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The United Kingdom and its Overseas Territories: No longer a 'benevolent patron'?

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Abstract: Over recent decades, the relationship between the United Kingdom (UK) and its Overseas Territories (OTs) has been a generally strong one, with political and economic safeguards in place, bolstered by increasing levels of support from the European Union (EU). Of course there have been strains and tensions in relations, but significant advantages have accrued to the territories. This article takes as its starting-point several key observations made previously by experts in the field and uses them to analyse the condition of relations between the UK and its territories within the context of recent events. In particular, the claim by Godfrey Baldacchino that non-sovereign territories benefit from the support of a "benevolent mainland patron" is considered. Based on a review of recent statements, newspaper articles and policy documents, this article argues that the UK's benevolence to its OTs has been placed under serious pressure by three recent and unrelated events: the UK's decision to leave the EU; its sub-optimal response to the damage caused in several territories by Hurricane Irma; and the resolve of the UK Parliament to impose stricter controls on the OTs' offshore financial sectors.

Keywords:; autonomy; Brexit; development; economic security; hurricane reconstruction; offshore finance; United Kingdom Overseas Territories

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Introduction

There are 14 United Kingdom Overseas Territories (UKOTs): two in Europe (Gibraltar and the Sovereign Base Areas of Akrotiri and Dhekelia in Cyprus); five in the Caribbean (Anguilla, British Virgin Islands, Cayman Islands, Montserrat and Turks and Caicos Islands); three in the South Atlantic (Falkland Islands; South Georgia and South Sandwich Islands; and St Helena, Ascension and Tristan da Cunha), and four that stand alone (the British Indian Ocean Territory, the British Antarctic Territory, Bermuda and Pitcairn). Most have permanent populations, and the number of inhabitants range from 64,000 in Bermuda to about 40 in Pitcairn. The total population in the UKOTs is around 250,000. Apart from their different locations (for example, St Helena is one of the most remote islands in the world) and population size, there are crucial differences in their economies and constitutional relationships with the UK. In terms of their economic profiles, the Falkland Islands, Gibraltar, Bermuda and the Cayman Islands have the most successful economies based on industries such as fishing, tourism and financial services. The Falkland Islands has a GDP per capita of around US$93,000, with Bermuda coming in a close second with around US$86,000 (UKOTA, 2016a, p. 6). As noted financial services are very important: the Cayman Islands is the world's sixth largest banking centre and the largest domicile for hedge funds; Bermuda is the leading centre for captive insurance; while the British Virgin Islands is the world leader for company incorporation (European Parliament, 2017, p. 152). In contrast, the economies of Pitcairn, St Helena and Montserrat are the frailest, due to their small size and isolation (Pitcairn and St Helena) and the legacy of a major natural disaster (Soufrière Hills volcano eruption in Montserrat since 1995). Such differences impact on the territories' current relations with the UK.

The constitutional relationship between the UK and the territories, although based on common principles, also has some noteworthy differences. The relationship is underpinned by several Acts of Parliament. For example, the British Settlement Acts 1887 and 1945 provide the statutory legal basis for the constitutions of some territories such as the Falkland Islands and Pitcairn; while the majority of the territories in the Caribbean are overseen by the West Indies Act 1962. In addition, constitutional arrangements have been affected by particular events, such as corruption allegations in the Turks and Caicos Islands (Clegg, 2012). Consequently, there are differences in the constitutions, and in the balance of power with the UK. Overall, there are areas of policy reserved for the UK: these include defence, external affairs, internal security and the public service. Meanwhile, the territory governments manage other aspects of policy such as the economy, immigration and education. However, territories such as Bermuda and Gibraltar have more autonomy than, for example, the Turks and Caicos Islands and Pitcairn. So: in Bermuda and Gibraltar, the Governor does not chair the local Cabinet; in St Helena, the Governor also oversees finance and shipping; and, in some of the Caribbean territories, the Governor exercises oversight over aspects of international finance; and, in Bermuda, it is more difficult for the UK to legislate by Order in Council (Hendry & Dickson, 2011, pp. 64-65).

In recent decades, with the notable exception of the volcanic eruption in Montserrat 20 years ago, there has been relative social, economic and political stability in the territories. All of them (bar Anguilla and the Turks and Caicos Islands) have created more sophisticated and devolved constitutions, and most have seen sizeable economic growth. These trends have been noted by the academic community, which has highlighted the apparent advantages of their particular status (McElroy & De Albuquerque, 1995; Baldacchino & Milne, 2009; Clegg & Pantojas-Garcia, 2009; Rezvani, 2014). More particularly Baldacchino has argued that non-sovereignty offers "the best of both worlds" (2006a, p. 49). Expanding on this idea, Baldacchino (2006a, p. 49) suggested that this status provides:

> … many of the benefits associated with political sovereignty while delegating responsibilities, enjoying security and reaping the material benefits of remaining in association with a larger, and typically richer, albeit often reluctant, patron.

In a slighter later article, Baldacchino noted the benefits that come from the support of a "larger, *benevolent* 'mainland' patron" (2006b, p. 861, emphasis added). In the same article he also indicated that the patron can be "reliable" and a "protector" (2006b, p. 856; p. 860). In a third piece, Baldacchino and Milne (2009, p. 3) observed that "sub-national (mainly island) jurisdictions show a remarkable pattern of mutual accommodation and convenience between large (often metropolitan) states and their offshore islands". The result is that "throughout the world, partially independent territories tend to be wealthier and more secure than their sovereign state counterparts" (Rezvani, 2014, p. vii). Various kinds of support can be provided by, or derived from, the patron, including political security, aid-financed infrastructure, natural disaster relief, protection and defence of offshore financial centres, diplomatic representation, and access to larger markets such as the European Union (EU) (Baldacchino, 2006b; Kelman, Davies, Mitchell, Orr & Conrich, 2006; Rezvani, 2014; Veenendaal, 2016). Ultimately, "the connection to the governing state provides [the territories] a psychological crutch which, in times of need, is hopefully transformed into a physical crutch" (Kelman et al., 2006, p. 569). As Rezvani argued, metropolitan powers "… are not only authorised, but have a duty to intervene" (2014, p. 50).

Despite what has been outlined in the previous paragraph, the UKOTs are now facing several challenges, which highlight certain vulnerabilities that come with, and not in spite of, their close ties to the UK. This in turn has raised serious questions about the UK's benevolence and reliability, and the territories' security and economic well-being going forward. In particular, three recent and unrelated events have brought into sharper focus the constraints and drawbacks inherent in the relations of these OTs with the UK: the effects of the UK's imminent departure from the EU ('Brexit') slated for March 2019; the significant devastation wrought by Hurricane Irma on the territories in the Caribbean in September 2017, and the UK's half-hearted response to this; and a more critical view of the territories' offshore financial sector taken by the UK Parliament. These, in turn, have led the territories to explore additional poles of support beyond London.

This paper

In order to provide the necessary depth and nuance to this paper, I use a range of documents; most of which are in the public domain. The UK Parliament, and particularly its committees, have taken a keen interest in the UKOTs; thus, their reports and the associated evidence provide a useful framework. The views of politicians and officials are well represented, and their words are often used to show the polarising nature of recent events which are the focus of this paper. The ability of the territories to produce similarly sized reports is more limited, but several of them, including the Falkland Islands and the British Virgin Islands, have published important contributions to the Brexit debate in particular. This paper is also informed by recent studies I have undertaken for the United Kingdom Overseas Territories Association (UKOTA) and the European Parliament. Speaking with representatives and stakeholders on and off the record has been invaluable in helping me to shape the tenor of the paper; most particularly, the territories' deep frustrations with some aspects of UK policy, but also a still strong underlying (yet perhaps fracturing) relationship with London. Finally, the conceptual approach offered by the academic literature has been crucial in allowing me to provide a coherent and contextualised critique of recent UK policy towards its territories; starting first with Brexit.

Brexit and its discontents

The referendum campaign that led to the vote for the UK to leave the EU on 23 June 2016, perhaps unsurprisingly, did not focus on the territories to any great extent. What coverage there was focused largely on Gibraltar and the Falkland Islands and the risks posed to their security if the UK left the EU. One high profile article was written by the former Conservative Foreign Secretary William Hague (2016). Under the headline 'Leaving the EU would be disastrous for the Falklands, Gibraltar and Ulster', Hague explained that the guaranteed solidarity of all 28 EU member states in recognising British sovereignty over Gibraltar and the Falkland Islands was extremely important. Both territories are noted in the Treaty on the Functioning of the EU, which offers them considerable certainty and support from EU member states (Official Journal of the EU, 2012). All member state signatories are committed to the position that Gibraltar and the Falkland Islands are UKOTs. As Benwell and Pinkerton (2016, p. 10) argued in relation to Gibraltar:

> [the EU has emerged as a kind of] guarantor' power … the EU provides a kind of security … that both transcends and mitigates political fluctuations in Westminster, the frequent 'churn' of Foreign Office ministers and potential shifts in UK government foreign policy priorities.

The Falkland Islands government concurs. Roger Edwards, a member of the legislative assembly, argued that with Brexit "We may well lose the support of the rest of Europe, and may well see Spain and possibly other member states of Europe give greater support to Argentina over its mistaken and illegal claim to the Falkland Islands" (House of Lords European Union Committee 2017c, p. 5). With the potential loss of these safeguards, Hague feared that British sovereignty would become less secure.

However, the arguments of the 'Remainers' were challenged by much of the right-wing media (e.g. *The Telegraph*, 2016) and by many Conservative Ministers and MPs, even those with purportedly strong links to the territories. For instance, James Duddridge, then Minister in the Foreign and Commonwealth Office (FCO) responsible for the territories, was in the 'Leave' camp. He argued that:

> An independent Britain can spend more time developing our historic ties rather than be shackled by the regulation and political infrastructure that is a federal union. OTs value the relationship with the UK more than the EU. The EU is sucking the life out of the UK as an independent nation state (*Caribbean Insight*, 2016, p. 4).

Additionally, Conservative MP and Chair of the All-Party Group on fostering good relations between Parliament and the territories, Andrew Rosindell, was a committed 'Brexiter'. Liam Fox, former Defence Secretary, described the EU's role in Falkland Islands security as "an irrelevance" (Benwell & Pinkerton, 2016, p. 12). Michael Howard, a former Conservative Party leader, not recognising the important role of the EU in mitigating tensions between Spain and Gibraltar, indicated that the UK might act similarly to protect Gibraltar as it had done with the Falkland Islands in 1982:

> Thirty-five years ago this week, another woman Prime Minister sent a taskforce halfway across the world to defend the freedom of another small group of British people against another Spanish-speaking country, and I'm absolutely certain that our current Prime Minister will show the same resolve in standing by the people of Gibraltar (*The Independent*, 2017).

Rightly, such comments were criticised as "hilarious" and "unhelpful" (*The Independent*, 2017); but they do reflect the sensibility of many Brexiters. These were clear indications that 'friends' of the territories, when it came to getting the UK out of the EU, conveniently ignored the territories' interests. Indeed, all territory governments wanted the UK to remain an EU member state. Gibraltar was especially forthright in its support of this outcome, because it is part of the EU and its residents were able to vote in the referendum. Despite the UK as a whole voting to 'Leave', in Gibraltar there was a very clear vote to 'Remain' by 19,322 to 823. However, as Gibraltar's chief minister, Fabian Picardo, said, these votes "did not even move the needle" (*The Economist*, 2016). And, as Hannay (2018, n.d.) claimed, the strength of the vote "… seems to cut no ice with the Brexiters who seem to be barely aware that they are throwing Gibraltar under the wheels of a Spanish bus".

So: why were the territories so strongly in favour of the UK remaining part of the EU? Since the UK's accession in 1973, the EU has been a key interlocutor for the territories, and in recent years the bonds between them have strengthened, underpinned by Council Decision 2013/755/EU on the Association of the Overseas Countries and Territories with the EU ('Overseas Association Decision', OAD) (Official Journal of the EU, 2013). The agreement

aimed to modernise the relationship between the territories and the EU, "moving beyond development cooperation and focusing on a reciprocal relationship based on mutual interests" (European Commission, 2016). The only UKOT to stand outside of the OAD is Gibraltar, due to it being part of the EU itself. The advantages derived from the EU relationship are various, and in many cases significant: focused particularly around security (see the discussion above), trade, aid, free movement of citizens, and policy dialogue. Note, however, that any accruing benefits flowing from the UK's current EU membership vary between the territories.

Trade

The territories have free access to the EU market, and this is particularly important for several of them. For the Falkland Islands, the EU is the primary market for its fishery products (94% of exports) and the industry accounts for 40% of GDP. In 2016 the industry contributed two-thirds of corporation tax receipts (Falkland Islands Government, 2018). The vast majority of fish exports enter the EU via the Port of Vigo in Spain. Moreover, most Falkland Islands fishing companies operate joint ventures with Spanish companies, which are facilitated by provisions under Title II of the OAD (Definition of the Concept of Originating Products) (Official Journal of the EU, 2013). These allow vessels registered in, or flying the flag of, Spain to operate in the Falkland Islands. Also, the EU accepts 33% of the meat produced in the Falkland Islands; a key sector for the territory's farmers (Falkland Islands Government, 2018). For Tristan da Cunha, the EU market is increasingly important for its high quality and sustainably sourced lobster. After many years of negotiation, the first Tristan da Cunha lobster was imported into the EU in November 2014 (undercurrentnews, 2015). As Chris Carnegy, UK representative for the territory, argued,

> Our ability to import [lobster] to the EU tariff-free is extremely valuable. That part of the market for us is 9% of the total, but being in high-end restaurants in Paris and Berlin helps us to set the price of the other 91% around the world (House of Lords European Union Committee, 2017c, p. 8).

For Gibraltar, its shipping trade, and online gaming industry that employs around 3,500 people, representing over 18% of private sector jobs, have grown as a result of free access to the EU (Government of Gibraltar, 2016). In addition, Gibraltar has sizeable interests in investment services, insurance and banking. These are supported by an EU agreement that allows licensed institutions in Gibraltar to provide services across the EU without having to seek separate authorisation in host member states (Clegg, 2016, p. 546). Free access is also crucial for Anguilla and Montserrat, but with their Euro-Caribbean neighbours. For instance, the majority of Anguilla's oil comes via St Eustatius, and St Martin is the main market for its fish. For Montserrat, the French and Dutch territories are important markets for its sand and aggregate exports (House of Lords European Union Committee, 2017b; 2017c).

Aid

Total EU bilateral funding for the territories (excluding Gibraltar) via the 11th European Development Fund (EDF) 2014-2020, is €76.8 million. Regional funding is worth another €100 million, which supports projects involving the UKOTs along with French and Dutch non-self-governing territories in the Caribbean and Pacific (UKOTA, 2016b, p. 11). EU funding gives important help to the territories, particularly for some that are not in receipt of UK development assistance, for instance the British Virgin Islands and the Falkland Islands. For the latter, funds sustain critical infrastructure and environment research (Falkland Islands

Government, 2018). "A significant amount" of EU aid is helping to maintain the economic viability of Pitcairn that struggles to cover its budgetary expenditure; the territory is also part of a 'regional envelope' shared with French Polynesia, Wallis and Futune, and New Caledonia. Montserrat also receives support, despite budgetary aid from the UK. As Donaldson Romeo, Premier of Montserrat, has argued, the territory is "hugely dependent" on EU funding (House of Lords European Union Committee, 2017c, p. 19). For Gibraltar almost €60 million has been disbursed since 1990 (House of Lords European Union Committee, 2017a). Government records indicate that 3,615 jobs have been created or safeguarded as a result of EU-funded projects; there have also been over 5,000 qualifications gained, with support from the European Regional Development Fund Investment for Growth and Jobs Goal Programme (MercoPress, 2016; ERDF, n.d.). For St Helena, 11th EDF funding is being used to improve telecommunications connectivity to the island, while under the 10th EDF a project is being supported to convert biodegradable waste into biogas and renewable energy (St Helena Government, 2017, p. 2).

Free movement

The freedom to travel, work, study and reside in the EU – and vice versa – is an important benefit for the territories, most of whose residents are UK citizens (Official Journal of the EU, 2012, pp. 56–58) and whose economies often depend heavily on imported talent and skilled labour. This is particularly crucial for Gibraltar, with its difficult relationship with Spain. Ten thousand Spanish citizens cross the border every day to work in Gibraltar, while almost 10 million visitors enter the territory via Spain each year (Government of Gibraltar, 2016). Anguilla is also heavily dependent on a European neighbour for its tourists; 90% use St Martin as their hub (House of Lords European Union Committee, 2017b, p. 2). Moreover, Pitcairners appreciate the freedom of movement to French Polynesia, including for medical treatment.

Policy dialogue

Institutional links with the EU are also important, particularly the European Commission, via its Directorate-General for International Cooperation and Development (DEVCO). Also, there are several associated groups to facilitate cooperation. The Overseas Countries and Territories (OCT) – EU Forum brings together OCT governments (including the UKOTs), the European Commission and member states. There are also tripartite meetings between the Commission, the OCTs and the member states to which they are linked. Partnership working parties are the third form of policy dialogue. These act in an advisory capacity and provide a framework for technical discussions on particular areas of policy. Finally, there is the Overseas Countries and Territories Association, which helps to facilitate cooperation amongst the OCTs (OCTA, 2018a). Gibraltar stands somewhat apart: it has more direct ties with the European Commission and has formal representation in the European Parliament.

What next?

It is clear from the preceding paragraphs that the relationship with the EU provides important additional benefits, across a range of different areas, and using a range of approaches, beyond those which are offered by the UK. Currently, the territories are pushing the UK Conservative government to remain as close to the EU as possible. As has been argued, the "EU's approach to the 25 OCTs of their member states is less dominant, dictatorial or intrusive

[than the UK's]" (West India Committee, 2018, p. 10); while an official from the British Virgin Islands has said, "In many cases, some territories benefit more from the EU relationship than the relationship with Britain" (Wheatley, 2018). Leslie Jaques, Pitcairn's representative in Europe, argued, "… to lose all of that [aid] for us would be quite catastrophic" (House of Lords European Union Committee, 2017c, p. 6). For the Falkland Islands, with its reliance on Spanish markets and Spanish vessels for its fish exports, the view of its government is quite clear. It has stated that, without an alternative trade agreement [with the EU]:

> the Falkland Islands would most likely lose its market in Spain … [and] would lose its market in all other EU member states (Falkland Islands Government, 2018).

And Chief Minister of Gibraltar, Fabian Picardo, has said, Brexit presents "few opportunities worthy of mention" and that losing access to the Single Market in services would be a "severe blow" (House of Lords European Union Committee, 2017a, p. 11). Similarly for the Falkland Islands there is grave doubt that other markets offer the same opportunities as the present EU market. As its government argued:

> … retaining current tariff and quota free access to EU markets is critically important. Anything other than this would have a detrimental impact on the income of the Falkland Islands Government and the wider economy (Falkland Islands Government, 2018).

Beyond trade, a particular worry is in relation to the provision of aid. As referred to previously, all the territories, to some extent, receive EU financial support. The Premier of the British Virgin Islands, D. Orlando Smith, said that "the EU is essentially a partner in our economic development" (House of Lords European Union Committee 2017c, p. 3), whilst Anguilla's Representative to the UK and EU, Blondel Cluff, has argued that "our main source of sustainable and significant developmental aid comes from the EU" (Foreign Affairs Committee 2018a, Q54). The UK government has given no assurances about funding beyond 2020, and at the present time most territories do not qualify for receipt of UK overseas aid.

A related concern is the strength of the UK economy going forward, and the impact that might have on government expenditure. For example, several studies have suggested that the UK's economy will weaken after Brexit, including from the UK Treasury (HM Treasury, 2016a; 2016b). One study found that all of the UK Government's four Brexit scenarios, including a tailor-made deal, would leave the UK poorer and cost taxpayers hundreds of millions of pounds each week (Global Future, 2018). So, even were the UK to loosen its funding rules for the territories (and there is no evidence at the moment that it does), it is questionable – given many other competing demands for resources – that the UKOTs would receive much in addition.

The UK government has established two Joint Ministerial Councils – one for Gibraltar and the second for the other territories – to help resolve the Brexit-related issues affecting them. Whilst some reassurances have been given, for example that the UK will remain party to the 11th EDF until its closure, there is still great uncertainty over what a post-Brexit relationship with the EU will look like – if there is one at all. The real concern across the territories is that the advantages accrued via their links to the EU with a 'hard' or even with a softer Brexit will be lost. The trade advantages, the bilateral and regional aid disbursements, the collective recognition of UK sovereignty over the Falkland Islands and Gibraltar, free movement across the EU, and political influence in Brussels are all at risk. Also, there are fears that, if a final deal is agreed, the interests of the territories will be side-lined, and potentially they might not

be included in any final deal. This is particularly concerning for Gibraltar, which is part of the EU and is heavily reliant on a fluid border with Spain. As David Hannay (2018, n.d.), a member of the House of Lords and former UK ambassador to the EU, has argued:

> On Gibraltar there is effectively nothing agreed. Nothing about the situation on the day Gibraltar leaves the EU, which is necessarily the day the UK leaves. Nothing about the situation during the 21-month transitional period. Nothing about Gibraltar's situation under the new relationship thereafter between the UK and the EU. The only thing that is settled – on the EU's side – is that any agreement has to be agreed by Spain. And that is hardly a plus.

Indeed, there are suggestions that Spain wants to incorporate an annex into any Brexit deal that would limit Gibraltar's special status going forward. At present, Gibraltar is not part of the EU's customs union, it is exempted from the Common Agricultural Policy and it does not apply VAT. It has been reported that Spain would like to reduce tobacco smuggling (Gibraltar is the biggest entry point for illegal tobacco products into Spain), improve conditions for its cross-border workers, and introduce stricter tax residence criteria to prevent businesses that operate in Spain from registering in Gibraltar for tax-avoidance reasons. Madrid also would like joint use of Gibraltar's airport. One source was quoted as saying, "… it is inevitable that Gibraltar will come closer to Spain" (El Pais, 2018, n.d.).

The Brexiters have either ignored these concerns or downplayed them. Rather, much has been made of the trade opportunities once the UK leaves the EU (see for example, *The Telegraph*, 2017). However, the Falkland Islands government makes clear:

> Developing new, non-EU export markets for fishery products will be difficult outside of free trade agreements that allow similar access to what is currently enjoyed within the EU. This is particularly the case in the Asian markets where demand is highest but competition is strong, and both political and tariff barriers exist (Falkland Islands Government, 2018).

Of course the Brexit talks are not concluded, and it is possible that the UK government will agree to a 'softer' version, which means a relatively strong alignment with the EU. And the closer the UK remains to the EU, the better the outcome for the territories. However, even if this does happen, a significant breach in relations with the territories has already taken place. The notion that the UK is a "benign patron", "reliable", and a "protector" has been seriously tarnished because of the negative political, economic, social, environmental and diplomatic impact even a soft Brexit will have. Also, the rhetoric of those Conservative MPs who have stood foursquare behind the territories, particularly the Falkland Islands and Gibraltar over their disputes with Argentina and Spain respectively, have been found wanting, and their support will not have the same weight in the future.

Irma and its aftermath

The impact of Irma, a Category 5 hurricane, on three territories (Anguilla, the British Virgin Islands, and the Turks and Caicos Islands) on 6 and 7 September 2017 was very serious, causing significant structural damage and the deaths of at least six people. In the British Virgin Islands, about 80% of all buildings were damaged or destroyed; the total economic loss was about US$3 billion, equivalent to 300% of GDP; and the economy could contract by as much as 30-40% in 2017-18 (Wheatley, 2018). In the immediate aftermath the UK's response was

criticised, both in terms of preparing for the coming of Irma and the humanitarian effort that followed. The latter was described as "pathetic" and "sorely lacking" by those in, or representing, the territories, and several Conservative MPs felt the response was "too slow"; (*The Guardian*, 2017a; 2017b; BBC News, 2017). Some preparations had been made: the Royal Fleet Auxiliary ship, *Mounts Bay*, was already in the region, with humanitarian aid, marines and engineers on board, but it became clear very quickly that this was not going to be enough to support the three territories approximately 1,600 km apart.

There was also the view that a degree of political commitment was lacking from the UK. Both French President Emmanuel Macron and Dutch Prime Minister Mark Rutte visited their respective territories; UK Prime Minister Theresa May did not. It was certainly the case that France, the Netherlands, and the UK all struggled in their response to Hurricane Irma; but a common view was that many in the UKOTs and in Westminster felt that the UK's specific preparations prior to Irma, and its immediate response, fell short of what was required. The UK then sent more help, and ultimately there were 2,000 military personnel, 40 aid experts, 50 police officers, 40 prison officers, and 80 FCO staff assisting the territories (Foreign Affairs Committee, 2018b). Despite this, the delay in providing a fuller range of support was damaging, and mitigated the positive later efforts of the UK. In reflecting on the UK's response, the House of Commons Foreign Affairs Committee noted soberly that "there are lessons to be learned" (Foreign Affairs Committee, 2018b, p. 3).

Many of the issues and concerns highlighted by the Foreign Affairs Committee were shared by the territories themselves. One was the belief that they were unable to access sufficient funding. First, there was a perceived problem in relation to OECD rules which say that higher income countries (which the territories are) do not qualify for development assistance, including hurricane relief. This is the case, but it was a rather disingenuous argument put forward by the UK government. First, the UK could have found funds from elsewhere, i.e. the Treasury, rather than the international development budget. Second, the UK has long-promoted the idea that the territories should be economically self-sufficient, and so funding has been kept to a minimum. The position of the UK is encapsulated in the following quote from William Hague, then Foreign Secretary, on launching the 2012 White Paper on the Overseas Territories:

> We expect these territories to do all that is necessary to reduce … their reliance on subsidies from the British taxpayer (Foreign and Commonwealth Office, 2012).

As one FCO official explained when giving evidence on the hurricane reconstruction efforts:

> A lot of our focus is on supporting [the territories] to make their own preparations and have their own disaster infrastructure in place (Foreign Affairs Committee, 2018a, Q44).

But, as the Foreign Affairs Committee recommended, the UK should offer "greater preventative investment [and] be more active in making the OTs as resilient as possible to major natural disasters" (Foreign Affairs Committee, 2018b, p. 11).

The territories were also frustrated that their particular non-sovereign status excluded them from accessing international reconstruction funds, in particular their inability to benefit from a United Nations donors conference held in November 2017. As Blondel Cluff noted:

> [We] witnessed US$1.4 billion being awarded to Barbuda and Dominica, and we could not utter a word. Nor could we receive funds without the UK's permission, which was not granted … This is an example of our political voice being mute (Foreign Affairs Committee 2018a, Q59).

Some support has been given by the UK for longer-term reconstruction, but for the British Virgin Islands, for example, it has come in the form of a £300 million loan guarantee and a private sector task force (Wheatley, 2018); rather than direct aid, which several independent states, such as Dominica, have received. The British Virgin Islands accepted the support, but there were reservations about assuming a £300 million 'debt' at a time of national crisis, and that it was the private sector rather than the UK government that had been assigned the responsibility to assist with recovery and reconstruction. One official from the territory noted that "the problem [should not be] pawned off on the private sector" (Wheatley, 2018). Also, the loan came with conditions: the UK established an agency to monitor the British Virgin Islands' spending of the loan, and will also conduct an audit of its public finances. One opposition legislator in the territory likened the requirements to "economic slavery" (*Cayman Compass*, 2018a).

The immediate response of the UK to the destruction caused by Hurricane Irma and the longer-term plans for reconstruction have proved controversial and opened up a second front of dispute between the UK and its territories; in this case with those in the Caribbean. The perceived slowness of the UK's reaction; the lack of access to international funds; and the UK's desire to place most of the financial burden for reconstruction on the territories themselves have raised questions about the UK's ultimate responsibility and concern when a crisis hits. This is despite the fact that the 2012 White Paper notes:

> The UK Government recognises its responsibility to support a territory facing a disaster (Foreign and Commonwealth Office, 2012).

A new hurricane preparedness plan has been recently agreed (UK Government, 2018); but concerns remain in the territories over the longer-term financial commitment of the UK, at a time when financial retrenchment continues to be enacted in London. Indeed, it has been noted by many that HMS *Ocean*, the vessel which helped with the later relief effort, has since been withdrawn from service and sold to Brazil (Forces Network, 2018).

Cracks in the policy consensus

Over recent decades, both Conservative and Labour governments in the UK have largely shared the same approach to the territories, across the main aspects of policy. However, that consensus has started to crack. The Labour Party, now led by Jeremy Corbyn, has been more forthright in its criticism of some of the territories, particularly in relation to their offshore financial centres. Corbyn has argued that, if they do not make radical changes, then direct rule from London should be considered. He has drawn parallels with the decision of the last Labour government to impose direct rule on the Turks and Caicos Islands, saying that direct control of the UKOTs could be done "almost immediately" (Politico, 2016). In a debate on 11 April 2016, he argued, the "national scandal [of tax avoidance] has got to end" (House of Commons

Hansard, 2016). It is of course the case that, over the last 15 to 20 years, domestic and international oversight of offshore finance has increased, with pressure coming from such organisations as the OECD, the Financial Action Task Force and IMF (Palan, Murphy & Chavagneux, 2010; Sharman, 2006; Vlcek, 2008). For its part, the UK has coaxed the territories to clean up their financial services industries, and align themselves to international norms. There had always been a line beyond which Conservative and Labour politicians would not go in calling for more radical reform; however, this reticence has recently dissipated. The shift has taken place because of the Labour Party's move leftwards in its approach to economic management, and due to the scandals that have highlighted some of the less transparent aspects of the territories' financial industries, particularly in relation to the Panama Papers in 2015 and the Paradise Papers in 2017. Moreover, the poisoning of Sergei Skripal and his daughter in the UK in March 2018, allegedly by the Russian government, focused attention on how the UKOTs are used by Russian interests to transfer illicit funds. Indeed, the role of the territories was a key focus in a Foreign Affairs Committee report, which stated:

> … money laundering is now a matter of national security, and therefore constitutionally under the jurisdiction of the UK. The Overseas Territories … are important routes through which dirty money enters the UK. This cannot continue (Foreign Affairs Committee, 2018b, p. 23).

In this environment, together with a House of Commons without a Conservative majority, the Government agreed on 1 May 2018 to accept an amendment to the Sanctions and Anti-Money Laundering Bill that had support from Labour, but also a handful of Conservative MPs (BBC News, 2018). This will require the territories in the Caribbean and Bermuda to create publicly accessible registers with details of the beneficial ownership of companies; something they had long resisted and which also further than what present international regulatory norms demand. Perhaps predictably, the reaction of the territories was very negative, particularly in those that had long held responsibility for the management of offshore finance. For example, Orlando Smith, Premier of the British Virgin Islands, said:

> It is not only a breach of trust but calls into question our very relationship with the UK and the constitutional rights of the people of the BVI (*The Guardian*, 2018).

In a further statement, the British Virgin Islands government said:

> We vehemently reject the idea that our democratically elected government should be superseded by the UK Parliament, especially in an area which has been entrusted to the people of the BVI … This flies in the face of constitutional arrangements made with the UK … It also begs the question of how the UK parliament can act so casually with a constitution when an entire economy is at stake (*Caribbean Insight*, 2018, p. 1).

The last part of the quote alludes to the fact that the economy is struggling in the aftermath of Irma, and to put further pressure on it is clearly not helpful. The criticisms did not only come from politicians; in late May 2018 more than one thousand British Virgin Islanders protested against the UK's decision (*Cayman Compass*, 2018b). And so, despite the good intentions UK politicians may have had, this is the third front which has opened up between the territories and the UK. There is a strong feeling across all the territories in the Caribbean, but chiefly those affected by Irma, that the actions of the UK Parliament have been heavy handed, have damaged their autonomy, and further imperilled their economies. The more unfavourable position of the Labour Party under Jeremy Corbyn towards the territories'

offshore industries, and the recent focus on 'dirty-money' more generally, has challenged further the view of UK benevolence long-held by many in the territories.

Recalibrating relations

The UK's decision to leave the EU, in particular, along with the controversies regarding Irma and the publicly accessible registers of the beneficial ownership of companies, have triggered centrifugal forces in the relationship between the UK and its territories. Of course, the process is not uniform, and the underlying ties remain intact; but the territories are certainly looking for new paths of influence and opportunities to best secure their own interests and development. One pre-existing example is that of Bermuda's third country equivalency under Solvency II, the EU's prudential regulatory regime which sets out rules to develop a single market for the insurance sector. It allows third country insurers to operate in the EU without complying with all EU rules (Official Journal of the EU, 2016). This agreement is separate from other aspects of the UKOT-EU relationship. Thus Europe considers Bermuda to be a jurisdiction in its own right, and all treaties, rights, policies and equivalency agreements have been negotiated on a third country basis with the EU. As Derrick Binns, Bermuda's Secretary of the Cabinet, has argued:

> We achieved it on our own. We achieved it for Bermuda and we do not believe that it is linked in any way to the UK's membership of the European Union (House of Lords European Union Committee, 2017c, p. 21).

So: to what extent could this approach be used by other territories to gain greater autonomy from the UK, as well as to maintain their links with the EU post-Brexit?

In May 2017, Anguilla introduced a change to allow French nationals from French Saint Martin to travel freely to the territory, exempt from passport controls (West India Committee, 2018, p. 28). Anguilla hopes that some kind of common travel area can be maintained after Brexit, and reassurances have been given by neighbouring territories that this may be possible. Along with other territories, Anguilla is also lobbying for continued association with the OCTA and payments via the EDF, with the UK contributing on a 'pay as you go' basis. OCTA members are "keen" for the UKOTs to remain associated with the grouping (West India Committee, 2017, p. 28), while the EDF has a special status and is managed outside the EU's general budget, and contributions can be made by third countries. In its political declaration after the EU-OCT Ministerial Conference in February 2018, OCT representatives suggested that the UK could "contribute to the EU financial support earmarked for OCTs . . . with a view to maintain UKOTs within or alongside the OCTs grouping" (OCTA, 2018b, p. 9).

Anguilla is also probing the option of being part of the European Grouping of Territorial Cooperation (EGTC). This choice might also be open to Gibraltar; as well as to Pitcairn, keen to maintain and nurture strong links with French Polynesia. The regulation for the EGTC states:

> … a third country or an OCT shall be considered to be neighbouring a [EU] member state, including its outermost regions where the third country or the OCT and that member state share a common land border or where both the third country or OCT and the member state are eligible under a joint maritime cross-border or transnational programme under the European territorial cooperation goal, or are eligible under another cross-border, sea-crossing or sea-basin cooperation programme, including where they are separated by international waters (Regulation EC No. 1082/2006).

Other options to maintain a relationship with the EU are being considered by Anguilla and the British Virgin Islands in particular. Both are already associate members of the Organisation of Eastern Caribbean States and the Caribbean Community, and would like to deepen those links. Montserrat is already a full member of both organisations. Moreover, there is an appetite to join two other related groups: CARIFORUM (Caribbean Community and Dominican Republic) and the African, Caribbean and Pacific (ACP) group. By aligning with these groups, there might be a possibility of benefiting in some way with these organisations' existing agreements with the EU. There are Economic Partnership Agreements (EPAs) between the EU and CARIFORUM and also the Southern African Development Community (SADC); an initialled EPA with West Africa; and an interim EPA with countries in the Pacific. So potentially, the territories in the Caribbean, St Helena, Tristan da Cunha and Ascension, and Pitcairn could be accommodated in the regional EPAs. This would mean creating an arrangement that was not directly tied to the UK, and so would require some flexibility on the part of the EU, the regional trading blocs, and the UK itself that would need to endorse any deals. But such agreements would tap into existing relations and networks, although for territories such as Anguilla, St Helena and Pitcairn – where the Governor has the principal role in external affairs – some greater local authority might be required (Hendry & Dickson, 2011, pp. 225-245).

Indeed, until recently, there were strong parallels between the ACP and OCT ties with the EU. Over the last decade the respective links have diverged; but: could the EPAs be appropriate for the territories? They offer free access, with certain exceptions, to ACP goods and services (e.g. financial services and tourism) into the EU market. Moreover, the ACP was able to keep special protections for small and medium enterprises in some sectors, and the EPAs include provisions for short-term visitors for business purposes. Finally, the EU offers financial support to ACP countries via the EDF. It is the case that the EPAs are not as comprehensive or as advantageous as the present arrangements for the OCTs, but they are potentially a route back into the EU. As Benito Wheatley, the British Virgin Islands' EU Representative, has argued,

> The ACP Group is the most logical alternative for the BVI because of our similar relationship with the EU, and the Territory's position in the Caribbean where many ACP countries are located (Government of the Virgin Islands, 2017).

Among the UKOTs, Gibraltar has arguably most to lose from Brexit. Discussions have taken place as to whether it could seek a "microstate-style relationship" with the EU (House of Lords European Union Committee, 2017a, p. 25; Gibraltar Panorama, 2016). It would place Gibraltar alongside political units such as Andorra, Monaco and San Marino, which have tailor-made relationships with the EU covering areas such as the single market and freedom of movement. Alternatively, it has been suggested that it might be possible "to have an aspect of the new agreement between the UK and the EU apply in a different way to Gibraltar", or at least a "nuanced" relationship to facilitate specific local needs, such as the fluid land border with Spain (House of Lords European Union Committee, 2017a, p. 25). For instance, the Local Border Traffic Regulation (EC/1931/2006) could be maintained in some form (Davis 2017, p. 3). This could be used as the basis for movement of labour between Spain and Gibraltar. Nevertheless, as the House of Lords EU Committee noted:

> It is not clear that the EU would prioritise special arrangements for a dependent territory of a state which is leaving, not joining the EU (House of Lords European Union Committee, 2017, p. 26).

The frustrations on the part of the territories with Brexit are clear, and this is causing them to look more pro-actively for new alliances. Some territories have more freedom to do this than others, particularly those in the Caribbean, but most are doing their utmost to secure as best a deal with the EU as possible, either directly or indirectly. In some cases, this means trying to extract further autonomy from the UK. Even the UK Government hopes there will be a bespoke deal; a July 2018 White Paper noted:

> The UK will be seeking specific arrangements for Gibraltar and the other Overseas Territories. [They] should take account of the significant and mutually beneficial economic ties between these economies and EU member states (HM Government, 2018, p. 15).

At present, however, there is little detail of what those arrangements might look like.

Conclusion

This article has provided an analysis of some of the serious issues facing the UK's Overseas Territories, which are putting a degree of pressure on relations with London. Because of Brexit, the UK's response to Irma, and the more critical view of the UK Parliament towards the territories' offshore financial centres, the territories are exploring new options to advance their interests that at the very least are pushing against the limits of their ties with the UK. This is particularly true of several of the territories in the Caribbean. Many have aspirations of (at the very least) more autonomy and possibly independence in the medium-term, propelled by their real disgruntlement over recent events. The British Virgin Islands has been particularly active in exploring new opportunities. It is true that, for the time being, the recovery from Irma will take centre stage. But, once that is complete and with better integration into regional bodies, an independent future may be possible; the same goes for Bermuda. For others such as Gibraltar and the Falkland Islands, owing to their sovereignty disputes; for Pitcairn and St Helena because of small size and isolation; and Montserrat by reason of the ongoing impact of the volcano, the UK link will remain paramount. However, even for these territories, the actions of the UK government and parliament have dented the confidence of politicians, business leaders, and citizens more generally, and placed their economic security at significant risk.

So: returning to the important conceptual framework provided by Baldacchino and others noted in the Introduction, the paper has argued that the UK is, and is not seen to be, any longer such a benevolent patron, that is reliable and protective. Consequently, the mutual accommodation and convenience between the UK and the territories is fraying. Tangible benefits still accrue as a result of their close links with the UK: prominent among these remain political security; economic support (in several cases); diplomatic representation; and the freedom to travel, reside and work in the metropole. But the policy decisions and approaches taken recently in London towards the territories, principally within the context of Brexit, will unquestionably place them in a less favourable position than in the past. The territories will likely become more isolated, more vulnerable, and quite possibly poorer over the next few years; and the fact that these changes will happen because of deliberate acts from London compound the territories' sense of anger, disappointment and injustice.

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