



Partnership for Progress and Prosperity

Britain and the Overseas Territories

Presented to Parliament by the Secretary of State

for Foreign and Commonwealth Affairs

by Command of Her Majesty March 1999

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Foreword by the Foreign and Commonwealth Secretary

Soon after becoming Foreign Secretary I announced a thorough review of the relationship between Britain and what were then called the Dependent Territories. The review has been a recognition of the importance which the Government places on that relationship, and a sign of our determination to get it in the best possible shape for the future.

During the review we have consulted widely. We have spoken with governments, opposition leaders and governors of the Overseas Territories. We have taken advice from Parliamentary Select Committees and others.

At the Dependent Territories Association Conference last February I gave a progress report and listened carefully to the concerns of other delegates. I made clear that we wanted to make our relationship work better.

The review is now complete. Its aim is a renewed contract between Britain and the Overseas Territories. Its recommendations are contained in this White Paper. They cover a range of issues fundamental to both Britain and the Overseas Territories – the constitutional link; citizenship; the environment; financial standards; good governance and human rights.

The basis for our partnership remains the same as it has for generations – the deep bond of affection and respect that exists between the people of Britain and the peoples of the Overseas Territories.

It is a bond that Britain values highly. It shows how a modern and effective partnership can be built on the foundation of ties that go back centuries.

The principles that underlie our partnership are clear:

- First, our partnership must be founded on self-determination. Our Overseas Territories are British for as long as they wish to remain British. Britain has willingly granted independence where it has been requested; and we will continue to do so where this is an option. It says a lot about the strength of our partnership that all the Overseas Territories want the constitutional link to continue. And Britain remains committed to those territories which choose to retain the British connection.
- Second, the partnership creates responsibilities on both sides. Britain is pledged to defend the Overseas Territories, to encourage their sustainable development and to look after their interests internationally. In return, Britain has the right to expect the highest standards of probity, law and order, good government and observance of Britain's international commitments.
- Third, the people of the Overseas Territories must exercise the greatest possible control over their own lives. We are proud that our Overseas Territories are beacons of democracy. We applaud their achievements, and want them to have the autonomy they need to continue to flourish.

- Fourth, Britain will continue to provide help to the Overseas Territories that need it. It is a source of much pride that the effectiveness of their governments' policies has meant that budgetary help is necessary only for Montserrat and St Helena – both for special circumstances.

It is against the background of these four principles that we have conducted our review. I believe many of its recommendations will be welcomed by the people of the Overseas Territories.

We are offering British citizenship to those who do not wish to retain their present status, which will give them proper recognition of their British connection.

We are reforming the way that we handle the needs of the Overseas Territories, making sure they have proper points of contact and a clear voice in London and Brussels.

We have appointed a Minister in the Foreign and Commonwealth Office who has specific responsibility for looking after Overseas Territories' issues, and we will be setting up a Consultative Council with the territories.

We have set out the ways in which the Overseas Territories can ensure good government, a flourishing environment and a growing economy.

Britain welcomes the economic prosperity and development built up by many of the Overseas Territories. Some are among the world leaders in the financial industry. We want those Overseas Territories with financial industries to operate and regulate them to internationally accepted standards. This will enable Britain to meet its own international obligations. It will ensure that we put up a common front against fraudsters, tax evaders, money launderers, regulatory abuse and the drugs trade. And by doing so, we will be securing the future strength of the financial industries of Britain and the Overseas Territories and safeguarding the global financial system.

The publication of this White Paper is a milestone in Britain's relationship with the Overseas Territories. There is still some detail to be worked out on the proposals it contains, particularly where legislation will be needed to put its ideas into effect.

We are looking forward to continuing our dialogue with the governments and peoples of the Overseas Territories. Working together to implement the proposals in this White Paper, I believe we can lay the basis for a modern partnership.



A handwritten signature in blue ink that reads "Robin Cook". The signature is stylized and fluid.

Robin Cook
Secretary of State for Foreign and Commonwealth Affairs
March 1999

Executive summary

A new partnership

- Britain and the Overseas Territories need a new partnership for progress and prosperity.
- The new partnership should reflect not only the close and long-standing links between the Overseas Territories and the UK – but also the new dynamics of a changing and forward-looking relationship.
- Modernisation is the key to the new partnership: modernisation of the structures and practices of the relationship in both Britain and the Overseas Territories.
- But fundamental to the new partnership will remain the right of each territory to remain British if that is the wish – freely and democratically expressed – of their people.
- New structures to reflect that new partnership are being put in place within the UK Government: Overseas Territory governments need to examine their own structures to make the new partnership effective.

British citizenship

- British citizenship – and so the right of abode – will be offered to those citizens of the Overseas Territories who do not already enjoy it, and who meet certain conditions. Those who do not wish to have it will be able to say so and remain British Dependent Territories citizens.

Encouraging good government

- Some of the Overseas Territories need to make progress in reforming and modernising human rights provisions – notably judicial corporal punishment, capital punishment and laws affecting homosexual conduct. We would prefer to see Overseas Territory governments enact the necessary reforms themselves.
- Regulation of offshore financial service industries in the Overseas Territories needs to be improved to meet internationally accepted standards and to combat financial crime and regulatory abuse. Other measures are needed to ensure that regulators and law enforcers in the Overseas Territories are able to cooperate properly with counterparts elsewhere, and to provide for tighter audit and financial accountability.

Sustainable development

- We shall continue to help the Overseas Territories achieve sustainable development in ways which contribute effectively towards the elimination of poverty.
- We will work with Overseas Territory governments increasingly to conserve, manage and protect the rich natural environment of the territories. An Environment Charter will be negotiated to clarify the roles of the partners in this important work.

Chapter One

Britain and the Overseas Territories – a modern partnership

1.1 Britain's links with the Overseas Territories are long-standing and important. The relationship is rooted in a shared history: but it moves forward, too, in partnership. For Britain, the Overseas Territories are a significant element in its national and international identity, and an important responsibility. For the Overseas Territories, their links with Britain are significant too: but so is their individual character and diversity. This intertwined relationship is strong and constant. But it is subtle and changing too. A new and modern partnership between Britain and the Overseas Territories must reflect this relationship. It must be a partnership for progress and prosperity.

1.2 The Government is committed to modernisation. Modernisation is at the core of its vision, its direction, and its policies. We are applying this process of modernisation systematically – to the economy, to the health service, to education, to crime prevention and to jobs. Modernisation is at the heart of our approach to renewing the framework of Britain: to new representational arrangements in Scotland, Wales, Northern Ireland and London, and to new administrative arrangements in England. We are recasting the constitutional settlement to bring power closer to people.

Hamilton, Bermuda: International 10 km race



Government of Bermuda Information Service

1.3 We are also reforming our relations with the rest of the world. We have ended Britain's isolation in Europe, with increasingly tangible results. We have re-established Britain as a leading international player, prepared to take tough decisions to deal with complex and pointed international difficulties – and where necessary, to back them up with action.

1.4 Britain's mutual relationship with the Overseas Territories must be seen in this context: within the overall framework of modernisation and reform, and within Britain's new international role. As participants in the new global order and the new global economy, the Overseas Territories themselves must embrace reform and modernisation. And in its relationships with the Overseas Territories, Britain must ensure that its structures and its practices are reformed and modernised. The relationship between Britain and the Overseas Territories needs to be effective and efficient, free and fair. It needs to be based on decency and democracy. Both Britain and the Overseas Territories have much to contribute to each other. They have done so in the past. They must continue to do so now, and in the future.

The territories

1.5 The British Overseas Territories comprise Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, the Falkland Islands, Gibraltar, Montserrat, the Pitcairn Islands, St Helena and its dependencies Ascension and Tristan da Cunha, and the Turks and Caicos Islands; the territories of the British Antarctic Territory, the British Indian Ocean Territory and South Georgia and the South Sandwich Islands, which have no indigenous population; and the Sovereign Base Areas of Akrotiri and Dhekelia in Cyprus

1.6 The Overseas Territories retain their connection with the UK because it is the express wish of their peoples that they do so. They have a substantial measure of responsibility for the conduct of their own affairs. Local self-government is generally provided by an Executive Council and elected legislature. Governors or Commissioners are appointed by the Crown on the advice of the Foreign Secretary, and retain responsibility for external affairs, defence and, usually, internal security and the public service.

A new partnership

1.7 In August 1997 we began a review of Britain's relationships with what were then called the Dependent Territories. In addition to the arrival of a new government following the election result of May 1997, a number of specific factors combined to prompt this fresh look. These included:

- escalating volcanic activity on Montserrat;
- increased awareness of the isolation and economic problems of some of the poorer territories – notably St Helena;
- the growing significance of the offshore financial centres in some territories – in particular, Bermuda, the Cayman Islands and the British Virgin Islands.

1.8 The purpose of the review was to ensure that the relationship reflected the needs of the territories and Britain alike, and to give the territories confidence in our commitment to their future. The review covered policy towards all the remaining territories, although particular circumstances applied in the cases of Gibraltar and the Falkland Islands. The Sovereign Base Areas in Cyprus were excluded from the review because of their specific character as military bases and are therefore not included within the scope of this White Paper.

1.9 The basis of the review was that Britain's links to the Dependent Territories should be based on a partnership, with obligations and responsibilities for both sides. The territories should administer themselves in accordance with their constitutions and in full respect for those of the UK's international obligations relevant to them. Within that framework the UK should uphold the right of the individual territories to determine their own future and to enjoy a high degree of autonomy, while assuring their defence and external relations and providing governance of high quality.

(From left to right) Pippa Lang, Mark Gilbert, Chris Rogers (*Newsround* presenter),

Sian Davies and Bonnie Curtis. The students 'guest-edited' the BBC news

programme for children, *Newsround*.



Keene Public Affairs Consultants Limited? BBC TES?

Falkland Islands Community School students turn BBC editors for a day

Students at the Community School in Stanley won the International section of the *Times Educational Supplement* (TES) Newsday Competition for the second year running. This involved producing a newspaper, *Falkland Focus*, in just one day.

In August 1998, four of the editorial team, Bonnie Curtis, Sian Davies, Mark Gilbert and Pippa Lang flew the 8,000 miles to the UK to be shown around the TES offices. They also featured on the BBC children's news programme, *Newsround*, where they acted as guest editors for the day.

The day of the programme was spent with the production team selecting items for inclusion and deciding which pictures were to be used.

All thoughts of a leisurely day vanished as deadlines quickly approached and last minute decisions had to be taken. But five o'clock came and the whole day was condensed into eight minutes of live, seamless and exciting airtime.

1.10 The last major review of policy towards the territories took place in 1987, but was limited to the Caribbean Dependent Territories and Bermuda. The review concluded that the UK should not seek to influence opinion in the territories about independence, but should remain ready to respond positively when independence was the clearly and constitutionally expressed wish of the people. The reasonable needs of the Dependent Territories would continue to be a first charge on the UK's aid funds.

1.11 We sought views on three principal issues:

Citizenship

Whether people in the Dependent Territories who did not have it wanted British citizenship (carrying with it the right of abode in the UK) and if so on what basis – whether or not people in Britain and people in the territories should have reciprocal rights, including the right of abode? The consultation found that there was interest in British citizenship – but only on the basis of non-reciprocity.

Constitutional status

What degree of interest was there in changing the territories' constitutional relationship with the UK? Apart from some limited reference to Crown Dependency status similar to that of the Channel Islands, there was no widespread interest in a change in the current constitutional relationship.

Name

Was there significant support for changing the name of the countries concerned from 'British Dependent Territories'? The consultation found there was support for a change of name to British Overseas Territories, or something similar.

1.12 A number of other exercises have contributed to the preparation of this White Paper.

NAO Report on Contingent Liabilities in the Dependent Territories

1.13 On 30 May 1997 the National Audit Office (NAO) published an updated *Report on Contingent Liabilities in the Dependent Territories*. The report identified a wide range of areas in which there had been progress since its last report in 1992, but called for continuing action to minimise future risks to the Exchequer.

1.14 As in 1992, the Public Accounts Committee (PAC) held hearings on the basis of the NAO report. The Permanent Under Secretary of the FCO, Sir John Kerr, gave evidence. The PAC published its conclusions and recommendations in a report to Parliament on 21 May 1998.

1.15 The timing and substance of this review were a considerable help in the preparation of this White Paper. Its recommendations – particularly those relating to financial regulation and the control of public borrowing – have been addressed.

Foreign Affairs Select Committee enquiry into the Overseas Territories

1.16 Separately, the House of Commons Select Committee on Foreign Affairs (FAC) embarked on its own review of the territories. It took evidence from Baroness Symons on 25 November 1997. The FCO also submitted two memoranda to the FAC. The Committee published its interim report on 3 February 1998, recommending that:

- the Government's review should cover the difficulties Dependent Territory passport holders experience when travelling and others related to education and training;
- coordination in Whitehall should be strengthened;
- good governance and the rule of law in the territories should be promoted and their constitutions revised;
- the proposal to change the name to Overseas Territory was right.

The Government's response to the enquiry was published on 13 May 1998.

Select Committee on International Development enquiry into Montserrat

1.17 In the light of the continuing threat to Montserrat from volcanic activity, the International Development Committee of the House of Commons announced in August 1997 its intention to conduct an enquiry into the Government's conduct of the crisis. The Committee published its conclusions on 27 November 1997.

The Government's response was forwarded to the Chairman of the Committee by the International Development Secretary on 2 February 1998. The Committee produced a further report on 28 July 1998.

The Government's response was published on 29 October 1998.

A new partnership – the new way forward

1.18 We announced the interim findings of the review in February 1998. In a speech to the then Dependent Territories Association – now known as the UK Overseas Territories Association – the Foreign Secretary set out the principal elements of the new relationship between Britain and the Overseas Territories.

1.19 The new relationship would be a modern partnership tailored to the needs of both sides, and based on four fundamental principles:

- self-determination;
- mutual obligations and responsibilities;
- freedom for the territories to run their own affairs to the greatest degree possible;
- a firm commitment from the UK to help the territories develop economically and to assist them in emergencies.

1.20 The key areas for change in the new relationship would be:

Coordination

The Foreign Secretary would work with the International Development Secretary on the details of new arrangements to ensure the best possible management of the UK's links with, and responsibilities for, its territories. A Minister for the Overseas Territories would be appointed. There would be a new structured dialogue between the Overseas Territories and the Government.

Name

The territories would in future be known as United Kingdom Overseas Territories – for short, Overseas Territories.

Citizenship

The sense of injustice felt in many Overseas Territories from not enjoying British citizenship was understood. We would look sympathetically at the possibility of extending citizenship.

Financial regulation

A check-list of regulatory measures for the territories to bring their financial regulation up to internationally accepted standards would be drawn up. The Overseas Territories would be invited to present proposals for independent and properly resourced regulatory authorities.

Human rights

The record of many Overseas Territories was positive, but further work would be needed to ensure compatibility with the commitments which Britain has made on their behalf.

1.21 We said we would press ahead with action in priority areas, like better regulation of offshore activities. Separately, it was decided that action would also be taken to deal with harmful tax competition issues, which were attracting increased international attention. The Foreign Secretary said that the next stage would be to develop the details of these proposals in a White Paper.

Chapter Two

Partnership for progress and prosperity

2.1 Britain's policy towards the Overseas Territories rests on the basis that it is the citizens of each territory who determine whether they wish to stay linked to Britain or not. We have no intention of imposing independence against the will of the peoples concerned. But the established policy of successive British governments has been to give every help and encouragement to those territories which wished to proceed to independence, where it is an option. The issue was most recently reviewed in Bermuda in August 1995, when a referendum produced a 73 per cent vote in favour of retaining the link with Britain.

2.2 Britain is helping to develop the Overseas Territories, both economically and politically. This is a high priority for the Government, and is in line with Britain's commitments under the terms of the UN Charter.

2.3 To improve the links between the UK and the territories, we have for the first time appointed a dedicated Minister for the Overseas Territories in the FCO to oversee and develop the new partnership.

2.4 The partnership will be based on consultation and mutual understanding. A new political forum, the Overseas Territories Consultative Council, will be set up bringing together British Ministers and Chief Ministers and, where there is no ministerial system, elected members of Legislative Councils from the Overseas Territories to discuss matters of common concern. It will meet annually. Every other year, the Council will meet immediately before the Commonwealth Heads of Government Meeting, to allow our representatives to attend in full knowledge of the views of the governments of the Overseas Territories. We plan to hold the first meeting of the Council in September/October 1999.

Constitutional relations

2.5 We are committed to ensuring good government, sustainable political, economic and social development in the Overseas Territories and to guaranteeing their security and defence. The commitment to the defence of the Overseas Territories was reiterated in the *Strategic Defence Review* published in July 1998. It has substance: a garrison in the Falklands, for example, and guard-ships in the Caribbean and South Atlantic. In return, we expect high standards of probity, governance and adherence to the international agreements to which the UK and the Overseas Territories are party; and we expect to minimise the extent to which the UK is exposed to contingent liabilities.



Helen Roscoe

Stanley, Falkland Islands

2.6 Consultation with the territories showed a clear expression of their wish to retain the connection with Britain. We concluded that neither integration into the UK, nor Crown Dependency status, offer more appropriate alternatives to the present arrangements. But these arrangements need to be revisited, reviewed and where necessary revised.

2.7 The link between the UK and the Overseas Territories is enshrined in the constitution of each territory. The Overseas Territories believe that their constitutions need to be kept up to date and where necessary modernised. Each Overseas Territory is unique and needs a constitutional framework to suit its own circumstances. Suggestions from Overseas Territory governments for specific proposals for constitutional change will be considered carefully.

2.8 The governance of the territories must have a firm base. Democracy, human rights and the rule of law are all as relevant in the Overseas Territories as elsewhere. The principles which should underlie modern constitutions are clear. There must be a balance of obligations and expectations, and both should be clearly and explicitly set out. Future action will focus on:

- measures promoting more open, transparent and accountable government;

- improvements to the composition of legislatures and their operation;
- improving the effectiveness, efficiency, accountability and impartiality of the public service;
- the role of Overseas Territory Ministers and Executive Councils and their exercise of collective responsibility for government policy and decisions;
- respect for the rule of law and the constitution;
- the promotion of representative and participative government;
- freedom of speech and information;
- the provision of high standards of justice;
- adoption of modern standards of respect for human rights.

2.9 Discussion of constitutional change is already under way. We are planning, for example, to consult the people of St Helena and its Dependencies about how to develop the democratic and civil rights of people living on Ascension Island. Some territories are already actively modernising the machinery of government: in the Cayman Islands, for example, an extensive programme of public sector reform and rejuvenation is in place.



BVI Tourist Board

Devil's Bay, the British Virgin Islands

Making partnership work

2.10 Important changes have already been introduced to make the new partnership work. The Foreign and Commonwealth Office (FCO) and the Department for International Development (DFID) have put in place new administrative arrangements to ensure better management of the UK's links with, and responsibilities for, the Overseas Territories.

2.11 After close consultation between the two Secretaries of State, it was decided that there should be parallel departments for the Overseas Territories in both the FCO and DFID. These have been set up. A ministerial joint liaison committee has also been established to coordinate the departments' activities and policies towards the aid-receiving Overseas Territories.

2.12 In the FCO, the new Overseas Territories Department is responsible for all issues relating to the Overseas Territories and reports to the Minister for the Overseas Territories. Special arrangements apply for issues relating to Gibraltar and the Falkland Islands. Because Gibraltar is within the European Union (EU) as part of the UK membership under the Treaty of Rome – the only Overseas Territory with this status – it will continue to be handled principally by the FCO's European Departments, reporting to the Minister responsible for Europe.

2.13 Following a review of the management of the aid programme in the Caribbean region, DFID decided early in 1998 to concentrate all support work for the Overseas Territories in London and the Parliamentary Under Secretary of State in DFID was given specific responsibility for overseeing the aid relationship with the Overseas Territories. At the same time, the FCO decided to transfer back to London responsibility for its Good Government funding and most of the other work hitherto done by the joint FCO/DFID Dependent Territories Regional Secretariat in Bridgetown. The Secretariat consequently has been closed. To reflect changing organisational and structural needs the Overseas Territories Department is, however, keeping some advisory expertise in Barbados.

2.14 These new arrangements are already providing greater coherence in policy making, raising the profile of the UK Government's work on behalf of the Overseas Territories in Britain, and helping to create a better dialogue with the Overseas Territories themselves.

2.15 There is great diversity within the Overseas Territories in terms of their size, their populations, their economic development and other factors. But there is a degree of coherence and similarity in the constitutional and institutional arrangements in place for their government and administration. We would like to see individual territories review their own structures and arrangements in line with the idea of a new partnership. Local changes may be needed to make the partnership work fully, and to improve the dialogue between the territories and the UK.

2.16 In response to representations from several Overseas Territory governments, we have reviewed the arrangements in Brussels for ensuring that Overseas Territory interests are properly looked after within the EU, given the direct impact of many Brussels-based decisions and regulations on their economies. The EU Command in the FCO will continue to liaise closely with the Overseas Territories Department and Southern European Department as well as other government departments over issues which affect the territories. A First Secretary in the office of the UK Permanent Representative to the EU in Brussels has been designated as a point of contact for the Overseas Territories covered by the Overseas Countries and Territories (OCT) Decision. The UK Permanent Representation to the EU remains in close touch with the Government of Gibraltar through the latter's office in Brussels.

All UK Overseas Territories except Bermuda, Gibraltar and the Sovereign Base Areas, enjoy an association with the EU under Articles 131 to 136 of the EC Treaty and the Overseas Countries & Territories (OCT) Decision. These provisions offer very favourable market access to the Community for Overseas Territory products, aid allocations and a dialogue with the EU on areas of mutual interest. The current Decision expires in 2000; the Government will consult the Overseas Territories and reflect their concerns in the renegotiation of the Decision.

2.17 We were also asked by leaders of the Overseas Territories whether closer links might be possible between the territories and the Commonwealth. Full membership of the Commonwealth is open only to independent countries, which limits the scope for Overseas Territory participation in Commonwealth affairs. However, members of the legislatures of the Overseas Territories have long enjoyed membership of the Commonwealth Parliamentary Association on an equal footing with full Commonwealth members. We will work to extend this collaboration to Overseas Territory participation in other Commonwealth organisations. Bermuda and other Overseas Territory governments are regular participants, as members of the UK delegation, in Commonwealth Finance Ministers' meetings. The Cayman Islands will host the 1999 meeting. Overseas Territory representatives have also attended meetings of Commonwealth Law Ministers. In 1998, for the first time, Overseas Territory representatives were included as members of the British delegation to the Commonwealth Senior Officials' meeting and the Commonwealth Health Ministers' meeting in Barbados. In collaboration with the Commonwealth Secretariat, we are exploring the scope for extending the practice of representatives from the Overseas Territories attending Commonwealth meetings as members of the British delegation.

Chapter Three

Citizenship

3.1 Access to Britain for people from the Overseas Territories is governed by a range of legal controls. The Government's review has examined closely whether this legal framework should now be modernised, as a key element of the new partnership.

3.2 The Commonwealth Immigrants Acts of 1962 and 1968 introduced controls which greatly restricted the ability of Commonwealth citizens and citizens of the United Kingdom and Colonies from the Dependent Territories to settle in the UK.

3.4 A 1977 consultative paper on British nationality proposed that the status of citizenship of the United Kingdom and Colonies be divided into two new categories: British citizenship for citizens of the UK and Colonies with the right of abode in the UK, and British Overseas citizenship for those who were subject to control under the Immigration Act 1971. Following representations received on behalf of the Overseas Territories, it was agreed that an additional category should be introduced in recognition of their special status.

3.5 The British Nationality Act 1981 accordingly replaced citizenship of the UK and Colonies with three new forms of status:

- British citizenship, for those with the right of abode in the UK;
- British Dependent Territories citizenship, for those belonging to the Dependent Territories;
- British Overseas citizenship, for people not connected with either the UK itself or any of the remaining Dependent Territories.

Swimming gala:
Cayman Islands

3.3 These Acts were succeeded by the Immigration Act 1971, introducing the concept of the right of abode in the UK and ending the right of free movement to the UK of Commonwealth citizens, including people from the Dependent Territories.

Sara Mackay



The people of St Helena harbour a sense of injustice about their citizenship status. They point to a Royal Charter granted by King Charles II in 1673. This gave the people of St Helena liberties

‘... as if they had been abiding and borne within this our realme of England ...’

St Helenians feel a strong sense of British identity by birth, language, history and culture. They have never known any other sovereignty. They consider that modern immigration and nationality legislation has cut them off from the UK and has added to their isolation. Some say that St Helena has become as much a prison for them as it was for Napoleon. They want to be able to travel freely to and from Britain.

Such was the strength of local sentiment that the Bishop of St Helena set up the ‘Bishop’s Commission on Citizenship’ in 1992 ‘... to support restoration of the full rights of citizenship of those British subjects who are St Helenians’.

In 1997 a Bill to give British citizenship (and thereby right of abode in the UK) to St Helenians was introduced in the House of Lords. But the House of Commons considered that the issue of British citizenship for residents of all UK Overseas Territories who do not already have it was best considered as part of the review of Overseas Territories.

New rights of citizenship

3.6 Many people in the Overseas Territories who have British Dependent Territories citizenship but who do not have the status of British citizens, and thus the right of abode in the UK, clearly feel a sense of grievance. For some people this is an irritant affecting the ease with which they can travel.

For others the issue goes deeper. Some territories have only ever known British sovereignty. They feel British, and their populations have never been anything other than British. But legislation enacted in the 1960s and 1970s imposed controls on their entry to the UK either for settlement or for visits.

There is a strong desire for these controls to be relaxed and rights restored. We sympathise with those in the Overseas Territories who feel this sense of grievance, and intend to address it.

3.7 We have examined the options carefully. We have decided that British citizenship – and so the right of abode – should be offered to those British Dependent Territories citizens who do not already enjoy it and who want to take it up (but see paragraphs 3.12 and 3.13). Any who do not want to take it up will be able to say so and remain British Dependent Territories citizens. This is a significant step forward for people in the Overseas Territories. It will offer them the opportunity many have sought for many years. The Government considers this is the right thing to do as a point of principle. We will introduce, when parliamentary time allows, the legislation required to put this principle into practice.

3.8 In making this decision the Government has taken into account representations made by people in many territories – not least those made on behalf of the people of St Helena (see box).



Cayman high school
graduates

What new citizenship rights will mean

3.9 We have considered carefully the argument that a grant of British citizenship to people with British Dependent Territories citizenship would lead to a new wave of primary immigration. We expect few people from the Overseas Territories would wish to emigrate permanently to Britain. Roughly 70 per cent of the total population of the Overseas Territories live in territories with a higher income per head than Britain, and residents of the larger and richer territories such as Bermuda, the British Virgin Islands and the Cayman Islands might well be more likely to want to stay where they are. But some, for example, may like to come to Britain for training and work experience, and will be welcome. We would not expect large numbers of those currently resident in the less prosperous, smaller territories to take up the option of coming to live and work permanently in the UK. Effective and sustainable development within the Overseas Territories will continue to provide opportunity and choice and reduce the need for people to seek these elsewhere.

3.10 Another point made by some governments of the Overseas Territories is that they would not welcome a grant of British citizenship if this came with conditions attached to it, such as an

obligation to introduce British tax rates and regimes. There are no such conditions attached to the Government's proposal on citizenship. Nor will this offer of British citizenship imply in any way a threat to the right of the people of these territories to determine their own constitutional relationship with the UK. The new grant of British citizenship will not be a barrier, therefore, to those Overseas Territories choosing to become independent of Britain. Nor will British Dependent Territories citizenship status be abolished.

3.11 Many people from the Overseas Territories have made it clear that they want British citizenship so that they can travel more freely. It is right that they should be able to do so. They should be able to enter Britain through our ports through the same channels as British citizens and other European Union (EU) nationals – who at present include inhabitants of French and Dutch territories, but not those of our own except Gibraltar and the Falkland Islands.

3.12 We do not intend to offer British citizenship to British Overseas Citizens. Many have access to or have acquired dual nationality. Many have access to the UK through our voucher scheme. Moreover we have a particular responsibility to people in areas for which we have sovereign responsibility.

3.13 Nor does the Government propose to extend the offer of citizenship to British Dependent Territories citizens who owe their status to their association with the Sovereign Base Areas in Cyprus or with the British Indian Ocean Territory. Both are special cases. British usage of these territories is defence-related.

Reciprocity

3.14 It is our intention that the offer of British citizenship should be on a non-reciprocal basis as far as the right of abode is concerned. Our consultations with the territories showed that there is a fear among these mostly small communities that reciprocity would give unrestricted access to not only British but also other EU citizens. This would, potentially, make possible an inflow of people on a scale that could dramatically alter the social cohesion and character of the communities. The Government regards this concern as legitimate. Precedents have already been set for British citizenship being offered without reciprocity in the case of the Falklands and Gibraltar. Within the EU, neither France nor the Netherlands nor Portugal require reciprocity in exchange for full metropolitan citizenship.

3.15 A non-reciprocal offer of British citizenship would be wholly consistent with the importance the Government attaches to the emergence of a vibrant multiracial and multicultural Britain.

3.16 Under European Community law, giving British Dependent Territories citizens British citizenship will mean giving them certain European Community rights of free movement and residence in EU and European Economic Area member states.

3.17 Once the appropriate legislation has been passed, all those who were British Dependent Territories citizens by connection with any qualifying Overseas Territory (see paragraph 3.13 above) at the time the legislation entered into force would automatically become British citizens.

We shall make provisions for children born to qualifying parents to become British citizens at birth or adoption. But we shall also make it possible for those who do not want to become British citizens to give up that status and remain British Dependent Territories citizens.

3.18 As now, newcomers to the Overseas Territories will be subject in the first instance to regulations on rights of residence in the Overseas Territory in which they wish to live. These regulations differ from territory to territory and often prescribe lengthy periods of legal residence and other qualifications for the grant of 'belonger status'. We shall put in place arrangements which will make it possible for any such people who acquire British Dependent Territories citizenship through legal residence in an Overseas Territory to be granted British citizenship.

UK Overseas Territories – population*	
Anguilla	11,915
Bermuda	61,545
British Virgin Islands	19,107
Cayman Islands	36,600
Falkland Islands	2,221
Gibraltar	27,192
Montserrat (pre-volcano 11,000)	4,500
Pitcairn, Henderson, Ducie and Oeno Islands	54
St Helena and its Dependencies	6,397
Turks & Caicos Islands	20,000
Total	189,531
* For a full list of Overseas Territories see paragraph 1.5.	

Chapter Four

Encouraging good government – human rights

4.1 We regard the establishment and maintenance of high standards of observance of human rights as an important aspect of our partnership with the Overseas Territories. Our objective is that those territories which choose to remain British should abide by the same basic standards of human rights, openness and good government that British people expect of their Government. This means that Overseas Territory legislation should comply with the same international obligations to which Britain is subject, such as the European Convention on Human Rights and the UN International Covenant on Civil and Political Rights. The Overseas Territories have a well-deserved reputation for their respect for and observance of human rights, but changes are still necessary in some territories to ensure consistency.

4.2 There are three human rights issues on which we have indicated we would like to see reforms in some of the Overseas Territories:

- judicial corporal punishment, which remains on the statute books of two Overseas Territories;
- legislation in some of the Overseas Territories which outlaws homosexual acts between consenting adults in private;
- capital punishment, which is still available to the courts in Bermuda.

4.3 While its territories retain this legislation the Government risks being in breach of important and fundamental international agreements, including the European Convention on Human Rights and the International Covenant on Civil and Political Rights. In addition, this exposes the UK to an avoidable contingent liability of costs and possibly damages. In keeping with our commitment to a modern relationship with the Overseas Territories based on partnership and responsible self-government, our preference is that the Overseas Territories should enact the necessary reforms themselves. But in the absence of local action, legislation could be imposed on the Caribbean territories by Orders in Council.

Pitcairn Police Officer
Meralda Warren with WPC
Gail Cox, seconded to
advise on law and order



Gail Cox/Dennis Christon

House of Assembly, Gibraltar



Gibraltar Information Bureau

Judicial corporal punishment

4.4 Judicial corporal punishment remains on the statute books of the British Virgin Islands and Bermuda. It was abolished in Montserrat in 1991 and in Anguilla and the Turks and Caicos Islands in 1998. In the Cayman Islands abolition was begun in 1995 and completed in 1998. There is a belief in those territories which retain it that it provides a deterrent, particularly against hooliganism and juvenile crime. But in recent years, it has only been handed down as a sentence in the British Virgin Islands, the last time in 1996.

Homosexuality

4.5 We believe that all of the Overseas Territories should enact legislation similar to the UK Sexual Offences Act 1967, which legalised homosexual acts between consenting adults in private. None of the Caribbean Overseas Territories has brought its legislation into line with the Act, though prosecutions in recent years have been rare. In some of the Caribbean communities there is particularly strong opposition to homosexuality, based upon firmly held religious beliefs.

Capital punishment

4.6 In 1991 the UK abolished capital punishment for murder in the Caribbean Dependent Territories by Order in Council. Subsequently the UK has abolished capital punishment for treason and piracy in domestic legislation.

The only Overseas Territory which has retained the death penalty for murder is Bermuda, though the last time it was carried out there was in 1977 (twice). Since then, of a small number of death sentences handed down for premeditated murder, only one was not reduced on appeal to a lesser conviction not carrying the death penalty; and that case was subsequently commuted to life imprisonment.

4.7 We have raised our concerns with the Government of Bermuda about the continuing existence of capital punishment for murder. We hope that the Bermuda legislature will take early steps towards removing this punishment from the statute book. Bermuda's degree of constitutional autonomy prevents us from imposing the abolition of the death penalty there by Order in Council. But if local action is not taken, we will consider whether to impose abolition by means of an Act of Parliament.

4.8 We also expect all Overseas Territories to remove capital punishment for treason and piracy from their statute books.

Encouraging good government – finance

5.1 We see several reforms as essential to improving standards in this key area of government activity:

- financial services;
- auditing;
- borrowing;
- tax issues.

Financial services – development and regulation

5.2 The international financial services industry has grown dramatically in recent decades. A significant number of the Overseas Territories, especially those in the Caribbean but also Bermuda and Gibraltar, have developed successful offshore financial sectors, and so diversified their economies. In some, the earnings from this sector now contribute significantly to government revenue and to GDP.

5.3 The success of the Overseas Territories has been built upon by their reputation for sound administration, effective legal systems, political stability and public order, and their association with the UK. These provide reassurance to would-be investors and business partners. It is essential for the future of the sector that this reputation for honest administration and probity be preserved and enhanced.



Overseas Territories Handbook

Business district,
Bermuda

5.4 The development of sizeable financial sectors brings risks of abuse. There have already been a number of problems. Where these have surfaced, they have been dealt with, and steps taken to strengthen the systems to prevent any recurrence. The process of building suitable defences against abuse is dynamic. As markets develop and techniques for laundering money, fraud, tax evasion and regulatory abuse evolve, so financial regulatory systems must improve, be updated, and be responsive to ever tighter international standards.

5.5 The Caribbean Overseas Territories in particular are a potential target for money launderers because of their offshore financial business, their proximity to major drug producing and consuming countries and, in some cases, their inadequate standard of regulation and strict confidentiality rules. They are also at risk from attempted fraud. In some cases, the small size of their public sectors makes it difficult to provide adequate regulation, particularly if the offshore sector has grown more rapidly than regulatory capacity. International financial crime and regulatory abuse arising in the Overseas Territories is mainly targeted at other countries.

Since 1988 the UK has had a regional intelligence unit gathering and disseminating information among the Caribbean Overseas Territories to assist in the prevention, detection and investigation of major crime, particularly fraud, money laundering and drugs-related crime.

In 1994 a joint UK/US team was established to investigate and assist in the prosecution of cases of financial crime (except drugs-related) which occur principally in the US and Caribbean Overseas Territories.

All the Caribbean Overseas Territories are members of the Caribbean Financial Action Task Force (CFATF), the regional anti-money laundering body, of which the Cayman Islands is the current chair. A number of Caribbean Overseas Territory financial, legal and law enforcement experts have participated as examiners in the CFATF's mutual evaluation process.

5.6 In the wake of problems in the banking sector in Montserrat in 1989, and the BCCI banking scandal in 1991, the regulation of financial sectors has been tightened. Regulators with relevant overseas experience have been recruited, and more comprehensive financial legislation introduced. Revised banking guidelines have been issued which restrict the granting of offshore licences to branches or subsidiaries of international banks which are supervised in their home country. Provisions have been made to allow improved cooperation with overseas regulators and law enforcement agencies; and modern all crimes money laundering legislation has been enacted or will be adopted shortly in the Caribbean Overseas Territories, Bermuda and Gibraltar. The focus should now be on using these powers effectively.

5.7 None the less, as the May 1997 National Audit Office *Report on Contingent Liabilities in the Dependent Territories* noted, overall progress in the Caribbean Overseas Territories in introducing regulatory legislation has been slow. Many Overseas Territories do not yet fully meet internationally acceptable standards.

Failure to tighten regulation could affect the stability of and confidence in financial markets and expose the UK to international criticism and to potential contingent liabilities. Furthermore, it could undermine our ability to combat financial fraud, money laundering, terrorist funding and tax evasion, and undermine the effectiveness of financial sanctions. It could also undermine the UK's ability to press for higher standards of global financial regulation, and to encourage greater regulatory cooperation.

5.8 Any participants in the international financial services industry must meet the corresponding international standards of good practice. The globalisation of international finance means that the whole system has to be protected. It is in all our interests to ensure that the Overseas Territories are not the subjects of complaints and that they have proper regulatory regimes in place. In the long run, it is the quality jurisdictions that will prosper best. There must be no weak links which can help to undermine the international financial system.

5.9 Gibraltar is required to implement all European Community Directives related to financial regulation. Gibraltar has made a commitment not just to implement the necessary measures to the minimum standard required within the European Union (EU), but also to match UK standards of financial regulation. Gibraltar's standards of financial regulation are assessed formally and rigorously by the UK Government on a regular basis. This should ensure that Gibraltar will match the regulatory requirements set out in this White Paper.

5.10 Action is necessary in all Overseas Territories with financial centres or ambitions to develop such a sector, to improve standards. Overseas Territory governments must speed up the work they have in hand so that all measures are in place by the end of 1999. We shall be asking Governors to provide regular progress reports. We shall conduct an in-depth independent review by regulatory experts in 1999 to assess progress made in implementing these measures and make recommendations on how to deal with issues outstanding and to what timetable. This is essential to ensure both adequate regulation and that the same conditions apply in all Overseas Territories.

5.11 The key components of the regulatory package (see Appendix Two) we wish to see in place by the end of 1999 are:

- legislation for the effective regulation of the offshore sector which fully meets accepted international standards;
- comprehensive measures to combat money laundering, which extend to all financial institutions, and the introduction of legislation to improve regulation of company formation agents and managers;
- powers to ensure that, whatever the secrecy laws, regulators and law enforcement in those Overseas Territories with financial sectors can cooperate properly with their overseas counterparts, including on investigation and enforcement matters;
- licensing and regulatory regimes for all financial activity that creates conditions for fair competition between the Overseas Territories;
- the establishment of independent regulatory authorities meeting accepted international standards.

5.12 In most Overseas Territories the offshore finance sector is the responsibility of the Governor. We have considered whether there would be an advantage in having uniformity of powers. We have decided that this is not essential. Where authority has been devolved, it is the responsibility of those concerned to ensure that the jurisdiction achieves the highest standards. We will monitor all Overseas Territories concerned and indicate what standards are expected. If, when the implementation of the check-list is monitored, some territories are found to have been inactive and to be behind, we will consider seriously whether to use our powers to ensure that the required standards are met.

Gibraltar Information Bureau



Europort Finance Centre, Gibraltar

Auditing and financial accountability

5.13 The existence of proper financial procedures and controls, including the availability of timely audited accounts of public sector activities, is necessary for the proper administration of public expenditure. The Overseas Territories' past record with both the standard and timeliness of draft and audited accounts has been mixed.

5.14 We will give high priority to ensuring that Overseas Territories have in place sound procedures for administering government finances, with adequate internal audits. Overseas Territories will be required to produce timely, independently audited annual accounts for all public sector activities to UK standards, with full identification of contingent financial liabilities. The accounts should be subject to scrutiny by the territory's legislature, and where appropriate by a fully functioning Public Accounts Committee. In some Overseas Territories, accounting and auditing legislation will need to be updated to underpin this process. We stand ready to give expert advice and assistance to help the Overseas Territories bring their audit and statistical systems up to the required standard.

Financial control – borrowing

5.15 Borrowing is a legitimate tool of government policy but must be used prudently. We therefore intend to agree strengthened procedures and guidelines with Overseas Territory governments.

This will ensure borrowing is properly used, within sensible prudent limits and will assist Overseas Territory governments to obtain the greatest economic benefit from their borrowing and to borrow on the best terms. Many of the guidelines will be based on existing practice and will cover all means of raising finance.

5.16 In general, borrowing should only be considered for discrete capital investment projects. It should be restricted to investments which have a calculable and reasonably certain financial and economic rate of return. All investment projects, however financed, should be appraised by suitably qualified professionals against technical, economic, financial, social and (where appropriate) environmental criteria. Concessional sources of funding should be sought first and, in principle, projects with social objectives and low financial returns should be financed from recurrent budget surpluses.

5.17 In considering particular projects due attention should be given to the impact of new commitments on overall levels of borrowing, and to the territory's debt management record. While a rigid framework should not be applied, each territory wishing to borrow will be required to agree with us an overall level of borrowing, and in the case of some territories approval will be required for individual loans. Borrowing in excess of agreed limits would only be approved in exceptional circumstances, or if the economic situation had changed substantially since the limit was set.

Leaders, politicians and officials from the Overseas Territories attended a seminar in London on harmful tax competition on 7 September 1998. Baroness Symons opened the seminar. The seminar's objective was to examine the EU, OECD and G7 harmful tax competition initiatives. By the end of a wide-ranging discussion representatives from the territories and UK officials had a clearer understanding of each other's concerns and interests in the initiatives. The seminar was part of a continuing dialogue on harmful tax competition between the UK Government and the Overseas Territories to ensure that mutual interests are understood and promoted.

5.18 Overseas Territory governments take on contingent liabilities themselves when they guarantee loans to other organisations, and these should be given only when the risk of default has been properly evaluated. Our approval for such guarantees will be required case-by-case.

5.19 We will provide neither explicit nor implicit guarantees for commercial borrowing by Overseas Territory governments. When negotiating borrowing arrangements Overseas Territory governments should not say or do anything which is likely to be interpreted as suggesting anything to the contrary.

Tax issues

5.20 There is growing international concern about the economic side-effects of harmful tax competition between states. Work on this has recently been undertaken by the Organisation for Economic Cooperation and Development (OECD) and the EU, and endorsed strongly by the G7. Given the international mobility of capital, both organisations concluded it was hard to tackle this issue on a purely regional basis. A global approach was needed, as for tax evasion, fraud and money laundering.

5.21 The Government supports the initiatives taken by the EU, OECD and G7. Promoting economic stability and fairness, as well as improving the integrity and security of financial markets, are high priorities. Irrespective of size, all jurisdictions are potential beneficiaries from a healthier world economy. They have a responsibility to ensure that their regulatory regimes are effective, transparent and offer adequate accessibility for the legitimate investigation of criminal activity, including tax fraud and evasion.

5.22 These initiatives have implications for some Overseas Territories. It is important, therefore, that Overseas Territory governments cooperate with them. We will continue to consult closely with Overseas Territory governments over the initiatives, and ensure that international discussions of harmful tax competition take account of their interests. We stand ready to offer advice and expertise to the Overseas Territories in connection with these initiatives.

5.23 In the EU Code of Conduct for business taxation agreed on 1 December 1997, member states committed themselves not to introduce harmful tax measures and to re-examine laws and practices with a view to eliminating existing harmful measures. Member states with associated or dependent territories are committed, within the framework of the constitutional arrangements, to ensuring the principles of the Code are adopted in those territories.

5.24 The EU is also considering a draft directive which would require member states to operate a withholding tax on cross-border income from savings by individuals, or to provide information on savings income to other member states. It is proposed that member states should commit themselves within the framework of their constitutional arrangements to ensure equivalent measures are applied in dependent or associated territories.

5.25 Following the publication of a report by the OECD on 28 April 1998 on harmful tax competition, a Forum on Harmful Tax Practices has been established to consider how the OECD report's recommendations can be implemented. The Forum invited a number of jurisdictions, including some Overseas Territories, to provide details of their tax regimes. The Forum, through dialogue with the jurisdictions concerned, will assess whether their tax regimes match the OECD criteria for defining a tax haven. Those jurisdictions which meet the OECD criteria will be included on an OECD list of tax havens. The list will guide OECD members' efforts to persuade tax haven jurisdictions to modify their fiscal regimes and increase their international cooperation on fiscal matters.

5.26 In a recent communiqué, the G7 urged the OECD to give particular attention to the development of a comprehensive programme to improve the availability of information to tax authorities to curb international tax evasion and avoidance through tax havens and preferential regimes. It also encouraged action to ensure that suspicious transaction reporting requirements apply to tax offences and for money laundering authorities to pass information to tax authorities in support of the investigation of tax related crimes in ways which would allow it to be shared internationally. The G7 also committed itself to further these objectives in all territories for which it has international responsibilities.

5.27 Work in this area is at an early stage. There are still issues, including some of definition, to be resolved. Overseas Territory governments need, and are entitled to, clear guidance as to which aspects of their offshore financial industries are likely to continue to be able to flourish, and which may be subject to change. We will work closely with them as the initiatives unfold. These initiatives will require greater international cooperation through, for example, the exchange of information on tax matters and improved transparency. A study of the possible economic impact of the initiatives on some of the Overseas Territories will be undertaken to help us determine the best way forward. Our interest is to ensure that offshore financial industries in the Overseas Territories flourish, and do so on the basis of compliance with standards and practices consistent with internationally agreed norms.

Chapter Six

Encouraging good government – combating drug trafficking and drugs-related crime

6.1 Drug trafficking and drugs-related crime are a serious threat to stability in the Caribbean: our Overseas Territories in the region are targeted by drug traffickers as potential trans-shipment points. This type of crime knows no boundaries. We are pleased therefore to support the territories in the Caribbean as they collaborate in regional efforts to counter the drugs trade. Amongst our other Overseas Territories the only significant problem had been drug trafficking using fast boats based in Gibraltar: but local legislation in 1995 and 1996, including banning such boats, has solved the problem.

6.2 Drug trafficking affects the Caribbean region as a whole, not just our Overseas Territories. The geography of the region makes it particularly vulnerable to trafficking and the associated problems of crime and violence, corruption and economic distortions. The UN International Drugs Control Programme (UNDCP) estimates that some 400 tonnes of cocaine transit through the Caribbean each year. Most of the cocaine transiting our Overseas Territories is believed to be destined for the US.

6.3 Each of our Caribbean Overseas Territories has taken steps to tackle drugs issues including both domestic narcotics consumption and the threat from drug trafficking and money laundering. They have also made arrangements to ensure that their anti-drugs strategies are coordinated properly.

Typical is the Turks and Caicos Islands where a National Drugs Coordinator has been appointed and a National Drugs Committee coordinates the efforts of all the agencies involved in tackling trafficking and money laundering. In the Cayman Islands a National Drugs Council contributes to the working up of policies, while a Joint Police and Customs Drugs Task Force leads the enforcement action.

6.4 A regionwide Plan of Action was launched at a UNDCP meeting in Barbados in May 1996. The EU's substantial contribution to this five year programme has become known as the EU Caribbean Drugs Initiative – worth some £25 million.

The initiative is designed to help Caribbean governments, including the Overseas Territories, address the problems of drugs trade through improved regional cooperation and greater capacity to tackle all aspects of the control of drugs. We have played a leading role in the initiative and will continue to work to ensure that our territories are fully involved. Programmes under the initiative, many part-funded by the UK or with British experts participating in them, include maritime cooperation, judicial training, countering money-laundering, law enforcement training, chemical precursor control and demand reduction.

6.5 We also provide considerable bilateral assistance to the Caribbean for counter-drugs work from which the Caribbean Overseas Territories directly benefit:



Cayman Islands Government Information Services

Overseas Territories Minister Baroness Symons being briefed by a member of the Drugs Task Force aboard the Royal Cayman Islands' police vessel, *Protector*.

- The Royal Navy's West Indies Guard-ship (WIGS), supported by a fleet auxiliary vessel, conducts counter-drugs patrols. Joint operations involving ourselves, the Overseas Territories and the United States have enjoyed recent successes: in February 1998 cocaine worth at least US\$200 million was seized by the Turks and Caicos Islands marine police.
- There is a network of Drugs Liaison Officers in the Caribbean and neighbouring countries. These officers have conducted many successful operations with the law enforcement authorities in the region.
- We are considering ways of developing the British Military Advisory and Training Team in the Eastern Caribbean into an even more effective counter-drugs asset.
- The Caribbean Customs Law Enforcement Council, which is partly funded by the UK, operates a regional training and information system.
- We are helping the Association of Caribbean Commissioners of Police to establish a regional secretariat.
- Since 1998 we have had a regional intelligence system (the Overseas Territories Regional Criminal Intelligence System – OTRCIS) gathering and disseminating information among the Caribbean Overseas Territories to assist in the prevention, detection and investigation of major crime, particularly fraud, money-laundering and drugs-related crime. OTRCIS works closely with other regional jurisdictions and with United States agencies (it is based in Miami).
- As part of our contribution towards the counter-narcotics programmes in the British Virgin Islands and the Turks and Caicos Islands, Royal Navy personnel assist with maritime operations, along with RAF flight and maintenance personnel who operate two UK-donated aircraft for anti-smuggling activities.
- We are funding a training vessel for counter-drugs training by coast guards in the Caribbean. The vessel will be based in Antigua and should be delivered by the middle of 1999.
- In July 1998, Baroness Symons signed a maritime cooperation agreement between the US, UK, the Caribbean Overseas Territories and Bermuda. This provides the framework for law enforcement officers to ship-ride on other parties' vessels. Simplified procedures allow vessels and aircraft engaged in counter-drugs operations to pursue drugs traffickers as they cross territorial and international waters. Implementing legislation is required in the Overseas Territories.

6.6 But we cannot be complacent. There is a need for our Overseas Territories in the Caribbean to take an even more active approach to the promotion of their counter-drugs programmes, to enhance their capability to defend themselves against this pernicious threat and make best use of resources available. We will continue to provide help, but we will also encourage and support the efforts of Overseas Territory governments to benefit from international assistance offered to them. Effective cooperation with their neighbours is the key to effective action by the Overseas Territories in the battle against the drugs menace in the Caribbean.

Chapter Seven

Sustainable development – economic and social development

7.1 Many of the Overseas Territories are financially independent of the United Kingdom. But six of them still receive UK development assistance: Anguilla, the British Virgin Islands, Montserrat, and the Turks and Caicos Islands in the Caribbean; Pitcairn, and St Helena. Even in these six territories, standards of living – as measured by social indicators and by conventional per capita income measures – are relatively high in comparison with other countries receiving development assistance. Most have already surpassed the international development targets in many areas.

7.2 We recognise responsibility to help them achieve sustainable development, targeting the needs of the poorest and the vulnerable, and the special considerations that apply to the small island territories – for example their very limited resource base; their dependence on a limited range of economic activity; the fragility of their natural environments; the problems of physical access and isolation which apply in some cases; and the potential exposure to natural disasters, particularly in the Caribbean. We also recognise that we have a particular responsibility to ensure the well-being of sovereign British territories.

7.3 We have three objectives in providing development assistance to the Overseas Territories:

- to maximise economic growth and self-sufficiency through sensible economic and financial management, leading to graduation from such support where this objective is feasible;
- to ensure in the meantime that basic needs are met, including the provision of essential infrastructure;
- to support the good governance of the territories, including the proper management of contingent liabilities and the fulfilment of the UK's international obligations – particularly human rights and the multilateral environment obligations.

David Gillett, DFID



New housing project, Montserrat

Selected social indicators for aid-recipient Overseas Territories				
	Life expectancy (years)	Infant mortality (per 1,000 live births)	Adult illiteracy (%)	GDP per capita (£)
Anguilla	74	26	5	4,432
British Virgin Islands	72	13	1.5	17,226
Montserrat	76	12	3	N/K
St Helena	72	17	3	2,536
Turks & Caicos	75	19	1.5	3,602
Developing Countries	62	64	36	-
Industrialised Countries	74	14	>5	-
Sources: Pan American Health Organisation Basic Indicators, 1996; St Helena Government Statistics. Comparable figures are not available for Pitcairn.				

7.4 The Government, acting through the Department for International Development (DFID), will continue to help the Overseas Territories to achieve sustainable development in ways which contribute effectively towards the elimination of poverty. The principles of social justice which we are pursuing at home should apply in the Overseas Territories too, including the achievement of better opportunities and security for all. We shall therefore support the development of sound policies for economic growth to benefit the whole population, on the basis of efficient and well regulated markets and access for all people, especially poor and marginalised people, to resources and sustainable livelihoods. We shall also continue to provide support for improving the efficiency, transparency and accountability of government in the territories, and for strengthening their planning and policy-making capacities, on the basis of the principles of partnership set out in the November 1997 White Paper on International Development.

7.5 One indicator of sustainable development is economic self-sufficiency. For some of the aid-recipient Overseas Territories this is an attainable objective in the foreseeable future: for others, continued reliance on the UK for development finance is likely to be required. The Government recognises its responsibility to provide necessary and appropriate development support to these territories, up to the stage when they can be said to have achieved economic self-sufficiency. In pursuit of this objective, we will help the Overseas Territories to mobilise their own resources for economic development and investment in infrastructure, and to attract inward investment. The provision of an appropriate legislative, regulatory and fiscal framework will be an important element in this process.



The Victoria Public Library on Grand Turk

7.6 The importance of this can be seen in the field of aviation safety. Bermuda and the Cayman Islands, who have both achieved US Federal Aviation Administration Category I status, have shown how high standards in aviation safety regulation can help in the development of a successful tourist industry. But there is a need to improve standards in other Caribbean Overseas Territories to ensure that foreign airlines can continue to operate services to those territories. The Civil Aviation Authority has agreed individual action plans with the territories that should help them reach and maintain minimum International Civil Aviation Organisation safety standards and, ultimately, UK standards.

7.7 Similarly it is important that Overseas Territories with shipping registers should meet best international standards, both for safety reasons and to maintain an important source of revenue.

7.8 The White Paper on International Development explained that ‘the reasonable assistance needs of the Dependent Territories are a first call on the development programme’. The main mechanism for establishing a partnership between the UK Government and individual territories to promote sustainable development is the agreed Country Policy Plan. In countries still in receipt of development assistance the Plan is generally linked to a specified UK commitment on development assistance.

7.9 This assistance, provided by DFID, takes a number of different forms:

- in the poorer Overseas Territories, help towards economic and social infrastructure – including schools, hospitals, roads, water, and power;
- skilled personnel to fill key administrative or technical posts for which no suitable local candidates are available, and training of their local successors;
- specialist skills and knowledge to support the development and implementation of policy and legislation, and help the Overseas Territories develop their own capabilities;
- for the two most economically dependent Overseas Territories – Montserrat and St Helena – budgetary support to meet the financing gap between recurrent government expenditure and locally generated resources.

Funds are also available from the Foreign and Commonwealth Office (FCO) to provide support for improved governance in the Overseas Territories. We have made substantial commitments to support those territories with the greatest needs, particularly Montserrat and St Helena.

7.10 We have committed £75 million to Montserrat for the three-year period 1998/99–2000/01. This is additional to the £59 million spent in the three years since the volcanic crisis started in 1995. Our support finances budgetary aid and the rebuilding of the north of the island where the remaining population live (4,500). We are also providing support for evacuees in the Caribbean region and have financed passages for evacuees to the Caribbean, the UK and North America. The costs of supporting evacuees once they arrive in Britain are met by the relevant Home Departments. We agreed with the Government of Montserrat in November 1998 a Sustainable Development Plan setting out the broad policies needed for economic and social recovery of the island. This formed the basis of the joint Country Policy Plan agreed in January 1999 which includes an indicative investment programme for the period to March 2001.

7.11 For St Helena, our present three-year commitment amounts to £26 million. This finances infrastructure projects, expert personnel, and budgetary aid. We also finance the operating subsidy of the RMS *St Helena*, at present the sole regular means of physical access to the island (an examination of the economic feasibility of developing an eventual air link is currently under way, alongside our discussions with the US Government about opening up Wideawake Airfield on Ascension to civilian charter flights). We shall continue to look for other ways of expanding economic activity on St Helena, in partnership with the private sector.

7.12 DFID support to the other Overseas Territories is of a lower order of magnitude (£7–8 million a year in total). This is underpinned by a regional Caribbean Overseas Territories allocation which provides support for issues of regional importance and assistance with the efforts of those territories in regional integration.

7.13 Efforts will be made to diversify sources of assistance to the Overseas Territories. There is a potentially important role for the private sector in stimulating development, and we will work to establish mutually beneficial partnerships between the private and public sectors in the Overseas Territories, with particular emphasis on the tourism and financial services industries.



The RMS *St Helena*, providing passenger, mail and freight services to St Helena

David Gillett, DFID



New hospital at St John's,
Montserrat

7.14 The Overseas Territories also benefit from EC development assistance under the Overseas Countries and Territories (OCT) regulation of the Lomé Convention, financed from the European Development Fund. Our Overseas Territories are due to receive just over 19 million ecu (some £13 million) from this source for the present five year period up to 2000. European Community (EC) assistance has been used to help finance important infrastructure projects such as roads and water supply schemes in Anguilla and the Turks and Caicos Islands. Discussions are now under way for EC support for a number of projects including the proposed new wharf development in St Helena and for infrastructure support in Montserrat and Pitcairn. Funds are also available under the OCT regulation for Stabex payments (compensation for price fluctuations in basic export crops) and emergency aid.

The European Investment Bank has agreed recently to finance an important airport development scheme in the British Virgin Islands. The Overseas Territories also benefit from other sources of EC funding (for example emergency aid) and from trade opportunities arising from the preferential access granted in the OCT Decision.

7.15 We will continue to support efforts to attract additional non-EU donor support to the Overseas Territories. Montserrat, for example, is currently also receiving assistance from the Caribbean Development Bank, the Caribbean Community, the United Nations Development Programme, the United Nations Children's Fund, the United Nations Volunteer, and the Organisation of Eastern Caribbean States, and from the Canadian, Jamaican, and Japanese bilateral programmes.

7.16 The Overseas Territories need to be able to compete in the global economy. DFID, the FCO and other Government departments will continue to work closely together on a range of policy issues to help the Overseas Territories adapt to, and take advantage of, the global opportunities, and obligations, which now confront them.

Chapter Eight

Sustainable development – the environment

The natural history of the Overseas Territories

- So far about 500 endemic invertebrates are known to science from the Overseas Territories. Of the 256 beetle species on St Helena 61 per cent are endemic.
- Around the Falkland Islands 22 species of whales, porpoises and dolphins have been recorded.
- The Cayman Islands has 19 endemic taxa of reptiles including two sub-species of rock iguana which are subjects of a conservation programme.
- The British Indian Ocean Territory contains the Great Chagos Bank, one of the world's largest and richest atolls.
- There are more than 200 endemic plant species in the Overseas Territories. Most occur on St Helena (46) including olive, rosewood and ebony trees which are some of the rarest in the Overseas Territories.
- The Green Turtle nests in seven Overseas Territories: Anguilla, Ascension Island, the BIOT, the British Virgin Islands, the Cayman Islands, Henderson Island (Pitcairn), and the Turks and Caicos Islands.

Source: UK Overseas Territories Conservation Forum

8.1 The natural environment of the Overseas Territories is a rich heritage, but a responsibility too. Henderson Island in the Pitcairn group is the Pacific's best large raised coral atoll. Gibraltar is a key migration route for birds of prey. The British Antarctic Territory is a sensitive barometer for the effect of human actions on the world's climate and atmosphere. The Overseas Territories contain a range of habitats and wildlife of global significance: many more species of animals and plants are found in the territories, and nowhere else in the world, than are found in Britain. Indeed, they contain at least 10 times as many endemic species as Britain.

8.2 The natural environment also provides a source of economic livelihood for many people in the Overseas Territories. The Cayman Islands, for example, relies heavily on the tourist industry, which in turn depends on the richness of the marine environment. The Falkland Islands and Tristan da Cunha, in particular, rely on sustainable fisheries.

Diving in the Cayman Islands



Cayman Islands Department of Tourism

United Nations Convention on the Law of the Sea (UNCLOS)

As islands, the Overseas Territories have wide ranging maritime interests. Britain's accession to UNCLOS in 1997 extended to all the territories. The Convention includes an important framework providing for the protection of the marine environment and conservation of living marine resources. Examples are:

- rights to exploit, and duties to conserve, living resources up to 200 miles from coastlines;
- obligations to prevent and control pollution from land-based sources, dumping or the operation of vessels;
- enforcement powers for states in respect of vessels which fly their flag, and those which enter their ports, territorial sea or exclusive economic zones.

8.3 But these habitats and environments are under pressure. Some are threatened by uncontrolled development of the economic activities they help to sustain; others by introduced species of animals and plants; still others by changing conditions such as rising sea temperature linked to global warming. And these pressures rarely exist in isolation – sea temperature rise, for example, can kill coral reefs, which in turn means the loss of marine animals and plants. This disrupts ecosystems and exacerbates damage to resources on which people rely, such as fish stocks – often already under pressure.



Low lying coral atoll: British Indian Ocean Territory

8.4 The environment of the Overseas Territories is of global significance. Overseas Territory governments, civil society groups, the private sector and the UK Government already work together to protect it. But there is more to be done. The common objective must be to use the environment of the Overseas Territories to provide benefits to people in them, and to conserve our global heritage by managing sustainably all the Overseas Territories' natural resources.

8.5 We support specific aims as part of this overall objective:

- to promote sustainable use and management of the Overseas Territories' natural and physical environment, for the benefit of local people;
- to protect fragile ecosystems such as coral reefs from further degradation and to conserve biodiversity in the Overseas Territories;
- to promote sustainable alternatives to scarce resources or species which are used for economic purposes;
- to enhance participation in and implementation of international agreements by Overseas Territories.

Mr Karim Hodge



Anguillian making the most of his Chevening Scholarship

Karim Hodge of Anguilla is doing a three year BSc degree course in Environmental Science at the University of Plymouth, courtesy of the British Chevening Scholarship programme.

'I was interested in pursuing this degree to enable me to return home to Anguilla and work for the Anguilla National Trust as staff scientist and environmental specialist.

'Anguilla's future depends on making informed decisions about the natural environment and how we choose to use it. Training in this field in the United Kingdom gives me direct access to international organisations, as well as first hand experience and knowledge of recent global environmental issues and other trends which can be tailored to fit small islands such as Anguilla.'

Mr Hodge has been employed by the Anguilla National Trust since 1985, and as Special Projects Coordinator, has played a key part in the continuing Iguana Monitoring and Conservation Programme. The main goal of the project is to establish a conservation strategy for the island's iguana population.

Role of the Overseas Territories

8.6 The role of Overseas Territory governments, supported by the UK Government, is to develop appropriate, applicable and affordable environmental policies, legislation and standards. These are the basis for integrated environmental management systems to enable them to monitor and evaluate progress towards achieving their environmental objectives; and lessons learnt can then be fed back into policy development. Industrial and other developments need effective environmental screening and appraisal so that benefits can be maximised and potential damage minimised early in the project design process. Some hotels, for example, pride themselves on developing safe disposal of waste matter; others create pollution. Tourism can benefit the local economy, but can also deplete and damage local natural resources (and development companies often look for pristine natural areas). Sustainable tourism must be the goal. Some Overseas Territories develop independent Environmental Impact Assessments (EIAs), ensuring that the public are fully consulted, before making decisions on new developments.

Endemic fern on St Helena



8.7 Policy decisions by Overseas Territory governments can affect the local, regional and even global environment, so they need to participate in appropriate international arrangements. Our ratification of the Convention on Biological Diversity has already been extended to the British Virgin Islands, the Cayman Islands, Gibraltar and St Helena (and other Overseas Territories are preparing to join). Most Overseas Territories have joined the Ramsar Convention on Wetlands of International Importance. At present, on the other hand, the UN Climate Change Convention has not been extended to any Overseas Territory. Overseas Territory governments may have to introduce laws and set up bodies to enforce the treaty obligations before extension takes place. For example, each Overseas Territory in which the Convention on International Trade in Endangered Species (CITES) applies, requires a national Management Authority.

Britain's role

8.8 We aim to integrate sustainable environmental management into the Government's decision-making. This policy is reflected in many agreements, from the 1992 Rio Declaration to the communiqué of the European Council in Cardiff in June 1998. But in Overseas Territories as elsewhere, short-term economic pressures can be severe and can undermine the goal of sustainable development. That makes it all the more important for the Government to give guidance and support on how to develop policies and practices to ensure that practice in the Overseas Territories is consistent with the objective of sustainable development.

8.9 We provide financial support for environmental work in the Overseas Territories, through the Department for International Development (DFID), the Department of Environment, Transport and the Regions (DETR) and the Foreign and Commonwealth Office (FCO). Since 1996 we have spent some £4.3 million on environment-related development assistance projects in the Overseas Territories; and around £850,000 has been committed under the Darwin Initiative (in support of biodiversity) and contributions to other environmental projects.

Some regional expenditure also benefits Overseas Territories: in October 1998 the UK arranged (in cooperation with Jamaica) and funded a Marine Biodiversity Workshop in Jamaica for all Caribbean countries and Overseas Territories. At the workshop we announced that we will ratify the Protocol concerning Specially Protected Areas and Wildlife in the Wider Caribbean Region (SPA Protocol) of the Cartagena Convention; and will extend its ratification, in the first instance, to include the Cayman Islands.

8.10 We ensure that the interests of Overseas Territories are adequately represented and promoted in international environmental fora. The UK provides advice and encouragement to Overseas Territories to have international environmental agreements extended to them.

8.11 We achieve these aims by:

- helping to make sure Overseas Territories have the legislation, institutional capacity and mechanisms they need to meet their international obligations;

- using UK, regional and local expertise to give advice and improve knowledge of technical and scientific issues. This includes close and open consultation with interested Non-Governmental Organisation (NGO) groupings such as the UK Overseas Territories Conservation Forum;
- providing financial assistance to the Overseas Territories for integrated environmental management;
- promoting effective communication, exchange and dissemination of information with UK Overseas Territories;
- promoting sustainable development strategies, including commitments to clear environmental and sustainability targets.

Other partners

8.12 The limited resources available to the governments of most Overseas Territories mean that local communities, the private sector, the scientific community and NGOs have important roles in cooperation with us and the Overseas Territories themselves. These stakeholders have a wealth of experience, specialist knowledge and network of contacts for Overseas Territories and us to draw on. Some businesses and larger NGOs such as the World Wide Fund for Nature (WWF) help fund environmental projects in Overseas Territories. The private sector also plays an important role by trading and investing in an environmentally responsible way. We are keen to support projects and partnerships whose objective is sustainable development in the Overseas Territories.

C.J. Gilbert, British Antarctic Survey



Krill – *Euphausia superba* – the staple diet of baleen whales, and many fish, seal and seabirds in the Southern Ocean, abound in the seas around South Georgia and the South Sandwich Islands.



British Antarctic Territory – a global laboratory

- Scientists from the British Antarctic Survey (BAS) working in the British Antarctic Territory discovered the ozone hole in 1985, so triggering international concerns about the effects of atmospheric pollution.
- Antarctic's pristine environment is a critical barometer of the world's climatic health.
- Antarctica contains 70 per cent of the world's fresh water, and covers 10 per cent of the globe's surface. It drives world weather, ocean currents and has effects as far away as in the northern hemisphere (on the Gulf Stream and on the UK's weather, for example).
- Understanding the Polar Seas, ice sheets and atmosphere is crucial to the study of key global processes – climate change, ozone depletion, sea level rise and atmospheric pollution.
- The Antarctic ice sheets, kilometres thick, provide millions of years of history of past climatic change, and record more recent man-made pollution.
- Monitoring change in Antarctica allows us to predict possible changes in global conditions; if the West Antarctic ice sheet melts, sea level worldwide would rise six metres, wipe out some countries and cause major flooding elsewhere in the world.
- The continent acts as an early warning system; the UK, through BAS, is a key contributor to international science in Antarctica – a natural reserve devoted to peace and science.
- Antarctica is controlled by the 27 Parties to the Antarctic Treaty, an arrangement which for 40 years has maintained the Antarctic environment and the continent as the most important laboratory in the world.

Rothera, Britain's southern-most research station in the British Antarctic Territory, has laboratories and accommodation for 100 scientists and support staff. Direct flights from the Falkland Islands take five hours using the BAS 'Dash-7' aircraft.

Priorities for action

8.13 To reinforce sustainable environmental management in the Overseas Territories, we intend to:

- assist them to review and update environmental legislation;
- help build capacity to support and implement integrated environmental management which is consistent with the Overseas Territories' own development planning goals, for example by consultation with local communities, NGOs and the private sector, and by supporting training and public education and awareness programmes;
- help the Overseas Territories identify additional funding partners for environmental projects, including through donors/private sector/NGO partnerships;
- take account of their interests in regional and international environmental negotiations and agreements;
- promote better cooperation and lesson learning between Overseas Territories and small island states which face similar environmental problems.

8.14 We will encourage the Overseas Territories, for their part, to:

- integrate environmental concerns into all sectors of government work and develop strategies for sustainable development;
- consider economic incentives and mechanisms to encourage sustainable environmental management, such as cost recovery mechanisms to offset the cost of regulatory measures;

Overlooking the settlement at Adamstown –
Pitcairn Island's 'capital' – from Ships' Landing Point

- identify environmental priorities and integrate them into their sustainable development strategies: for example Biodiversity Action Plans to monitor changes to species and habitats. These plans should specify individual environmental protection targets, including endangered species and restoration of damaged ecosystems.

8.15 These responsibilities already exist, but the UK and its Overseas Territories have not always addressed these issues sufficiently consistently or systematically. Examples include damage to coral reefs and the effects of introduced species on native species and habitats. We intend bringing together the responsibilities, common objectives and cooperative approaches of the UK Government, Overseas Territory governments, the private sector, NGOs and local communities by drafting and agreeing an Environment Charter with the Overseas Territories. The Charter will clarify the roles and responsibilities of these stakeholders, set out in a shared vision which also takes account of the wide variety of circumstances and local resources in each territory. The exact form of the Charter and variations between territories will be determined in consultation with them.

8.16 To help address new problems and opportunities identified through the Charter, and to augment support from other donors and partners, we plan to enhance the funding available through the FCO for activities in support of the Charter. At the same time, the Government will provide additional assistance through DFID to support poorer Overseas Territories in addressing global environmental concerns.



Gail Cox

This is in part a reflection that such Overseas Territories, unlike independent developing country states, are not eligible for funding from the Global Environment Facility.

8.17 Failure to put the best arrangements in place now could mean that early in the next millennium much remaining human and natural diversity will be lost. A shared concern for discharge of our environmental responsibilities will be a key element in our new partnership. As a maritime nation Britain was central to the process of creating global markets, spreading industrialisation and developing distant territories, many of them ecologically fragile and vulnerable islands. Some elements of environmental degradation and reduced biodiversity have been a result of that history. Today we have the opportunity to set a new agenda for our stewardship of the rich natural heritage of the Overseas Territories.

Chapter Nine

A new partnership

9.1 Britain and the Overseas Territories face a new challenge as we enter the new millennium. We both need a new partnership to take our relationship forward – building on the best of what has gone before, but charting a new course for progress and prosperity for the future.

9.2 We believe that the proposals in this White Paper setting out that new relationship – and especially the new moves on rights of citizenship – will command widespread support. They offer a new direction for the relationship between Britain and the Overseas Territories which is modern, forward-looking, fair and effective. We now need to work together to put this new vision into place – to the benefit of the UK, and of the Overseas Territories. Together this new, modernised relationship will meet the challenge of the future: a new partnership for progress and prosperity.

Emile Hughes



Primary school children – Anguilla

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Anguilla



General

Anguilla, a 90 sq km island, flat with limited natural resources, is the most northerly of the Leeward Islands in the Eastern Caribbean. Colonised by British and Irish settlers in 1650, Anguilla was administered as a single federation with St Kitts and Nevis from 1958 to 1962 but sought separation in the 1960s, came under direct UK administration in the 1970s, and eventually became a separate British Dependent Territory in 1980.

The estimated population of Anguilla is 11,915. Several thousand Anguillians live and work outside Anguilla on adjacent Caribbean islands, in Britain and in the USA.

Anguilla has one of the most important largely unbroken coral reefs in the Eastern Caribbean. Its coastal and marine biodiversity (including fish, seabirds and marine turtles) is the island's most important natural asset.

Constitutional status

Elections are held every five years, the last of which took place in March 1994. The three main parties – the Anguilla National Alliance (ANA), Anguilla Democratic Party (ADP) and Anguilla United Party (AUP) – won two seats each of the seven contested in the House of Assembly. The remaining seat was won by an independent candidate. The AUP leader was elected Chief Minister of a coalition AUP/ADP Government. The next election is expected in March 1999.

Law and order

The law of Anguilla is the common law of England and locally enacted legislation. It is administered by a Magistrates' Court and the Eastern Caribbean Supreme Court. The incidence of violent crime in Anguilla is low.

Economy

Anguilla is an up-market tourist destination with high standard, expensive hotels. Tourism provides about 31.5 per cent of revenue. The island has experienced rapid economic development over the last decade. Economic prospects are relatively good but dependent on tourism and a nascent international financial services sector.

The international financial services industry is small but growing (approximately £2 million revenue annually). The British Government is supporting the development of the financial services sector through the provision of the Director of Financial Services and the development of a computerised online registration network.

Fishing is one of the most important economic activities in Anguilla. Fishermen produce annually between 300 and 500 tonnes of fish, lobster and crayfish, the latter being exported to neighbouring islands. The UK is helping to support the Longline Fisheries Development Project aimed at improving Anguilla's fishing industry while relieving pressure on inshore fish stocks. In a bid to modernise fishing techniques, a jetty at Island Harbour has recently been constructed.

UK development assistance

The main aim of the current UK development assistance programme to Anguilla is to support economic growth and self-sufficiency through sensible economic and financial management and, in the meantime, to help to ensure their basic needs are met, including the provision of essential infrastructure in the education sector.

The future development strategy for Anguilla will be discussed in the context of the Country Policy Plan which will be negotiated in 1999. This will be directed at Anguilla's graduation from UK capital assistance by financial year 2001/02 with continued support for sound economic and financial management and good government.

Key Facts

Currency	Eastern Caribbean Dollar US\$ = EC\$2.7 (fixed rate)
GDP per capita	US\$7,383 (1997)
GDP growth	7.1% (projected 1998)
Government revenue	EC\$72.3 million (1998)
Government expenditure	EC\$71.0 million (1998)
UK exports	£5.7 million (1998)
UK imports	£0.02 million (1998)
Population	11,915 (estimated 1998)
Unemployment rate	7% (1998)
Capital	The Valley



Bermuda



General

Bermuda, a group of about 150 islands and islets, lies 917 km east off the coast of North Carolina. The total land area is 53.33 sq km. The warming effect of the Gulf Stream makes Bermuda the most northerly group of coral islands in the world. The small areas of natural habitat which survive support 14 endemic plants and the Bermuda Cahow, the only endemic bird in Bermuda.

The population of Bermuda is 61,545 (at 1997) with approximately 60 per cent of African descent and the remainder of European extraction (including expatriates). Portuguese settlers from the Azores have been coming to Bermuda for about 150 years.

The climate is generally humid, with a mean annual temperature of 21° centigrade. Average annual rainfall is 146.3 cm (57.6 inches), distributed throughout the year.

Constitutional status

Bermuda is Britain's oldest colony and its Parliament, which first met in 1620, is the oldest legislature in the Commonwealth outside the British Isles. It is a self-governing territory with a high degree of control over its own affairs. The Premier has complete responsibility for choosing the Cabinet and allocating portfolios, though the Governor retains responsibility for external affairs, defence, internal security and the police.

Bermuda has two legislative chambers, the House of Assembly and the Senate. There are two main political parties, the United Bermuda Party (UBP) and the Progressive Labour Party (PLP).

Law and order

Bermuda's legal system is based on English common law and principles of equity, English statute law in force since 1612 and Acts of the Bermuda Parliament passed since then. The judiciary is a separate body from the Government and its members are appointed on the advice of the Chief Justice. There are three courts presiding in Bermuda – the Magistrates' Courts, the Supreme Court and the Court of Appeal, which sits only at certain times of the year.

Recent developments

A referendum on independence was held in Bermuda on 16 August 1995, when polling was delayed for 24 hours due to the passage of Hurricane Felix. Over 58 per cent of the electorate took part in the referendum; 25 per cent voted for independence and over 73 per cent voted against. On 9 November 1998 the PLP defeated the UBP in a General Election, winning 26 of the 40 seats. This was the first time that the PLP have held power since Bermuda's parliamentary system of government was introduced in 1968.

Economy

Bermuda's per capita income is one of the highest in the world at US\$35,600 per annum, with offshore finance (especially reinsurance) and tourism being the two main pillars of the economy. More than 10,000 international companies are based in Bermuda, including subsidiaries of 75 per cent of the Fortune 100 and their European equivalents. In insurance and reinsurance, Bermuda has an industry capital base exceeding US\$35 billion and gross premiums of US\$24 billion. In this sector, Bermuda ranks with London and New York as a global leader. Tourism accounts for just under 50 per cent of Bermuda's overseas earnings, but has been in decline in recent years. There is virtually no structural unemployment, though there are few natural resources and little manufacturing activity.

UK development assistance

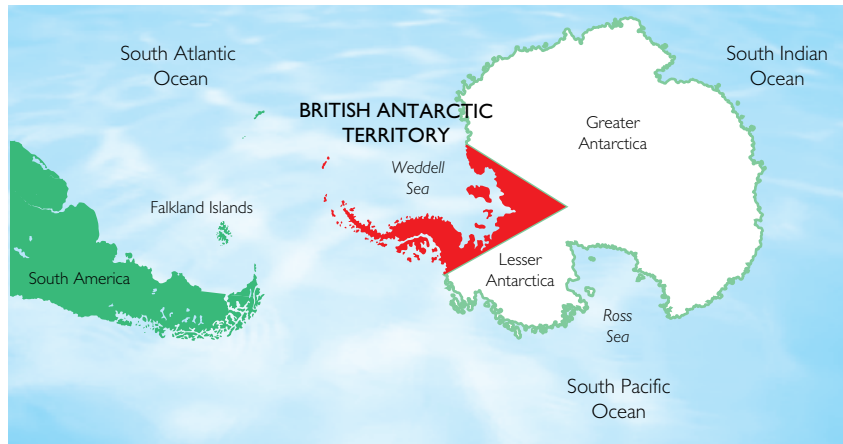
Bermuda receives no financial aid from Britain.

Key Facts

Currency	Bermuda Dollar (parity with the US\$)
GDP per capita	US\$35,600 (1997)
GDP growth	5.3% (1997)
Government revenue	US\$477.5 million (1997)
Government expenditure	US\$515.1 million (1997)
UK exports	£40.22 million (1998)
UK imports	£3.70 million (1998)
Population	61,545 (1997 estimate)
Unemployment rate	Negligible
Capital	Hamilton



British Antarctic Territory (BAT)



General

The British Antarctic Territory comprises that sector of the Antarctic south of latitude 60°S and bounded by longitudes 20°W and 80°W. It is the UK's largest Overseas Territory covering some 1,709,400 sq km, but it has no indigenous population. Although most of the BAT is counter-claimed by both Chile and Argentina, the disputes over territorial sovereignty are held in abeyance by the Antarctic Treaty, which provides an internationally agreed regime for Antarctica. Article IV of the Treaty imposes a freeze on all territorial claims and disputes while the Treaty, which is of indefinite duration, remains in force. As well as the British Antarctic Survey (BAS) presence in the BAT, 10 other states under the terms of the Antarctic Treaty have permanently manned scientific stations in the territory.

The Antarctic Peninsula was first sighted by Edward Bransfield RN in 1820 and was taken into the possession of Great Britain by John Biscoe in 1832. The UK's claim to the BAT is the oldest in Antarctica and dates from the Falkland Islands Dependencies' Letters Patent of 1908.

The UK's permanent presence in Antarctica dates from 1943 with the establishment of the wartime 'Operation Tabarin', mounted by the Admiralty on behalf of the Colonial Office. This provided reconnaissance and meteorological information in the South Atlantic. This year-round presence was taken over at the end of the war by the Falkland Islands Dependencies Survey which subsequently became the BAS in 1962.

Constitutional status

By means of an Order in Council which came into force on 3 March 1962, the BAT ceased to be a Dependency of the Falkland Islands and became a British Dependent Territory in its own right. However, the territory continued to be administered from the Falkland Islands until, under the British Antarctic Territory Order, 1989, responsibility for its administration was assumed by a Commissioner appointed by the Foreign Secretary. The Commissioner resides in London, is concurrently Head of the Foreign and Commonwealth Office's Overseas Territories Department and appoints such officers as he sees fit, for example, Chief Justice, Senior Magistrate, etc. He has powers to make laws, subject to certain conditions, and the BAT has a comprehensive set of its own laws, together with both judicial and postal administrations.

Legislation enacted by the BAT takes full account of the international regulations under the Antarctic Treaty System which govern Antarctica (ie the Antarctic Treaty and its Environmental Protocol, the Convention on the Conservation of Antarctic Marine Living Resources (CCAMLR) and the Convention for the Conservation of Antarctic Seals), as well as other relevant international legislation.

In recognition of the environmental importance of the BAT, activities in Antarctica are regulated by the Antarctic Act 1994. This enacts into UK law the strict provision of the Environmental Protocol to the Antarctic Treaty which entered into force in January 1998.

UK presence in the BAT

While the BAT has no indigenous population, the UK's presence in the territory is provided primarily by the BAS. The BAS maintains a year-round presence at two permanent scientific research stations (Halley and Rothera) and a summer-only presence at Signy Station in the South Orkney Islands. BAS's mission from the Government is to undertake a programme of first class science in Antarctica into areas of crucial concern such as global climate change, ozone depletion and atmospheric pollution. During the austral winter, around 40 BAS personnel are present in the BAT. This figure rises to approximately 250 (including visiting personnel) in the austral summer. Duly appointed magistrates administer the BAT judicial system from these stations, which also act as post offices. The BAT releases, on average, two commemorative stamp issues each year from these Antarctic stations.

There are no passenger airports in the BAT and no scheduled shipping services but the Royal Research Ships *Bransfield* and *James Clark Ross* resupply and restaff the British scientific stations. BAS also operates five aircraft out of Rothera during the austral summer.

The Ice Patrol vessel HMS *Endurance* spends five months each austral season on deployment in the BAT undertaking hydrographic surveying, assisting the BAS and supporting Britain in furthering its commitment to the Antarctic Treaty System (for example through undertaking CCAMLR Inspections, assisting with Inspections under the Antarctic Treaty, etc).

Economy (revenue and tourism)

The BAT's main source of revenue is from the sale of postage stamps. BAT funds are, as far as possible, re-invested into programmes which directly benefit the territory. In 1996/97, the BAT funded environment related projects in the territory to the sum of £74,398 and in 1997/98 it is anticipated that this figure will rise to approximately £113,400 out of a total estimated revenue of £211,550.

Independent auditors review the annual accounts of the territory.

Tourism in the BAT is a growing industry. The BAT is the most accessible sector of the Antarctic and public interest in the continent generally is attracting up to 9,000 tourists to the Antarctic Peninsula each year. A growing number of tour operators now visit the BAT and some 97 per cent of this tourism is ship-based. Approximately 60 per cent of tourists to the BAT visit the UK restored research station of Port Lockroy which, along with three other former bases, was declared an Historic Site under the Antarctic Treaty in 1995. The Environmental Protocol includes provision for the management of the growing tourism industry to minimise environmental impact.

UK development assistance

The BAT receives no aid from Britain. The BAS is funded by the Department of Trade and Industry, through the Office of Science and Technology.

Key Facts

Government expenditure (1996/97)	£130,396
Government revenue (1996/97)	£193,908
Administration centre (within territory)	Rothera Air Facility (BAS-run)



British Indian Ocean Territory (BIOT)



General

The islands of the Chagos Archipelago have been British territory since 1814 when they were ceded to Britain with Mauritius (which then included the Seychelles). For administrative convenience, and following French practice, they were administered as a dependency of Mauritius until 1965 when, with the full agreement of the Mauritian Council of Ministers, they were detached to form part of the newly established colony of the British Indian Ocean Territory. At the same time Britain paid £3 million to Mauritius in consideration of the detachment of the islands. Three other island groups, formerly part of the Seychelles, made up the rest of the territory, but these were returned to the Seychelles when it gained independence in 1976.

The BIOT lies about 1,770 km east of Mahé (the main island of the Seychelles). The territory covers some 54,400 sq km of ocean but the islands have a land area of only 60 sq km, with Diego Garcia, the most southerly island, the largest at 44 sq km. The near pristine coral reefs of the Chagos Archipelago support a wealth of marine flora and fauna of global significance.

The Chagos islands were exploited for copra from the late eighteenth century onwards. After emancipation in the nineteenth century, the former slaves on the islands became contract employees and some chose to remain on the islands, and had children who also stayed.

In 1966 it was agreed to make the BIOT available for the defence purposes of the US and Britain. The Crown purchased the freehold title to land in the islands in 1967. The copra plantations were run down as their commercial future was already becoming unviable, and the last of the contract workers and their children left the territory in 1972/73. Britain made £650,000 available to the Government of Mauritius in 1973, and a further ex gratia sum of £4 million in 1982 to the Ilois Trust Fund, in order to assist in the resettlement of the contract workers in Mauritius. Those who settled in Mauritius are now Mauritian citizens.

The BIOT has no permanent population, only military personnel and the civilian employees of contractors to the military. It is governed by a Commissioner, assisted by an Administrator and other officials, including the Commissioner's Representative (the officer in charge of the RIN complement on Diego Garcia, which is the principal island and the one where a large US defence facility is situated). Before the independence of the Seychelles in 1976, it was the practice for the Governor of the Seychelles to be appointed, concurrently, to hold the office of Commissioner for the BIOT. But since 1976 the Foreign Secretary has appointed a Commissioner based in London. The current Commissioner is concurrently Head of the Foreign and Commonwealth Office's Overseas Territories Department. The Administrator and some of the other officials are also concurrently Foreign and Commonwealth Office officials or other persons outside the territory.

Constitutional status

The constitutional arrangements of the BIOT are set out in the British Indian Ocean Territory Order in Council 1976 and various related instruments. The 1976 Order gives the Commissioner full power to make laws for the territory and these largely regulate the civil and criminal law in force there and establish procedures for enforcing it. A series of UK/US Agreements regulate matters arising from the use of the territory for defence purposes, such as jurisdiction over US military and other personnel, funding, access, etc.

Law and order

The BIOT has its own comprehensive set of laws and its own legal system which is administered through its Magistrates' Court, its Supreme Court and its Court of Appeal. The Justices of Appeal, the Chief Justice (who sits in the Supreme Court) and the Senior Magistrate are all non-resident, as is the Principal Legal Adviser (who performs similar functions to those of an Attorney General). In the territory, the Commissioner's Representative holds the office of Magistrate and is responsible for handling routine cases and also, through his subordinate officers, for the enforcement of the territory's laws – both the ordinary criminal law and the laws regulating such specific matters as import and export control, immigration, conservation, etc.

Current issues

The Government of Mauritius has asserted a sovereignty claim to the territory since 1980. Britain does not recognise this claim but successive governments have given undertakings to the Government of Mauritius to cede the territory to Mauritius when it is no longer required for defence purposes.

Economy

The population consists solely of military personnel and persons employed to support the defence facility; there are no commercial, industrial or agricultural activities in the BIOT. However, foreign vessels are licensed to fish in the territory's waters and this is regulated by a fisheries management and conservation regime.

The British military presence is funded by the Ministry of Defence. The civil administration of the BIOT is financed primarily from fisheries licence fees but some revenues are also derived from stamp sales and other fees and charges.

UK development assistance

The BIOT receives no aid funds from Britain.

Key Facts

Government recurrent revenue	£1.71 million (1997/98)
Government recurrent expenditure	£1.57 million (1997/98)
Administrative centre	Diego Garcia



British Virgin Islands (BVI)



General

The British Virgin Islands comprise over 40 islands, islets and cays with a total land area of only 153 sq km scattered over some 3,445 sq km of sea. Sixteen of the islands are inhabited, the largest being Tortola (54 sq km), Anegada, Virgin Gorda and Jost van Dyke. Discovered by Columbus in 1493, the islands came into British possession in 1666 when planters took control from the original Dutch settlers, and have been a British colony since 1672.

The BVI population is predominantly of African descent. The remainder are of European, American and Asian extraction. Approximately half the population are immigrants from St Kitts and Nevis, the Dominican Republic, St Vincent and other Caribbean islands. Several thousand native BVI Islanders live outside the territory, mostly in the United States Virgin Islands (USVI) and mainland USA. The majority of the population are Christian. English is the only language in general use.

Constitutional status

The BVI enjoys a large measure of internal self-government. The Governor has direct responsibility for external affairs, defence and internal security (including the police), the public service and the administration of the courts. The Constitution provides for a ministerial system of government headed by the Governor, who presides over the Executive Council which includes the Chief Minister and three other Ministers. The Legislative Council comprises 13 elected Members, nine representing individual districts and four elected by a territory wide vote. The Attorney General, an appointed official, is an Ex Officio Member of both Executive and Legislative Councils. Elections are held at least every four years and the last election took place in February 1995.

Law and order

The law of the BVI is the common law of England and locally enacted legislation. It is administered by Magistrates' Courts and the Eastern Caribbean Supreme Court. Although violent crime does occasionally spill over from the USVI, which has one of the highest per capita murder rates in the US, the level of violent crime remains low and is among the lowest in the region.

Current issues – drugs

Problems associated with drug trafficking are the most serious threat to stability in the BVI. The territory is a major target for traffickers because of its numerous small uninhabited islands and close proximity to the USVI and Puerto Rico, which serve as gateways to the US mainland. Britain has provided expatriate police personnel, a police launch, a surveillance aircraft and other anti-narcotics equipment to assist with control. Two Royal Navy personnel and two Royal Air Force crew are funded by the Foreign and Commonwealth Office to assist in operating these assets. The BVI has achieved considerable success in drug interdiction with seizure of 1,765 kg of cocaine in 1996.

The BVI has a full Mutual Legal Assistance Treaty with the US and enjoys close cooperation with US law enforcement agencies.

Economy (tourism and offshore finance)

A rich vegetation, unspoilt beaches, yachting marinas and fine coral reefs make the islands a natural tourist destination, and tourism is the main contributor to GDP and source of employment. In 1997 there were 365,668 visitors to the islands, most of them from the US.

The financial services sector has been growing rapidly in recent years and now generates half of total government revenue. The BVI specialises in international business companies and is believed to have a dominant share of around 45 per cent of the global market for this product. By the end of 1998 there were in excess of 300,000 registrations. The BVI also offers financial services in the areas of banking, insurance, trusts, mutual funds, etc. Agriculture and manufacturing each account for less than five per cent of GDP. Fruit, vegetables and sugar cane (for rum) are produced.

UK development assistance

The BVI graduated from capital aid at the end of the 1995/96 financial year. It has since then been receiving a declining modest bilateral technical cooperation programme. It will continue to benefit from the UK's Caribbean Overseas Territories regional development programme.

Key Facts

Currency	US Dollar
GDP per capita	US\$28,434 (1997)
GDP growth	6.81% (estimated 1998)
Government revenue	US\$138 million (estimated 1998)
Government expenditure	US\$123 million (estimated 1998)
UK exports	£10.48 million (1998)
UK imports	£3.65 million (1998)
Population	19,107 (1997)
Unemployment rate	3.3% (1995)
Capital	Road Town (Tortola)



Cayman Islands



General

Discovered by Colombus in 1503 the three Cayman Islands (Grand Cayman, Cayman Brac and Little Cayman) are situated 268 km north-west of Jamaica in the Caribbean Sea. The Islands have an area of about 260 sq km. 'Cayman' comes from a Carib word meaning crocodiles, which were found on their shores by the Spanish. The Islands have been in British possession since 1670. The vast majority of the population live on the largest of the three islands, Grand Cayman. English is the only language.

Constitutional status

The Cayman Islands are an Overseas Territory with a large measure of self-government. The Governor retains responsibility for the civil service, defence, external affairs and security. The Constitution, which came into effect in 1972, provides for a system of government headed by a Governor, an Executive Council and Legislative Assembly. Unlike other Caribbean Overseas Territories there is no Chief Minister.

The Legislative Assembly comprises the Speaker, who acts as President, three Official Members (the Chief Secretary, the Financial Secretary and the Attorney General) and fifteen elected Members. Elections are held every four years, most recently in November 1996. However, there are no organised political parties.

The Constitution also provides for an Executive Council consisting of the Governor as Chairman, three Official Members and five Members drawn from the elected Members of the Assembly. As Ministers, the five elected Members of Executive Council have responsibility for the conduct of such government business as is allocated to them by the Governor.



Law and order

The judicial system is based on English common law. There are two courts: the Summary Court (a lower court) and the Grand Court, which has unlimited civil and criminal jurisdiction. There is a Court of Appeal.

Current issues – conservation

The mangrove wetlands of the Caymans give the area an importance for biodiversity much greater than their small area would suggest. The Cayman Islands will also be the first Overseas Territory to have the Protocol on Specially Protected Areas and Wildlife extended to it. The Islands have 25 endemic species of plants and reptiles. A botanical park and bird sanctuary on Grand Cayman provide safe environments for endangered species of birds and lizards. The National Trust is engaged in long-term projects to preserve the unique wildlife and flora indigenous to Cayman Brac. Little Cayman is host to a wide variety of flora, fauna, and birdlife. It also has its own bird sanctuary which is a designated Ramsar site. Over 200 species of birds have been recorded in the Islands.

The Cayman Islands Government has set world standards in marine conservation. The Cayman Islands Turtle Farm serves as a breeding ground for the Green Turtle. After being bred and hatched on the farm they are released into the ocean. This has led to an increase in the previously diminishing sea turtle population.

Economy (tourism and offshore finance)

The Cayman Islands have one of the highest standards of living in the Caribbean. GDP per capita was US\$30,120 in 1998. The economy is based on tourism – there were over 1.2 million visitors in 1997 (most from the US) – and on the Cayman Islands' status since 1966 as an international offshore finance centre. At the end of 1998 there were 585 bank and trust companies, 475 captive insurance companies, 1,978 licensed or registered mutual funds and 41,173 registered companies. The Cayman Islands Monetary Authority and the Cayman Islands Stock Exchange were established in 1997.

The principal sources of government revenue are import duties, company, bank and trust licence fees and stamp duties. There is no income tax, company tax, estate or excise duty. Although imports outstrip exports by about 100:1, the visible trade gap is more than offset by invisible earnings from the tourism and financial services sectors.

UK development assistance

The Cayman Islands receive no direct financial aid from Britain.

Key Facts

Currency	Cayman Islands Dollar
Rate of exchange	CI\$ = US\$1.20 (fixed rate)
GDP per capita	US\$30,120 (estimated 1998)
GDP growth	5.5% (1997)
Government revenue	CI\$249.9 million (estimated 1998)
Government expenditure	CI\$195.25 million (estimated 1998)
UK exports	£9.76 million (1998)
UK imports	£0.32 million (1998)
Population	36,600 (1997)
Unemployment rate	4.2% (1997)
Capital	George Town (on Grand Cayman)

Falkland Islands



General

The Falkland Islands are an archipelago situated in the South Atlantic about 770 km north east of Cape Horn and 483 km from the nearest point on the South American mainland. The Islands have a total land area of 12,173 sq km (more than half the size of Wales).

The distinctive coastal and inland habitats of the Falklands, such as stands of tussock grass, support a rich variety of flora and fauna including several endemic species.

The Islands were first sighted in the sixteenth century, but the first known landing was made in 1690 by British naval captain John Strong, who named them after Viscount Falkland, First Lord of the Admiralty at the time. A British settlement was established in 1766 and, although this was withdrawn in 1774 on economic grounds, British sovereignty was never relinquished. There was no indigenous or settled population on the Islands before 1833, when British occupation of the Islands was resumed and this has continued until the present day.

The population is almost all of British birth or descent and many can trace their origins in the Falklands back to the early nineteenth century. English is the national language and 99 per cent of the population speak English as their mother tongue. There are Anglican, Roman Catholic and non-conformist churches on the Falklands.

The Falklands were invaded and illegally occupied by Argentine military forces on 2 April 1982. A British task force was dispatched immediately. Following a conflict in which over 1,000 British and Argentine lives were lost, the Argentine forces surrendered on 14 June 1982.

Constitutional status

Supreme authority is vested in HM the Queen and exercised by a Governor on her behalf, with the advice and assistance of the Executive and Legislative Councils and in accordance with the Falkland Islands Constitution Order (1985) as amended.

Universal adult suffrage was introduced in 1949. The voting age is 18. The Legislative Council has eight Members elected every four years and is chaired by the Governor. It also has two Ex Officio Members (the Chief Executive and the Financial Secretary), who do not have the right to vote.

The Executive Council comprises three Members of the Legislative Council elected annually by the eight elected Members of that Council from among their own number, and the same two Ex Officio Members who sit on the Legislative Council. In addition the Attorney General and Commander of British Forces in the Islands attend by invitation. The Governor is obliged to consult the Executive Council in the exercise of his functions except in specified circumstances (for example on defence and security issues, where he must consult and follow the advice of the Commander of the British Forces in the Islands).

Law and order

The judicial and legal systems consist of a Supreme Court, a Magistrates' Court presided over by the senior magistrate and a Court of Summary Jurisdiction, presided over by a bench of two or more magistrates.

The Court of Appeal hears appeals from the Supreme Court. In some cases there is a final appeal to the Judicial Committee of the Privy Council. Both the Court of Appeal and the Judicial Committee of the Privy Council sit in London.

Current issues

Argentina asserts a claim to sovereignty over the Falklands. But the British Government has no doubt about British sovereignty over them and does not regard this as negotiable. The British Government remains committed to defend the Islanders' right of self-determination. In exercise of this right the Islanders have repeatedly made known their wish to remain British.

Economy

In the past economic development was hindered by the lack of natural resources on the Falklands, the small size of the population, and the remoteness of external markets. Wool was the traditional mainstay of the economy and principal export.

Since 1982 the pace of economic development has accelerated dramatically. This rapid growth resulted initially from the influx of aid from Britain but more recently from the development of fisheries. The size of fisheries revenues and their subsequent careful investment has enabled much-needed improvements to be made in infrastructure and the promotion of tourism and other enterprises which will assist in the diversification of the economy.

Offshore oil exploration is now also under way in the North Falklands Basin. In October 1996 the Falkland Islands Government awarded licences to five consortia for oil exploration and exploitation in Falklands waters. Exploratory drilling started on 27 April 1998 and ended 20 November 1998.

UK development assistance

Following the 1982 conflict, Britain announced the provision of £31 million of financial aid. The final part of this was spent in 1992. Since then no further financial aid has been provided. The Islands are now self-sufficient in all areas except defence.

Key Facts

Currency	Falkland Islands Pound (at par with UK£)
GDP per capita	£12,202 (1995/96 Coopers & Lybrand estimate)
GDP growth (real)	1% (1995/96 Coopers & Lybrand estimate)
Government revenue	£36 million (financial year ended December 97)
Government expenditure	£51 million (financial year ended December 97)
UK exports	£42.24 million (1998)
UK imports	£12.64 million (1998)
Population	2,221 (1996 Census)
Unemployment rate	Negligible
Capital	Stanley



Gibraltar



General

Gibraltar is a narrow rocky peninsula which rises steeply from the adjoining low-lying coast of south-western Spain. It has a total area of 5.8 sq km and is nearly 5 km long from north to south. British title to the Rock of Gibraltar is based on Article X of the Treaty of Utrecht, signed in 1713. Our title to the southern part of the isthmus connecting the Rock to Spain is based on continuous possession over a long period.

According to the most recent figures (1997) the population was 27,192 of whom 20,772 were Gibraltarians. The population claims descent mostly from the British, Genoese or Maltese. English is the official language, but Spanish is widely spoken. About four-fifths of the population are Roman Catholic, but there are also Protestant, Jewish, Hindu and Muslim communities.

Gibraltar is a crossroads for bird migration and important for international studies of birds of prey and seabirds. The famous Barbary macaques are prospering – almost to pest proportions – as is a dolphin colony in the Bay. There are threats to biodiversity from invasive plant species.

Constitutional status

Gibraltar's legislature, the House of Assembly, consists of a Speaker and 15 elected and 2 Ex Officio Members (the Financial and Development Secretary and the Attorney General). Elections take place every four years. The territory consists of a single constituency with a block voting system under which each elector may vote for up to eight candidates.

The last elections were held in May 1996 and were won by the Gibraltar Social Democrats with an absolute majority in the House of Assembly.

Sovereignty

Under the Treaty of Utrecht, Spain has right of 'first refusal' should Britain decide to relinquish sovereignty over Gibraltar. The Spaniards have campaigned vigorously for Gibraltar to be returned to them. The British Government has reaffirmed that it stands by the commitment enshrined in the preamble to the 1969 Constitution: Her Majesty's Government will never enter into arrangements under which the people of Gibraltar would pass under the sovereignty of another state against their freely and democratically expressed wishes.

Over the years, the Gibraltarian people's sense of identity has been strengthened and the right of self-determination has become a theme in the territory. The British Government's policy is clear and long-standing: it supports the principle or right of self-determination, but this must be exercised in accordance with the other principles or rights in the United Nations Charter as well as other treaty obligations. In Gibraltar's case, because of the Treaty of Utrecht, this means that Gibraltar could become independent only with Spanish consent.



Law and order

The law of Gibraltar is the common law of England and locally enacted Ordinances and subsidiary legislation. The Courts of Law consist of a (non-resident) Court of Appeal, a Supreme Court, the Court of First Instance and the Magistrates' Court.

Gibraltar and the European Union

Gibraltar is within the European Union (EU) as part of UK membership by virtue of Article 227(4) of the Treaty of Rome. British Dependent Territory citizens from Gibraltar are defined as British nationals for EU purposes, thus giving them the right of free movement within the EU. Gibraltar has exemptions from Community policy in four areas; the Common Agriculture and Fisheries Policies, the Common Customs Tariff, the free movement of goods (but not services) and the levying of VAT. Although the Gibraltar Government is responsible for giving effect to European Community (EC) legislation in the territory, the UK is answerable to the European Court of Justice for the implementation and enforcement of EC obligations in Gibraltar. Gibraltarians do not have the vote in elections to the European Parliament. The UK has made clear that, as a result of a recent European Court of Human Rights ruling, it will seek amendment of the 1976 EC Act on Direct Elections which requires the unanimous agreement of all member states.

Economy

In the past, the economy of Gibraltar was highly dependent on Ministry of Defence employment. However, in recent years it has undergone major structural change from a public sector to a private sector economy. Gibraltar is keen to secure its economic future by diversifying through increased tourism, the provision of financial services, and through the development of niche sectors which require little land, but offer high added value, for example satellite communications.

In February 1997, the Government of Gibraltar announced a package of measures to boost tourism, including grants and soft loans for hotels. This doubled the tourism sector's allocation in the May 1997 budget. Attracting more visits by cruise liners is one of Gibraltar's major objectives, and a new passenger terminal opened in October 1997.

Gibraltar's financial sector is regulated by a Financial Services Commissioner who reports to a Commission made up of senior UK and Gibraltar financial experts. In March 1997 the British Government gave the Financial Services Commission permission to 'passport' (i.e. authorise) Gibraltar-based insurance firms to operate elsewhere in the European Economic Area.

Money laundering

Tough anti-money laundering legislation, on an all-crimes basis, came into force in Gibraltar on 1 January 1996. This legislation is to UK and EU standards. Gibraltar has also recently signed up to the recommendations of the Financial Action Task Force and has agreed to undergo mutual evaluation process within the Overseas Group of Banking Supervisors, of which it is a member. Gibraltar attaches importance to meeting internationally accepted standards.

Illicit trafficking

Drug smuggling from Morocco to Spain, using fast launches based in Gibraltar, and tobacco smuggling directly to Spain, were matters of great concern in the mid-1990s. However, firm measures were taken by the previous and present Governments of Gibraltar to ban the fast launches and to licence the tobacco trade. As a result, smuggling using boats based in Gibraltar has almost completely disappeared.

UK development assistance

Gibraltar receives no programme or structural aid from the UK.

Key Facts

Currency	Gibraltar Pound (at par with UK£)
GDP per capita	£11,680 (1995/96)
GDP growth	0.34% (1995/96)
Government revenue	£122.1 million (1998/99)
Government expenditure	£122.8 million (1998/99)
UK exports	£81.08 million (1998)
UK imports	£10.08 million (1998)
Population	27,192 (1997)
Unemployment rate	13% (1997)

Montserrat



General

Montserrat is one of the Leeward Islands in the Eastern Caribbean, lying 43 km south-west of Antigua and 64 km north-west of Guadeloupe. The island is 17 km long and 11 km wide, occupying an area of 102 sq km, entirely volcanic and very mountainous.

The coastline is rugged and offers no all-weather harbour, although there are several anchorages in the lee of the island sheltered from the prevailing trade winds.

Named after a monastery in Spain by Columbus during his second great voyage in 1493, the island became a British Colony in 1632. The first settlers were largely Irish. Montserrat was captured twice by the French for short periods but was finally restored to Britain in 1783.

English is the only language in general use. Christianity is the principal religion and the main denominations are Anglican, Roman Catholic and Methodist.

Constitutional status

Montserrat is an internally self-governing Overseas Territory.

Government is executed through a Governor appointed by the Crown, and Executive and Legislative Councils. The Governor retains responsibility for internal security (including police), external affairs, defence, the public service and offshore finance. Elections are held every five years on the basis of universal adult suffrage.

Law and order

The law of Montserrat is English common law together with locally enacted legislation. It is administered by the Eastern Caribbean Supreme Court. The Royal Montserrat Police Force is presently headed by a British Commissioner who, together with his staff officer (a senior Superintendent), is funded from the Technical Cooperation Programme. Only 60 per cent of the 51-strong force are Montserratian.

Since the reactivation of the volcano in July 1995, there has been a small increase in the frequency of crimes of violence and burglary. Some evacuated areas have been looted. But Montserrat's crime rate remains one of the lowest in the Caribbean.



Current issues

On 18 July 1995, the Soufriere Hills volcano in the south of the island became active for the first time in 350 years. By April 1996, increased pyroclastic activity had forced the evacuation of the capital Plymouth and most of the south of the island. Eruptions increased in vigour until a large explosion on 17 September 1996 destroyed a village to the east of the volcano: the village had been evacuated. The situation changed dramatically for the worse on 25 June 1997 when a large pyroclastic flow led to the deaths of 19 people in an area long designated as unsafe. In the following month, the centre of Plymouth, the capital, was destroyed by pyroclastic flows. The largest pyroclastic flow so far occurred on Boxing Day 1997, destroying several villages in the Exclusion Zone. Dome growth stopped in early March 1998 and activity has diminished. Close monitoring of the volcano continues. Scientists advise that given the enormous amount of material in the dome, collapses could occur over the next two years. Half of the island has been evacuated and much of it will probably remain uninhabitable for the next decade or more. The effects of the eruptions on the island's plants and animals are being studied where circumstances allow.

Since volcanic activity began, the population on the island has declined from approximately 11,000 and is currently about 4,500. Some 3,500 Montserratians have relocated to the UK. Of the rest, the majority have resettled in the Caribbean region, principally Antigua.

Economy

By 1981, Montserrat no longer needed budgetary support from the UK. However, following Hurricane Hugo in 1989, which damaged around 90 per cent of all property on the island, around £16 million in UK aid was required to rebuild the infrastructure. By 1995 Montserrat was on the road to recovery from Hugo and was in budgetary surplus with the economy relying heavily on revenue from residential tourism (luxury villas) and associated services, and on some light engineering. The island suffered a further major set-back when volcanic activity began in July 1995, since when the Government has relied on UK budgetary aid to meet its recurrent costs. Economic activity has begun to recover from a low point in early 1998.

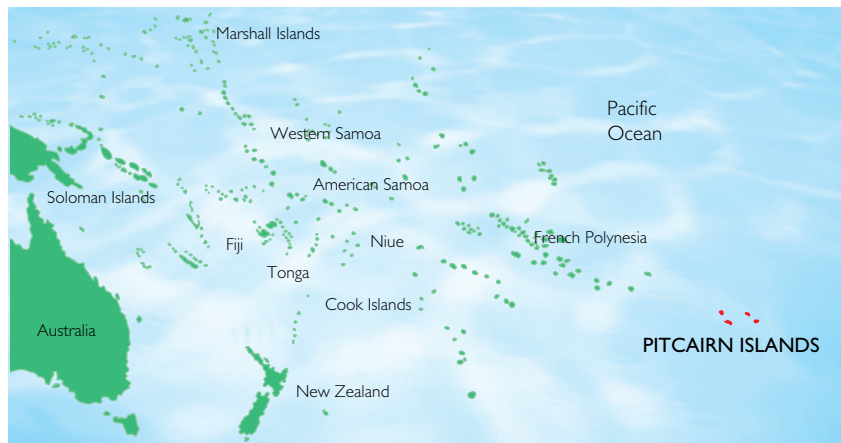
UK development assistance

Hurricane damage and volcanic activity have combined to seriously undermine Montserrat's economic development and have implications for future planning. From the start of the volcanic crisis (in 1995) to March 1998, Britain provided £59 million in assistance. A further £75 million has been allocated for the period April 1998 to March 2001 to help meet the Government of Montserrat's recurrent costs and to implement the policies set out in the Sustainable Development Plan to develop the north of the island. The Plan formed the basis of the joint Country Policy Plan agreed in January 1999 which includes an indicative public sector investment programme for the period to March 2001. Assistance includes provision of infrastructure and housing, a hospital, schools, a ferry and helicopter service, assistance to small-scale private sector companies, and expertise to assist the Government over a wide range of public service activities.

Key Facts

Currency	Eastern Caribbean Dollar (US\$ = EC\$2.7)
GDP growth	minus 21% (1997)
Government revenue	EC\$27.5 million, plus UK grant of EC\$37.7 million (1997)
Government expenditure	EC\$63.5 million (1997)
UK exports	£2 million (1998)
UK imports	£0.06 million (1998)
Population	4,500
Unemployment rate	6% (Feb 1998)
Capital	Plymouth (abandoned and largely destroyed)

Pitcairn Islands



General

The Pitcairn Islands comprise Pitcairn Island itself and three uninhabited islands, Henderson, Ducie and Oeno. Pitcairn is approximately 3 km long and 1.5 km wide. It was first settled in 1790 by some of the HMS *Bounty* mutineers and their Tahitian companions. Pitcairn was left uninhabited between 1856 and 1859 when the entire population was resettled on Norfolk Island. The present community are descendants from two parties who, not wishing to remain on Norfolk, returned to Pitcairn in 1859 and 1864 respectively.

The population totals only 54, all living in the only settlement, Adamstown. The official languages of Pitcairn are English and Pitkern, the latter becoming an official language by declaration of the Island Council in 1997. This is a mixture of English and Tahitian with the former predominating.

Constitutional status

Pitcairn is a British settlement under the British Settlements Act of 1887, although the Islanders usually date their recognition as a British territory to a constitution of 1838 devised with the help of a visiting Royal Navy officer. In 1893, 1898, 1904 and 1940 further changes were made in the Islands' government. In 1952 responsibility for Pitcairn was transferred from the High Commissioner for the Western Pacific to the Governor of Fiji. When Fiji became independent the Pitcairn Order and Pitcairn Royal Instructions, both of 1970, were the instruments that embodied the modern constitution of Pitcairn, establishing the office of the Governor and regulating his powers and duties. In practice, the British High Commissioner to New Zealand is appointed concurrently as Governor (Non-Resident) of Pitcairn and is assisted by the Pitcairn Island Administration Office in Auckland.

Pitcairn Islanders manage their internal affairs through the Island Council, for which elections are held annually.

Law and order

The Law of Pitcairn is covered by the Pitcairn Order 1970 together with the Pitcairn Royal Instructions 1970. Under these the Governor is the legislature for Pitcairn and is empowered to make laws on any subject. Prior approval of the Foreign Secretary must be sought for the enactment of certain classes of law.

Current issues

The dwindling population and the decrease in the number of ships stopping at Pitcairn has become a concern during the 1990s. There is no airfield. Ways of overcoming the isolation are being investigated.

The conservation of Henderson Island – the best example in the Pacific of a large raised coral atoll – as a World Heritage Site and the control of the environmental impact on all of the islands are being monitored and strengthened.

Economy

The economy of Pitcairn is largely based on subsistence fishing and gardening, and the sale of handicrafts. Pitcairn's primary source of income is through the sale of postage stamps and interest on the proceeds which are invested to help defray the costs of administration. The value of the Pitcairn Islands Investment Fund has declined in recent years, reflecting the draw-down of funds and the current state of the stamp market. The Administration is exploring ways of increasing revenue and containing costs.

The population of the territory is self-employed. Although there is no formal taxation, every person between the age of 15 and 65 is required to perform public work each month, in lieu of taxation. Allowances and wages are paid to members of the community who participate in local government activities and who perform communal services.

Handicrafts, fruit and vegetables are traded with visiting ships. Pitcairn's handicrafts are also marketed by mail order through the Internet.

UK development assistance

Pitcairn is critically dependent upon certain key items of infrastructure (including the jetty, long boats and boat shed, and the road from the jetty up to the main settlement). These items are routinely maintained by the Islanders but major refurbishment or replacement have been carried out with the help of Department For International Development (DFID) funding. DFID also funds a range of small-scale developmental activities on Pitcairn from its regional programme for the Pacific. There is a notional allocation of £150,000 per annum, but actual expenditure varies from year to year.

Pitcairn receives a Good Government Fund allocation of £30,000. This is directed towards improving the quality and self-sufficiency of the Islands' administration. The Foreign and Commonwealth Office also funds Pitcairn's £15,000 annual membership contribution to the Pacific Community.

Key Facts

Currency	NZ Dollar
Government revenue	NZ\$599,902 (1996/97)
Government expenditure	NZ\$601,665 (1996/97)
Population	54 (December 1998)
Administrative centre	Adamstown



St Helena



St Helena and its Dependencies

St Helena, Ascension and Tristan da Cunha are three UK Overseas Territories which together form a single territorial group under British sovereignty known as 'St Helena and its Dependencies'.

General

St Helena is a small island of volcanic origin in the South Atlantic with an area of 122 sq km. It is 1,930 km from the west coast of Africa and 2,900 km from South America. The nearest land is Ascension Island, 1,125 km away.

St Helena was discovered by the Portuguese navigator, Juan da Nova, on St Helena Day (21 May) 1502. Its existence was kept secret until the English seafarer Thomas Cavendish found it in 1588. It was then used for water and rest by ships of many nations. In 1633, the Dutch claimed, but did not occupy, the island. In 1658, a Charter from Richard, Lord Protector, authorised the British East India Company to colonise and fortify the Island, which it did the following year. Napoleon was exiled on St Helena from 1815 until his death there in 1821. It became a Crown Colony in 1834.

The population of 5,000 is of mixed ethnic origin. English is the only language.

The island has a distinctive flora and fauna, with many rare or endangered species. Systematic efforts are being made to re-introduce some of the endemic plants throughout the island.

Constitutional status

The St Helena Constitution Order provides for a Legislative Council consisting of the Speaker, twelve elected Members and three Ex Officio Members (the Chief Secretary, the Financial Secretary and the Attorney General). The last general election took place on 9 July 1997. The Governor enacts laws with the advice and consent of Legislative Council and receives advice from an Executive Council of five elected Members of Legislative Council and the Ex Officio Members. The Attorney General does not vote in Executive Council or Legislative Council.

The Governor of St Helena is also Governor of the Dependencies of Ascension Island and Tristan da Cunha.

Law and order

St Helena has its own legislation. The law of England as at 1 January 1987 is in force in St Helena in so far as it is applicable and suitable to local circumstances and subject to such modifications, adaptations, qualifications and exemptions as local circumstances render necessary. The law of England only applies in so far as it is not inconsistent with any Act of Parliament or Order in Council which extends to St Helena, or with any of the laws of St Helena. Magistrates' Courts deal with minor issues, while more serious cases are tried in the St Helena Supreme Court. A Court of Appeal was held on St Helena for the first time in 1998.

The Attorney General is responsible for legal matters relating to the St Helena Government. A Public Solicitor advises lay advocates and the public.

The St Helena Police Force has an authorised establishment of 29 officers. Their duties include running the small prison. A further detachment of six officers is stationed on Ascension. Crime rates are low.

Current issues

St Helenians have a strong cultural and economic connection with the UK. The imposition of immigration control was felt keenly and the Bishop of St Helena established a Citizenship Commission to promote the case for St Helenians to be granted British citizenship.

Communications with the outside world are by sea only. There is no airport.

Economy

In 1995 the St Helena Government embarked on a programme of structural adjustment, based on both public sector reform and private sector development. At that time the public sector employed 68 per cent of the working population and unemployment was 11.4 per cent. The Public Service now accounts for some 45 per cent of the working population. Unemployment totals about 15 per cent of the resident population with the underlying trend now downwards.

Fishing licences for waters around Ascension produce about £1 million for the St Helena economy and a Falklands company is setting up a fish freezing facility on St Helena.

About 1,000 St Helenians are employed offshore, mainly in Ascension and the Falklands: their remittances are worth over £1 million a year.

In 1997 8,698 tourists visited St Helena but without an airport, no safe anchorage for yachts in heavy seas and the limited capacity of the passenger/cargo ship *RMS St Helena*, tourism is unlikely to develop rapidly.

UK development assistance

The St Helena Government undertook a Strategic Review in 1996. This formed the basis of a three year Country Policy Plan (CPP), agreed in 1997, committing the British Government to provide a package of development assistance totalling some £26 million over the period 1997/98 to 1999/00. The second annual review of the Plan took place in December 1998.

The development assistance agreed under the CPP consists of direct budgetary aid for St Helena (approximately £3.2 million a year), an annual subsidy for the operation of the *RMS St Helena* (approximately £1.3 million) and support for bilateral development assistance – including the provision of some 24 long term personnel in key posts and of short term expertise, UK training awards and a number of infrastructure development projects (for example roads rehabilitation and improvement project, cargo handling projects, etc). Future development assistance will be discussed in the context of the next CPP due to be negotiated at the end of 1999.

Key Facts

Currency	St Helena Pound (at par with UK£)
GDP per capita	£2,536
Government revenue	£10.3 million (1997/98)
Government expenditure	£10.03 million (1997/98)
UK exports	£6.99 million (1998)*
UK imports	£0.65 million (1998)*
Population	5,000
Unemployment rate	15%
Capital	Jamestown

*Includes UK trade with St Helena's Dependencies Ascension Island and Tristan da Cunha



Ascension Island (Dependency of St Helena)

General

Ascension Island is in the South Atlantic, some 1,125 km north-west of St Helena. It covers an area of 90 sq km and is of volcanic origin. The last eruption was about 600 years ago.

Ascension Island was discovered in 1501 by the Portuguese and 'found' again on Ascension Day 1503 by Alphonse d'Albuquerque, who named the island. In 1815, when Napoleon was a prisoner on St Helena, a small British naval garrison was stationed on Ascension. The Island remained under Admiralty supervision until 1922 when it was made a Dependency of St Helena.

During the Second World War the US Government built 'Wideawake' airstrip on the Island. In 1957 a US Air Force presence was re-established and the airstrip and ancillary facilities enlarged. It is now an ICBM and space missile tracking station. In 1982 it became the intermediate stop for Royal Air Force flights to and from the Falklands.

Ascension is also used by Cable and Wireless, the BBC and the Composite Signals Organisation. These 'User' organisations, together with the Royal Air Force, finance all non-military activities on the Island. There is no indigenous population.

Constitutional status

Executive authority for the territory is exercised by the Governor of St Helena. A resident Administrator is responsible to the Governor. The 'Users' organisation on Ascension, The Island Customer Board, oversees the management of the Island's public and common services. The Administrator is advised on an informal basis by a 'Forum' of employees, most of whom are St Helenians.

Law and order

Ascension Island has a limited range of its own legislation. But English law applies to the extent that it is not inconsistent with local law, in so far as it is suitable for local circumstances and subject to such modifications as local circumstances make necessary.

There is a small unit of the St Helena Police Force seconded to Ascension. The Administrator is Chief Magistrate and six Justices of the Peace have been appointed.



Current issues

Aircraft may only land at Wideawake Airfield with the permission of the US authorities. Negotiations are under way to allow civilian charter flights. It is hoped that this will encourage a modest tourist industry on Ascension and improve access to St Helena. Studies will be conducted to establish how the governance of the Island should be organised for the future.

Environment

Ascension has globally important populations of seabirds (especially on Boatswain Bird Island) and turtles. A current issue is the prospect of eradicating introduced cats and rats.

UK development assistance

Ascension receives no aid from Britain.

Key Facts

Currency	Pound Sterling and St Helena Pound
Cost of Government, net of revenue	£1,863,720
Population	1,100
Unemployment rate	nil
Capital	Georgetown



Tristan da Cunha (Dependency of St Helena)

General

Tristan da Cunha is a small island of volcanic origin in the South Atlantic, mid-way between South America and South Africa. It is almost circular in shape and has an area of 98 sq km.

The neighbouring islands of Gough, Inaccessible and Nightingale make up the Tristan da Cunha Group. A team of South African meteorologists live on Gough. Inaccessible and Nightingale are uninhabited. The islands have a very distinctive endemic flora and fauna and are important breeding grounds for many seabirds. Gough Island is a World Heritage Site.

Tristan da Cunha was discovered in 1506 by the Portuguese navigator Tristao da Cunha who did not land but named the island after himself. It was garrisoned and possessed by the British in 1816. The current population is about 300 people of mixed descent. English is the only language.



Constitutional status

Executive authority for Tristan da Cunha is exercised by the Governor of St Helena. A resident Administrator is responsible to the Governor. The Administrator is advised by an Island Council, led by the Chief Islander and comprising eight elected Members (including at least one woman) and three appointed Members. Elections are held every three years. The last was on 23 October 1997.

Law and order

Tristan da Cunha has its own legislation but St Helena law applies to the extent that it is not inconsistent with local law, in so far as it is suitable for local circumstances and subject to such modifications as local circumstances make necessary. There is one full time police officer and three special constables. The Administrator is the Magistrate and he heard only one case (drunken driving) in 1997.

Current issues

Tristan da Cunha is an isolated island. Its nearest neighbour is St Helena, 2,100 km to the north. Cape Town is 2,400 km to the east. There are no air services. Transport to and from the island is provided by the yearly call of the RMS *St Helena*, the occasional passenger ship, two crayfish concession vessels and the South African research vessel, SA *Agulhas*. Due to heavy seas the harbour is only accessible for 60 to 70 days a year. Improvements to the harbour are vital to Tristan da Cunha's future. Tourism offers limited potential for economic development.

The volcano is still active and last erupted in October 1961. The population were evacuated to the UK, but returned in 1963.

Economy

Tristan da Cunha has been largely self-sufficient. The economy relies predominantly on the income from crayfishing and returns on investments. However, the downturn in demand in the Far East, the main market for Tristan crayfish, will mean that in 1999 the economy will run at a substantial deficit. Other sources of current income – a limited tourist industry based on three or four tourist ships per annum and the sale of postage stamps – cannot realistically be increased significantly. Other potential economic developments, such as the sale of mineral water, will require considerable capital investment.

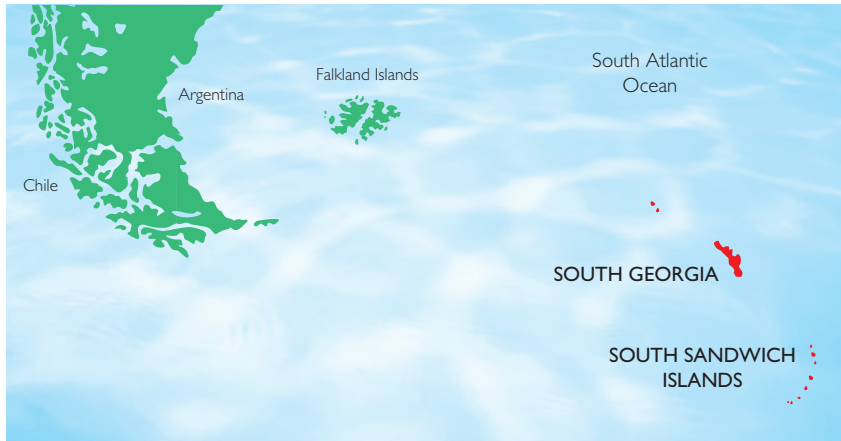
UK development assistance

Bilateral assistance to Tristan da Cunha is modest and consists of support for the provision of medical care on the island and continuing support for the Fisheries Management Project.

Key Facts

Currency	Pound Sterling
Government revenue	£744,534 (estimated 1998)
Government expenditure	£618,839 (estimated 1998)
Population	297 (1998)
Unemployment rate	Negligible
Capital	Edinburgh of the Seven Seas

South Georgia and the South Sandwich Islands (SGSSI)



General

South Georgia lies 1,290 km east-south-east of the Falkland Islands, and the South Sandwich Islands some 760 km south east of South Georgia. South Georgia, with an area of 3,755 sq km, is some 160 km long with a maximum breadth of 32 km. The land is mountainous, rising to 2,933 m, and the valleys filled with glaciers. The climate is severe and the mountains largely ice and snow covered throughout the year. There is no indigenous population.

The South Sandwich Islands consist of a chain of active volcanic islands some 240 km long. The climate is wholly Antarctic. In the late winter the Islands may be surrounded by pack ice. The prevalent westerly storms and lack of sheltered anchorages make landing difficult.

The first landing on South Georgia was that of Captain James Cook in 1775. Thereafter, South Georgia was much visited by sealers of many nationalities who reaped a rich harvest from the immense number of fur seals and elephant seals which frequented the shores. Britain annexed South Georgia and the South Sandwich Islands by Letters Patent in 1908. Since then the Islands have been under continuous British administration, apart from a short period of illegal Argentine occupation in 1982. Through most of this century South Georgia was the centre of land-based whaling in the Southern Hemisphere and whaling stations operated under licence from the Government of South Georgia. Although commercial whaling ended in the 1960s, the remains of the whaling stations such as at Grytviken, Stromness and Leith still exist.

The territory is of great importance for sub-antarctic flora and fauna. The South Sandwich Islands represent a maritime ecosystem scarcely modified by human activities. South Georgia is the breeding ground for some 85 per cent of the world's Southern Fur Seal population as well as globally significant populations of albatrosses, petrels and penguins.

The Governor of the Falkland Islands has been appointed concurrently Commissioner for SGSSI. Under the SGSSI Constitution he consults the Falkland Islands Executive Council on matters relating to the territory which might affect the Falkland Islands. He liaises with the Commander British Forces on matters concerning defence or internal security of the Islands. There has been a small garrison at King Edward Point on South Georgia since the Argentine occupation in 1982.

The First Secretary at Government House Stanley is concurrently Assistant Commissioner and Director of Fisheries. The Attorney General and Financial Secretary from the Falkland Islands fulfil parallel roles in SGSSI.

Law and order

The Senior Magistrate from the Falkland Islands presides over the Magistrates' Court. A Court of Summary Jurisdiction exists on the Islands, presided over by the Officer Commanding the British garrison on the Islands.

No separate Court of Appeal for South Georgia has been established. Falkland Islands legislation in 1989 made provision whereby the Court of Appeal in the Falkland Islands should, in effect, operate additionally as the Court of Appeal for South Georgia.

Current issues

Argentina asserts a claim to sovereignty over SGSSI. But Britain has no doubt about its sovereignty and does not regard this as negotiable. Illegal fishing in SGSSI waters poses a threat to the conservation of fish stocks, and to populations of sea birds which may be caught inadvertently in such fishing operations.

The decision has been taken to replace in 2000 the military garrison with a civilian presence provided by the British Antarctic Survey. BAS will occupy a newly constructed research station at King Edward Point, and will conduct scientific research there primarily into the sustainable utilisation of South Georgia marine fisheries resources.

Economy

The main sources of revenue are fishing licences, sale of stamps, customs and harbour dues, landing fees and trans-shipment fees.

Main items of expenditure are fisheries administration costs and research, fisheries protection, production of stamps and support for the South Georgia Whaling Museum.

Key Facts

Currency	Pound Sterling
Government revenue	£1.373 million (estimate financial year 1997)
Government expenditure	£0.66 million (estimate financial year 1997)
Administrative centre	King Edward Point



Turks and Caicos Islands (TCI)



General

The Turks and Caicos Islands form the south-eastern extremity of the Bahamas chain and lie 145 km north of Haiti and the Dominican Republic and 925 km south-east of Miami. The territory comprises some 40 islands and cays split into two groups by a deep water channel, with a total land area of 500 sq km. Of these islands only six are permanently inhabited: Grand Turk – the capital; Salt Cay; South Caicos; Middle Caicos; North Caicos; and Providenciales. In addition there are a number of hotel developments and holiday homes on smaller cays. Limited rainfall, coupled with poor soils and a limestone base, restrict the possibilities for agricultural development. The Islands have important wetland and reef habitats and provide a home for 14 endemic plants and reptiles.

The population is currently estimated to be around 20,000. This includes about 10,000 foreigners, especially from Haiti and the Dominican Republic. Most of the people are of African descent, the rest being of mixed or European origin. English is the main language with some Creole spoken by Haitian immigrants. The religion is Christianity; the Anglican Communion predominates. Education is compulsory between the ages of 5 and 14, and is provided free in 10 primary schools and 4 secondary schools run by the Government.

Constitutional status

The TCI is an internal self-governing Overseas Territory with a ministerial system of government. The 1988 Constitution provides for a Governor appointed by HM the Queen, an Executive Council and an elected Legislative Council. The Governor is responsible for external affairs, defence, internal security, offshore finance, and certain other matters, but is otherwise normally required to act on the advice of Executive Council. There are two main political parties, the People's Democratic Movement (PDM) and the Progressive National Party (PNP). Parliamentary elections are held at intervals of not more than four years. The last elections were held in January 1995. The PDM overturned the PNP's 8–5 majority and won 8 of the 13 elected seats on the Legislative Council: the PNP is in opposition. The next election is expected in March 1999.

Law and order

The legal system, based on English common law, includes a Supreme Court and a Court of Appeal, and has provision for appeal to the Privy Council in London. The Attorney General and Chief Justice are currently British technical cooperation officers, as are the Senior Crown Counsel, the Legal Draftsman, the Deputy Commissioner of Police and the Head of the CID. The Police Development Project will support the provision of a further two technical cooperation officers; an Assistant Commissioner of Police and a Financial Crimes Investigation Officer. Royal Navy and Royal Air Force attachments to the Police Force have enhanced the TCI's ability to combat drug trafficking. The Islands enjoy close cooperation with the US and Bahamian narcotics agencies under an agreement extended to the TCI in 1990, thus allowing for combined US/TCI/Bahamas interdiction operations. In one operation in February 1998 the TCI authorities seized over two tonnes of cocaine.

Recent developments

The TCI lies directly in the path of Haitian boat people attempting to reach the United States or the Bahamas. As a result, many have arrived illegally in the territory in recent years (having also been attracted by employment opportunities on fast-developing Providenciales). A 15-month long programme to repatriate them voluntarily or regularise their stay, under the auspices of the International Organisation for Migrants and with assistance from the United Nations High Commissioner for Refugees, began in January 1997. This programme provided for the processing of approximately 1,000 migrants who qualified for permanent residence in the TCI, and assisted some 3,500 with their return and reintegration into Haiti. The immigration authorities have tightened the regulations governing the migrant work force.

Economy

The TCI economy is based primarily on tourism and offshore finance. The opening of a Club Méditerranée village on Providenciales at the end of 1983 and accompanying provision of an international airport under the British aid programme gave the Islands a considerable boost. Tourist arrivals in 1997/98 fell just short of 100,000.

Foreign investors, mainly from Canada, the UK and the USA, play a significant role in the Islands' economic life. The main areas of private investment are tourism, property development, real estate, international finance and fishing, focused on the island of Providenciales.

Constitutional responsibility for the TCI's offshore finance sector rests with the Governor. Offshore finance is the TCI's second largest source of external revenue after tourism. The mainstays of the industry are trusts and insurance companies: seven banks are licensed to operate in the TCI. The UK Technical Cooperation Programme currently supports the sector through the provision of the Superintendent and Deputy Superintendent of the Financial Services Commission.

UK development assistance

The current bilateral assistance programme was agreed as part of the first TCI Country Policy Plan and focused on the development of the civil service, the provision of technical cooperation officers and expertise to assist the Government over a wide range of public service activities, the development of 'gateways' legislation on financial services and the strengthening of the judiciary and democratic institutions. The programme is increasingly focused on the provision of support in the education sector, while further assistance will be considered in the health sector. The future development strategy for the TCI will be discussed in the context of the next Country Policy Plan, to be negotiated in 1999.

Key Facts

Currency	US Dollar
GDP per capita	US\$6,000 (estimated 1998)
GDP growth	5.0% (1997/98)
Government revenue	US\$41,223,672 (1996/97)
Government expenditure	US\$34,782,781 (1996/97)
UK exports	£1.53 million (1998)
UK imports	£0.03 million (1998)
Population	20,000 (1998 estimate)
Unemployment rate	10% (rate varies: full employment in Providenciales, up to 25% unemployment on some islands)
Capital	Cockburn Town (Grand Turk)



Financial regulation check-list – notes

1. Legislation will be needed which fully meets relevant international standards such as those set by the Basle Group on Banking Supervision and the International Organisation of Securities Commissions. Where necessary the legislation and associated regulations should cover credit institutions (banks and building societies), stock exchanges, insurance and investment services sectors, investment trusts and collective investment schemes. The regulation of private trusts, company formation and management will also be covered.

2. Following the review in 1999 we shall consult Overseas Territory governments and regulators before setting individual targets to ensure that the requirements are appropriate, reflect the size and type of the financial sector and any plans to develop it further, and take into account the existing regulatory structure.

3. Good progress has been made on introducing legislation to combat money laundering. Legislation must be enforced, and implementation reviewed regularly. We shall review with the Overseas Territories the extent to which the updated 1996 recommendations of the Financial Action Task Force, the Caribbean Financial Action Task Force and the Offshore Group of Banking Supervisors can be implemented (some territories have already participated in mutual evaluations).

4. We shall also press Overseas Territory governments to introduce legislation to improve regulation of company formation and management because, for example, in the absence of proper regulation, complex company structures can be used to disguise the proceeds of crime and other regulatory abuse as well as providing limited liability. There is increasing evidence that companies, incorporated in an Overseas Territory but based elsewhere, have been used as vehicles to disguise money laundering and financial fraud. Company formation agents and company managers need to be required by law to hold key information about the companies for which they have responsibility and to disclose that information to a regulator on request. This will help ensure a properly documented paper trail for criminal and regulatory investigations.

5. The Caribbean Overseas Territories already have certain 'gateway' provisions which allow the local regulator to provide information to an overseas regulator. We have asked Overseas Territories to introduce, in addition, 'investigative powers' to allow an Overseas

Territory regulator to conduct an investigation on behalf of an overseas regulator, and to compel the production of evidence needed by the overseas regulator (subject to proper safeguards). These powers would be supported by Memoranda of Understanding with each Overseas Territory. The Memoranda would formalise the procedures under which information can be obtained and passed to other regulators. Overseas Territory governments should also introduce equivalent legislation to the Criminal Justice (International Cooperation) Act 1990 so that they can provide similar assistance for criminal investigations as they can – and do – already for drugs and money laundering investigations.

6. A sound, transparent regulatory environment is necessary to maintain investor confidence and the reputation of that jurisdiction's financial sector. This is only possible if the regulatory authority is, and is seen to be, independent, and free from business or political interference. Regulatory authorities should not become involved in the marketing and promotion of financial services. They need to be properly staffed and budgeted for, with ring-fenced funding, if necessary raised independently by the regulatory body through an industry levy. The regulatory authority should have the power and ability to supervise, set standards, investigate and take relevant enforcement action, take disciplinary action, grant and withdraw licences, make proposals for legislation and generally regulate all financial institutions under its control. It should also have the powers, including compulsory powers, to cooperate with authorities in other jurisdictions. It should keep the Governor and board members of the regulatory authority informed of developments on a regular basis. It should produce an annual report on progress made, problems encountered and where action is still needed in order to meet the required standards; and a plan of action for doing so.

7. All financial sector activity in the Overseas Territories should be subject to appropriate regulation, enforcement, and licensing regimes. Licensing applications should be formalised. Proper records of the application process need to be kept, and rigorous procedures for the conduct of investigations and routine on-going supervision should be introduced relating to both people and firms in the industry. Regulatory standards should be re-evaluated annually to ensure they take into account progress on the international regulatory front. The aim is for the same overall standards of regulation and licensing to apply in all the territories.