an arrangement that was not directly tied to the UK, and so would require some flexibility on the part of the EU, the regional trading blocs, and the UK that would need to endorse any deals. But such agreements would tap into existing relations and networks.

For Gibraltar, which has arguably most to lose from Brexit, it has been suggested that it might seek a microstate-style relationship with the EU or “to have an aspect of the new agreement between the UK and the EU apply in a different way to Gibraltar”, or at least a “nuanced” relationship to facilitate specific local needs, such as the soft land border with Spain. For instance the Local Border Traffic Regulation (EC/1931/2006) could be maintained in some form (Davis 2017, 3). Although as the EU Committee noted, “It is not clear that the EU would prioritise special arrangements for a dependent territory of a State which is leaving, not joining the EU.

## **Conclusion**

This paper has provided a snap-shot of some of the serious issues facing the Territories, which are putting a degree of pressure on relations with the UK. This is not at all to say that there will be a fundamental break in ties going forward, and as we have seen not all Territories are being affected in the same way. Nevertheless, because of Brexit, the UK's response to Irma, and the more critical view of the opposition Labour Party, the Territories are exploring new options to advance their interests that at the very least are pushing against the limits of their relations with the UK.

Thus it is incumbent on the relevant interlocutors and stakeholders to assist the Territories in widening their influence to develop a stronger and more autonomous voice on the international stage. Returning to the observation of Baldacchino it is clear that the UK is no longer such a benevolent patron as in the past.