

## The European Union and the Caribbean Region: Situating the Caribbean Overseas Countries and Territories

*Paul Sutton*

*Abstract:* This paper examines one important dimension of the European Union's (EU) 'regional' engagement with the Caribbean: its relations with the Overseas Countries and Territories (OCT), with a particular focus on the possibility of furthering the policy goals of greater regional integration and cooperation. It does so in three parts. The first sets out the basis for current EU policy to the OCT which has been under discussion between the EU, the OCT and the four EU member states most involved (Denmark, France, the Netherlands and the United Kingdom) since 2008. It reports EU proposals for change and the responses to them by the Caribbean OCTs. The second part examines EU policy toward promoting greater regional cooperation among the Caribbean OCTs and between them and some of the other Caribbean regional organizations. Three distinct frameworks for cooperation and integration are discussed: with independent states as established in the Caribbean Community, the Caribbean Forum and the Economic Partnership Agreement; with the French departments and collectivities; and with the Caribbean OCT. In each the position of the Caribbean OCT is situated. The final part briefly discusses the creation of a 'new' framework for regional cooperation specific for the Caribbean OCT which will most closely match their interests in the Caribbean. *Keywords:* Overseas Countries and Territories (OCT); European Union (EU); Caribbean, Overseas Countries and Territories Association (OCTA); Caribbean Community (CARICOM); Economic Partnership Agreement (EPA); European Development Fund (EDF); Départements d'Outre-Mer (DOM); Collectivités d'Outre-Mer (COM).

The policies and activities of the European Union (EU) in the Caribbean are a complex mix of overlapping but distinct programmes implemented through an 'alphabet soup' of regional organizations which themselves have overlapping responsibilities and areas of competence. There is in addition a bilateral element to EU engagement with countries such as Cuba (and in part the Dominican Republic) and a concurrent and yet again distinct set of bilateral policies pursued by EU member states toward Caribbean countries and territories with which they have had a long association. These include relations with the independent countries by the United Kingdom (UK), France and Spain, with the Overseas Countries and Territories (OCT) by the UK and the Netherlands, and by France toward its départements d'Outre Mer (DOM) and collectivités d'Outre Mer (COM). It is, for anyone seeking to make sense of it, a difficult and confusing task without seemingly any common theme or common approach.

There is, however, one component which has consistently guided the policy of the EU: the ideal of regional cooperation and regional integration. It has been at the core of EU engagement with the region since the mid-1970s and is featured in nearly every publication the EU produces on the Caribbean. For example, in the Communication from the European Commission to the Council in March 2006, which set out a policy framework to govern its relations with the Caribbean in its widest sense, the Commission spoke of its intent to promote closer regional integration between the countries of the Caribbean Community (CARICOM) and enhanced cooperation between the DOM, OCT and CARICOM (European Commission 2006). This proposal was endorsed by the European Council. More recently,

in an initiative to update its policy, the EU has launched the idea of a Joint Caribbean- EU Partnership Strategy to be agreed by the EU and Caribbean governments (Council of the European Union 2010), which again emphasizes the imperatives of regional integration and regional cooperation.

This paper examines one important dimension of the EU's 'regional' engagement with the Caribbean: its relations with the OCT, with a particular focus on the possibility of furthering the policy goals of greater regional integration and cooperation. It does so in three parts. The first sets out the basis for current EU policy to the OCT and reports EU proposals for change. The second examines EU policy toward promoting greater regional cooperation among the Caribbean OCTs and between them and some of the other Caribbean regional organizations, including CARIFORUM and the French territories, identifying issues in existing patterns of cooperation. The final part briefly discusses the creation of a new framework for regional cooperation specific for the Caribbean OCT.

### **The EU and the OCT**

The EU has had a special relationship with its OCTs since the original founding Treaty of Rome in 1957 provided for measures to promote their economic and social development and to bring them closer to the EU as a whole. The current relationship is based on the Overseas Association Decision (OAD), adopted by the Council of Ministers in November 2001 and applicable currently to twenty six OCTs.<sup>1</sup> The OAD provides for development finance cooperation, principally delivered through the mechanism of the European Development Fund (EDF), and provisions for economic and trade cooperation, including a non-reciprocal trade regime allowing the OCT to export to the EU all products originating within the OCT free of duty and free of quota. The current OAD expires on 31 December 2013.<sup>2</sup>

The development logic behind the various OADs has been largely modelled on those applying to the African, Caribbean and Pacific (ACP) countries under the successive Lomé Conventions and now the Cotonou Agreement. In the 1990s, however, questions began to be raised about the applicability of such arrangements to the OCTs and various adaptations to the OAD were made in 1991 and 2001 to take account of this fact. The Treaty of Amsterdam, 1997, also called for changes to be made to more accurately reflect the developmental needs of the OCTs. In June 2008 the European Commission responded to such calls by publishing a Green Paper on 'Future relations between the EU and the Overseas Countries and Territories' (Commission of the European Communities 2008a) and launched a public consultation process to discuss its arguments for change.

The Green Paper provides a comprehensive overview of EU-OCT relations. It summarises the current legal basis of the 'association arrangements', provides information on the individual OCTs and details the trade arrangements between them and the EU. It points to the many differences between the OCTs but also identifies the common characteristics they share including their vulnerability as micro-island economies and their distinct position within the EU. The major aim is to identify the 'challenges and opportunities' facing the OCT in order to define an 'overall philosophy that should underpin relations in the longer term' (Commission of the

European Communities 2008a, 2). In turn, this would inform the new policy toward them to be decided by the European Council.

The Commission received 32 responses to the consultation, five of which came from Caribbean OCTs.<sup>3</sup> The principal focus of Anguilla's comments was access to European funding programmes to offset acute vulnerabilities and protect the environment (Government of Anguilla 2008). The British Virgin Islands (BVI) response was more comprehensive (Government of the British Virgin Islands 2008). It broadly supported the thrust of the Green Paper and argued for special recognition from the EU in respect of trade and for additional resources to offset its many vulnerabilities. It also supported the recognition of mutual interests on matters of the environment and on the global regulation of offshore financial centres, arguing in the case of the latter for a level playing field which it claimed the EU had not always provided. The Cayman Islands (CI) response was brief and set out issues about which the CI were especially concerned – offshore finance, disaster management and 'small size', which should be taken into account in any future EU policy toward them (Government of the Cayman Islands 2008). The government of Aruba argued for a mix of classic development policies and special arrangements to offset vulnerabilities (Government of Aruba 2008). It wanted a more active and reciprocal relationship with the EU than in the past, and more assistance to establish high value activities and better transportation links between Aruba and the EU as well as with neighbouring countries. The Netherlands Antilles welcomed the review of policy and provided a thorough and detailed response to all the questions posed by the Commission (Government of the Netherlands Antilles 2008). Among the issues it highlighted were measures to offset vulnerability and small size, improvements in the trading regime and in access to horizontal funds in the EU, policies to improve its competitiveness, its value to the EU as a 'transshipment' point for trade between the EU and Central and South American countries, and criticisms by the EU of its offshore financial centre activities. Of note is that while the Commission asked questions about regional integration in the Green Paper several of the OCTs in their responses identified problems in existing Caribbean regional arrangements and some, especially the Netherlands Antilles, were sceptical about any real benefits to be derived from closer regional cooperation or regional integration in the Caribbean.

The Commission published its response to the consultation in November 2009 (Commission of the European Communities 2009). It stated it was 'in favour of a significant change in the approach to the association of the OCTs with the EU' (ibid, 19). In terms of specific details, it set out a three part strategy as the basis of future cooperation. The first was to enhance the competitiveness of the OCTs in key areas such as education and training, information and communication technologies, macroeconomic stability, small and medium sized enterprises and good economic and political governance. The second was to increase resilience by reducing vulnerability to economic shocks, environmental challenges, energy dependence and natural disasters. The third was to promote cooperation on economic, environmental and cultural matters between the OCTs and with relevant ACP countries and the European territories, known collectively within the EU as 'outermost regions' (OR), within their respective regions.<sup>4</sup> In respect of trade and aid the EU would maintain existing advantages while also proposing some changes, especially

in respect of new forms of financial assistance. While some of its proposals addressed some of the issues raised in the consultation most measures were consistent with those proposed in the Green Paper. The Commission's proposals were approved in all essentials at the European Council on 22 December 2009. The Council also asked the Commission to deliver its draft proposals for the new OAD to them by July 2012.

The last major stage in this process was the production of a joint response to the Commission's proposals by the four member states (Denmark, France, the Netherlands and the UK) and the OCTs. They issued a Joint Position Paper (JPP) at the OCT-EU Forum in New Caledonia in March 2011 (Joint Position Paper 2011). It is in many ways a restatement of many of the main issues in EU-OCT relations over the last ten years. It discusses trade, environmental issues, and financial assistance where the principal intention is to maintain existing benefits and achieve enhanced provision where possible, more effectively delivered and better calibrated to the needs of individual OCTs, including through a dedicated financial instrument solely for the OCTs. The JPP also discusses mutual benefits, maintaining that the OCTs should be seen as 'members of the EU family' which 'are present in all parts of the world and should be seen as assets for the EU' (Joint Position Paper 2011, 2), particularly in their regions. It ends with seven 'key messages' reinforcing the above points one of which reads: 'The OCTs are eager to play a strengthened role in the promotion of EU values in their regional environment. The EC should consider OCTs as key stakeholders in regional programmes and strategies' (ibid, 10). The JPP was signed by all the OCTs with the exception of the Cayman Islands.<sup>5</sup>

The process of developing a new policy toward the OCTs shows a clear convergence of viewpoints. This is reflected in both the Political Declaration of the Overseas Countries and Territories Association (OCTA) at its Ministerial Conference in Brussels in January 2012 (OCTA 2012) and the speech by the Commissioner for Development at the 10<sup>th</sup> EU-OCT Forum the next day (Commission of the European Communities 2012a). The former reaffirmed the main dimensions of the relationship and called upon the Commission to improve its dealings with the OCT in the various mechanisms to service it. The latter saw the Commissioner reiterating many of the points of agreement over the years including 'special attention to areas like the environment, trade and regional integration – the very areas you flagged up in the Joint Position Paper'. The Commissioner also indicated that he saw 'a switch from a development slant to cooperation between the OCT themselves – and between them and their neighbours – as a promising future avenue' which could mean 'giving a larger slice of the 11<sup>th</sup> EDF cake to regional actions' (ibid). The major issues which remained were therefore not so much the content of the relationship between the major 'partners' but whether the content would be approved, given the need for unanimity in the European Council to agree a new OAD and the severely constrained resource environment which faced the EU in 2012 and beyond.

### **The EU and Caribbean Integration and Cooperation**

The EU makes a distinction between Caribbean integration and cooperation. The former is concentrated in CARICOM<sup>6</sup> and the OECS<sup>7</sup> and seeks to promote a mul-

tifaceted process of economic, functional and political integration along with the completion of the Caribbean Single Market and Economy (CMSE). The latter is a wider process of political dialogue and regional cooperation and is institutionalized in CARIFORUM<sup>8</sup> and in relations the EU has with the OCTs and promotes for the OR. The distinction between the two processes is not a rigid one and in practice there is a good deal of fluidity and ‘boundary crossing’ in the various programmes the EU supports to reach the overarching goal of greater Caribbean regional unity.

These programmes are advanced within three sets of relations. The first are with the independent states of the region and are largely carried through in the ACP-EU Cotonou Agreement, valid until 2020, and the CARIFORUM-EU Economic Partnership Agreement (EPA), concluded in 2008. These provide for trade, aid and political dialogue. The second is with the DOM/COM which has a wider European reference but also distinctive Caribbean elements, such as in the INTERREG programmes. The third is relations with the Caribbean OCT, which again is undertaken mainly within the wider framework of OCT-EU relations although there is a specific Caribbean component within the EDF regional programme for the OCTs.

#### *Cotonou, CARIFORUM and the EPA*

The Cotonou Agreement is the successor agreement to the Lomé Conventions, the first of which was signed in 1975. These have been the principal mechanisms through which the EU managed its relations with the region (Sutton 1991). Regional integration has always been a central feature and the EU has regularly set aside a significant amount of the financial and technical assistance it gives to the Caribbean in a series of regional indicative programmes (CRIP) designed to encourage closer cooperation and integration. The amounts allocated in recent years are €57 million for 2000-2007 (EDF 9) and €165 million for 2008-2013 (EDF10). The beneficiary countries include all the Caribbean ACP countries.<sup>9</sup>

The current regional programme is coordinated and managed by CARIFORUM. The Regional Strategy Paper and Regional Indicative Programme (2008-2013) set out a number of activities ‘aimed at developing closer cooperation’ between the OCT, the DOM and other Caribbean states. These include the establishment of CARIFORUM/DOM/OCT/EU Task Forces in HIV/AIDS, Disaster Management, Trade and Investment and Interconnectivity and ‘seeking to establish a formal status for the DOMs and the OCTs in the CARIFORUM process either as observers or as associate members’ (European Commission 2008b, 22, 26). A sum of €6.6 million was set aside in the regional programme to support them.

The outcome has been disappointing. The idea of regional Task Forces in specific areas was formulated at a conference in Martinique in November 2005. A number of regional organizations were chosen as lead agencies. The HIV/AIDS Task Force met four times to facilitate work on an HIV/AIDS project for the Caribbean OCTs but has not been active since 2008. The Interconnectivity Task Force met twice and decided to draft a Strategic Plan, but it was not produced. The Disaster Management Task Force met for the first and only time in 2010 and the list of countries attending did not include any OCTs. The only ‘success’ has been the

Trade and Investment Task Force which met regularly from 2006, held a number of seminars and sponsored trade missions and studies. A key element here has been the leadership of the Caribbean Export Development Agency as the driving force behind the various initiatives and the close association it has forged with the Regional Councils of Guadeloupe and Martinique.

The reasons for the failure of the Task Forces appear to rest on a lack of interest, funding and priority. They are pithily summarised in a comment by an EU official. He points out that the Task Force programme 'was not and is not a priority for the CARICOM Secretariat. We have seen this in the 10<sup>th</sup> EDF programming again. The wider CF [CARIFORUM] programme is at the bottom of the priority list' (Heikens, n.d.). In consequence there had been no consultations with partners (DOM, OCT, Cuba, Dominican Republic and Suriname) prior to the submission of projects for the CRIP by the CARICOM Secretariat. The EU therefore rejected the initial proposals but the official also commented that 'the OCTs do not seem over-enthusiastic either'. The fault is therefore not all one way.

The OCTs have Observer Status in CARIFORUM as do the DOMs. However, as even a cursory glance at recent reports of the Meetings of the Council of Ministers of CARIFORUM show, they do not get a mention. They may be invited, but they are not on the agenda.

The other key agreement determining EU relations with the Caribbean is the Economic Partnership Agreement (EPA) concluded in October 2008. The EPA establishes a comprehensive, and eventually fully reciprocal, free trade agreement between the EU and the Caribbean ACP along with supporting development assistance programmes. The Agreement will eventually cover substantially all trade, including services, between the EU and the Caribbean and is compliant with WTO rules. Among its central objectives is the encouragement and deepening of Caribbean regional integration (Article 4). It also provides in Article 246.1 a revision clause allowing the parties to the Agreement 'to bring Overseas Countries and Territories Associated with the European Community within the scope of this Agreement'.

The CARIFORUM-EU negotiations for an EPA began in April 2004 but it was not until mid-2006 that any serious consideration was given by CARIFORUM to the situation of the Caribbean OCTs. At that time the Caribbean Regional Negotiating Machinery (CRNM), which was the lead agency for negotiations with the EU, prepared a 'concept note' for the Council for Trade and Economic Development of CARICOM on the relationship of the DOMs and the OCTs to the EPA (Caribbean Regional Negotiating Machinery 2006). The paper focused mainly on the DOMs. In terms of the OCTs it had little to suggest. However it did make two points strongly. The first was that 'the negotiation of trade liberalization in relations to the OCTs cannot be entertained in the EPA context' (ibid, para. 31, emphasis in original). The reasons given for this view were: (i) that the OCTs had a distinct relationship to the EU which required special consideration; and (ii) that the OCTs were not part of the negotiating process and therefore had to be considered separately (Montserrat as a full member of CARICOM had asked for an 'entrustment' from the UK to participate in the negotiations<sup>10</sup> but the UK had refused to give it one). The second point was a proposal that both CARIFORUM and the EU 'might wish to include in an EPA a commitment to act jointly in engaging the

OCTs on trade matters outside the EPA' (ibid, para. 32, emphasis in original). This was clearly not followed up in any way since the EPA does not include such an undertaking. Indeed, little appears to have transpired beyond the preparation of this note. Again, however, not everything was one way. The paper states: 'It is instructive that the President of the Executive Committee of the Association of Overseas Countries and Territories explained at an EPA Seminar in Brussels on 13-15 June 2005, that the OCTs are sceptical of "the underlying motives that have led to the inclusion of the OCTs into the EPA process" and that the enthusiasm for including OCTs in that process caused some to conjecture that this is part of a policy to downplay the ties and relationship with the EU and "stuff off" the OCTs into other regions' (ibid, para. 33). The OCTs then clearly had their concerns about the wisdom of inclusion in the EPA, but they were mistaken to think that there was any real interest in involving them in the EPA negotiations. Indeed, this later became a bone of contention aired at the annual EU-OCT Forums when the OCT complained they were not involved!

The only other serious consideration of the position of the Caribbean OCTs within the EPA prior to its formal conclusion is a paper produced by the Economic Commission for Latin America and the Caribbean (ECLAC) in September 2008 (Economic Commission for Latin America and the Caribbean 2008). This examined the implications of the EPA on the OCTs and set out a number of recommendations in relation to trade, tourism, public procurement and financial services. Of particular note were three scenarios on regional integration. The first was maintenance of the status quo whereby the OCTs had privileged access to the EU market under the OAD 2001. ECLAC argued that this was compatible with the EPA should a Caribbean OCT decide not to join the EPA. However, it did warn that the non-reciprocal arrangements of the OAD were under threat from any new arrangement post 2013. Second it pointed out that any benefits from entry into the EPA would be very limited and that some areas of importance to them, such as financial services, might be subject to constraints that did not apply at the present. It therefore saw 'no incentive' for the OCT to join the EPA. Third it reached similar conclusions with regard to becoming part of the CSME identifying a number of areas where the OCT would be disadvantaged or gain no benefits compared to current arrangements. It therefore recommended that 'a focus on the participation of the Caribbean OCTs in CARICOM (as associate members) mainly in the areas of functional cooperation and common services, as opposed to their accession to the CSME, would be a more appropriate strategy at this juncture' (ibid, 9).

The situation at the end of 2008 was therefore one where there was little enthusiasm or incentive for either the Caribbean OCT or the CARIFORUM states to engage in a common process of regional integration. That conclusion has been further underlined by a comprehensive and detailed study on the relevance of regional integration for the OCTs in the Caribbean, Pacific and Indian Ocean finalised in January 2010 (European Commission and Overseas Countries and Territories Association 2010). It argued: 'the attraction of joining an EPA type of arrangement with the EU, which demands reciprocal trade liberalisation, does not appear to be in the interests of the [Caribbean] OCTs at the moment. If OCTs were to engage in an EPA arrangement they should negotiate a separate agreement than the EC-CARIFORUM EPA, in order to ensure their interests are best represented in the

agreement. Alternatively modifications to the EC-CARIFORUM EPA would be necessary to reflect their interests. In particular, it would require less ambitious levels of liberalisation in goods (since tariffs are a major source of government revenue) and be much less demanding in the area of services, which requires a fully functioning and state of the art legal and regulatory system, which is not currently the case, as well as introducing new levels of competition to small Caribbean service providers' (ibid, 18).

However, the study did not set itself fully against regional integration in the future and regional cooperation for the present. It commended negotiations in the first instance within a CARICOM or OECS framework (Montserrat was already committed to both) and argued that the Caribbean OCTs 'should be more proactive in the regional integration process, as a means to diversify their economies, and to benefit more fully in trade, environmental, political, legal and economic initiatives at the regional level' (ibid). It also saw advantages to be gained through more active involvement in regional initiatives on air and shipping services and in regional bodies such as the Caribbean Court of Justice and the Caribbean Regional Organisation for Standards and Quality. While these were essentially practical considerations the study did recognise that 'ultimately, it will most likely be a political as opposed to an economic decision, as to whether OCTs wish to integrate more fully in the Caribbean, with the EU, US or WTO' (ibid, 209). The Caribbean region, in this context, was simply one of several options and not necessarily the best one for the Caribbean OCTs to pursue.

### *The DOM and the COM*

The DOM and the COM are integral parts of France, with the latter having a greater degree of autonomy in financial matters than the former. As French territories they relate mainly to France (St Martin and Saint Barthélemy are partial exceptions) and links with the remainder of the Caribbean are very much a 'second best'. Nevertheless, there have been a number of official and private sector initiatives over the years by the DOM to promote regional co-operation with neighbouring countries. Additionally, the EU has supported measures to encourage closer cooperation in the Caribbean between the 'outermost regions'. A recent Communication from the European Commission, for example, argues that: 'The OR must be called upon to take a constructive role in the process of implementing and finalising the EPAs. They should in particular grasp the opportunities offered by the enhancement of regional cooperation for trade in goods and services as well as in other areas such as services, intellectual property and public procurement. It is in these areas in particular, where the OR have a comparative edge, that real complementarity may be developed between the economies of these regions and those of the ACP countries' (European Commission 2008c).

The principal engagement of the DOM (also known by the acronym DFA) with the Caribbean has been through activities co-ordinated and promoted by the regional councils of Guadeloupe and Martinique. One set have focused on engagement with the OECS. A Briefing Document prepared by the OECS Secretariat gives many examples of practical co-operation over the last twenty years (Organisation of Eastern Caribbean States 2009). In the 1990s these included joint initia-



tives in the areas of trade and investment (including the establishment of a Trade Facilitation Office), joint meetings between chambers of commerce, a joint working party to identify cooperation projects, a small business programme, and joint meetings to promote tourism, agriculture (especially banana production) and language training. In the 2000s they included a health sector reform programme, a cultural network project, and a training and scholarship programme (mostly funded by the French government). The range of activities appears to show a positive picture but the reality is they have been difficult to sustain. The OECS Secretariat notes that 'optimal benefits from OECS-DFA cooperation have been somewhat limited in scope due to the absence of a single identifiable interlocutor (at the policy and technical level) within the DFAs through which the OECS can relate, the absence of appropriate institutional mechanisms, inadequate capacity and inappropriate targeting of scarce resources' (ibid, 8). Notwithstanding these problems, however, the Secretariat proposed that new initiatives be explored, especially at the technical level, and an institutional framework be designed to carry them forward jointly with the regional councils.

The other set have been channelled through successive INTERREG programmes financed largely by the European Regional Development Fund (ERDF). The third programme (INTERREG III) from 2000-2006 was allocated €24 million (50 per cent funded by the ERDF) and the fourth programme (INTERREG IV) €67 million (75 per cent from the ERDF) for the period 2007-2013. The principal goal of the programmes is to encourage development within the DOM/COM and closer integration with the region. The finance available normally covers only the participation of the French territories in any joint programmes and the list of eligible countries includes not only all the Caribbean islands but also Central American countries and some larger mainland South American countries with Caribbean coastline. A brief analysis of the effectiveness of the INTERREG III programme with the rest of the region identified weaknesses and difficulties in respect of language issues, different development priorities, and mobilizing co-finance but nonetheless maintained that the programme had 'added value' in the sense of beginning a process of dialogue between regional agencies and private sector groupings (Programme INTERREG Caraïbes 2007, 41-44). Similar conclusions were also reached independently by the OECS which noted that 'notwithstanding the limited tangible results, INTERREG has provided the catalytic framework for the OECS and the DFAs to build on common strengths and to reduce risks in a cooperative and systematic way, thus extending the benefits of cooperation across the Caribbean region' (Best 2008). INTERREG IV identifies three priorities: (i) growth, employment and improved accessibility and connectivity of the territories; (ii) environmental management of resources and hazard prevention; and (iii) development of common services and synergies between governmental institutions to reinforce social cohesion and integration in the Caribbean (Programme INTERREG Caraïbes, n.d.). Although a website in French and English was established at the beginning of the programme to encourage greater participation it has not been updated and access to financing and disbursement remains complex and difficult for non-French participants.<sup>11</sup>

The record of cooperation between the DOM/COM and the Caribbean is modest but growing. The engagement of any single OCT with the DOM/COM is very

low key, including Anguilla with its close neighbour St Martin and St Maarten with its even closer neighbour St Martin (where there is a common contiguous land border),<sup>12</sup> but the general trend is toward a broader involvement of the French territories collectively with the region. A recent manifestation was the convening by the University of the French Antilles and French Guyana of the first conference on regional integration of the French Departments in the Americas in Guadeloupe in December 2011. In promoting such activities the private sector in the French DOM have normally taken the lead, albeit with official funding and support. In contrast, the other Caribbean countries, OECS excepted, have been more circumspect in their response. This is illustrated in the ‘concept note’ prepared by the CRNM on the DOM and the EPA. This identifies opportunities in engaging CARIFORUM with the DOM but also threats in areas where CARIFORUM are in competition with them (Caribbean Regional Negotiating Machinery 2006).<sup>13</sup> The conclusion to be drawn is that the current framework available to the DOM/COM, when combined with current attitudes in CARICOM, point to real difficulties in regional co-operation and ensure it will be a difficult, protracted and an essentially low-key affair for most Caribbean countries.

### *The Caribbean OCT*

The relations of the EU with the Caribbean OCT have focused on trade and on development assistance. The former has seen two issues in the past that have caused problems. The first was the introduction in the 1991 OAD of measures which allowed free and unlimited access to the EU for products originating in the OCT and special provisions for cumulation (the importation and processing of products from ACP countries and their onward delivery to the EU free of import duties and quantitative restrictions). This quickly led to problems and in 1992 the EU claimed it was being ‘flooded’ by rice and sugar products imported from the ACP via some Caribbean OCTs (principally the Netherlands Antilles) with minimum processing. In 1993, and again in 1996 and 1997 the EU adopted ‘safeguard’ measures to first limit such trade and then from 1997 enacted new regulations to control it (Hillebrink 2008, 304-307). The second was the attempted imposition by the EU of a Tax Savings Directive on some of the offshore financial centres (OFCs) of member states to take effect from July 2005. It was vigorously resisted by the Caribbean OFCs and the Cayman Islands lodged a case against the Commission at the European Court of Justice. The Court ruled that the matter was essentially one between the UK government and the Cayman Islands government, with the latter eventually agreeing to implement the information exchange procedures of the Directive.

The development assistance dimension has centred on the provision of economic and technical assistance via the EDF to individual OCTs and to the OCT region. The amounts allocated to OCTs were for the Eighth EDF (1998-2002) €15 million; Ninth EDF (2002-2007) €145 million; and the Tenth EDF (2008-2013) €286 million (Commission of the European Union 2011, 21). The amounts allocated to individual Caribbean OCTs in total were €40.475 million (Eighth) EDF and €47.4 million (Ninth EDF), excluding any regional funds (European Commission 2005). The Tenth EDF has indicatively allocated €72.09 million to the Caribbean OCTs

and €15 million to the Caribbean strand of the regional programme (European Commission 2012b). Humanitarian and Emergency funding is also available and an indicative allocation with the European Investment Bank. The OCTs can also access funding under 'horizontal' European programmes (e.g. research, education and training, innovation and competitiveness, and culture and media among others).

The main beneficiaries of Ninth EDF assistance among the Caribbean OCTs have been Anguilla (€8 million), Montserrat (€1 million), Turks and Caicos Islands (€8.4 million) and the Netherlands Antilles (€20 million) (European Commission 2005).<sup>14</sup> Aruba subsequently benefitted from a €9.8 million distribution of funds under the Ninth EDF. The main sectors to which funds were committed were transportation infrastructure, budgetary support and heritage and environmental projects. The British Virgin Islands and the Cayman Islands were technically not eligible for funding under the Ninth EDF since their per capita income was above the EU average. However they did receive some funding (€0.937 million BVI for training and €3.3 million CI for reconstruction following Hurricane Ivan). The Tenth EDF has indicatively allocated the following: Aruba (€8.88 million), former Netherlands Antilles (€24 million), Anguilla (€1.7 million), Montserrat (€15.66 million) and Turks and Caicos (€1.85 million) (European Commission 2012b). There are no allocations for the British Virgin Islands and the Cayman Islands.

All the Caribbean OCTs, however, are eligible for the regional programmes. The amounts allocated to the Caribbean are difficult to calculate since they also draw on the regional programme for all OCTs, the wider CRIP for the ACP and other funding streams (as in the case of the new airport in Montserrat, the EU contribution to the Caribbean catastrophe risk insurance facility and the EU contribution to the establishment of a digital early warning weather station on the Cayman Islands). Recent projects benefitting the OCTs have included the strengthening of medical laboratory services in the Caribbean OCTs (€1.138 million), an automated system for customs data in Anguilla, Montserrat and the Turks and Caicos Islands (€1.38 million), and the management of protected areas for environmental purposes in the Cayman islands and Turks and Caicos Islands (€2.475 million) (EU External Action Service 2012). The Tenth EDF also has a proposal for the strengthening of the development of small and medium enterprises in the British and Dutch OCTs in the Caribbean region (€15 million) (EU Delegation Barbados and the Eastern Caribbean 2010).

The delivery of EDF assistance to the OCTs has been a regular subject of review and criticism at the annual OCT-EU Forums. The complaints from the OCTs have included overly bureaucratic and inappropriate procedures by EDF officials based on their experience of the ACP programme which leave them insufficiently attentive to the small scale needs of the individual OCTs. The EU has identified lack of capacity in the OCTs to access programmes. The result has been extensive delay in drawing up programmes and implementing them. In January 2005, for example, the Commission identified a figure of €175.9 million in funds available for the Caribbean region OCTs from the various EDFs since 1976 of which €93.4 million was still available, a commitment rate of only 47 per cent (European Commission 2005). The recent study by the Commission of the OCT aid programme confirms and identifies many continuing problems: 'The evaluation has provided ample evidence that unnecessary delays occurred; that the Commission

was inconsistent in its approaches, changed its reporting requirement and failed to fulfil the “partnership” ethos.... Whilst individual projects and programmes have been beneficial with a positive impact, the delays diminished the impact of EU support in some cases’ (European Commission 2011, 87). The record of EDF engagement with the wider Caribbean region would confirm many of these observations and of note is that, as of the end of March 2012, Aruba is the only country signing off the Tenth EDF Single Programming Document which finalizes programme funds. The problems are not easy ones to resolve and the issue of whether EU aid to the OCTs is necessary or desirable has been placed on the table by the EU. Aid will no doubt continue, but obviously it should not continue in the same way it has done until now.

The direct engagement of the EU with the Caribbean OCTs in recent years has largely gone unreported in the local media and unnoticed by the general populace, including senior figures in the private sector and many officials in the public service.<sup>15</sup> The EU is seen as ‘very distant’ compared to the US and South America which fill the horizons of many of the OCTs in an ‘economic’ sense in the same way as the relationship with the relevant EU member state dominates in a ‘political’ sense. This is reinforced by the comparatively small sums of EDF funding, the difficulties in accessing it, and the lack of an EU permanent presence anywhere in the Caribbean OCTs (EDF funds are controlled by the EU delegations in Barbados, Guyana and Jamaica). This is not an unfamiliar picture in other OCTs as the recent Region Level Evaluation establishes (*ibid*, 80) and inevitably raises questions as to the real ‘benefits’ to be derived from any association by the Caribbean OCTs with the EU – a matter on which the EU is also engaged given its new insistence on ‘reciprocity’ in the relationship.

### **The EU and the Caribbean OCT: a new framework for cooperation?**

The three frameworks through which the EU engage with the Caribbean and directly or indirectly address the concerns of the Caribbean OCT are mostly on parallel tracks rather than convergent with each other. There is little attempt by the major actors (the EU, the Caribbean ACP states, the DOM/COM and the Caribbean OCT) to seriously engage with each other through the various frameworks despite the rhetoric of regional cooperation that emerges from the Commission and on occasion from the others concerned. The Joint Caribbean-EU Partnership Strategy (JCEUS) launched in Madrid in 2010 has achieved next to nothing and the recent Workshop held in Trinidad in 2011 to examine it offered very little in the way of reflection or new thinking on the way forward (ECDPM/IIR 2011). This is a serious deficit which needs to be addressed but whether any of the actors involved really wish to do so must be open to question. That includes the Caribbean OCTs. The Seventh OCT-EU Forum was held in the Cayman Islands in November 2008. The press release at the end of the Forum concluded with the following paragraph: ‘Throughout the Forum the importance of regional cooperation and integration was stressed, not only in the context of the 10<sup>th</sup> EDF, but also with a view to the future of OCT-EU relations. Moreover, the Caribbean OCTs, representatives from CARICOM/CARIFORUM and the French DOMS in the Caribbean, as well as the relevant Member States and the Commission agreed on the intention to create a

regional OCT/ACP/DOM cooperation platform in the Caribbean, as a pilot-project to create synergies through increased cooperation between OCTs, ACPs and Outermost Regions, in the field of civil protection to start with' (OCTA 2008). Such a meeting was eventually held on 27 April 2010 (with a preparatory meeting in May 2009) (EU Delegation Barbados and the Eastern Caribbean 2009). But it should be noted that while the original idea for this cooperation platform came from within the Caribbean, the impetus came from a ministerial meeting organised by France with the Commission just prior to its EU Presidency in June 2008 (Creation of a platform for regional cooperation in the Caribbean, n.d.) and that once the meeting had been held nothing else transpired. It is difficult not to conclude that on this matter, as with much else relating to cooperation and integration in the Caribbean, the main impetus came from outside and that the final result demonstrated that it was not synergies which were created but the all too familiar lethargies.

The existing frameworks are quite clearly failing the Caribbean OCT at the regional level. In two of them, with CARIFORUM and the DOM/COM, there are functional benefits to be gained but there is little prospect of any development in either, or much incentive for the Caribbean OCTs to move to a higher level of regional cooperation let alone regional integration within them.<sup>16</sup> That leaves the framework of OCT cooperation in the Caribbean. To date this has been directed principally to individual EU-OCT relations with the regional level poorly developed. For example, it was not until 2012 that any attempt has been made by the Caribbean OCTs to reach an agreement among themselves, embodied at present in a draft Memorandum of Understanding on the regional EDF programme which has yet to be ratified. However, the proposals from the Commission for a new OAD speak of a stronger regional dimension to OCT-EU relations and the two major studies commissioned by the EU and OCTA on EU-OCT relations both endorse it as a practical way forward (European Commission and Overseas Countries and Territories Association 2010; European Commission 2011). The regional dimension is thus likely to loom larger in EU-OCT relations, additional to which is the wider JCEUS strategy notwithstanding the difficulties in advancing it (the 7<sup>th</sup> EU-Latin American Summit scheduled for Santiago in Chile in June 2012 is postponed until January 2013). The Caribbean OCT find themselves at a disadvantage in this latter process since their constitutional status does not allow them to participate at such a high level; thus they need to make their collective presence known to the EU in other ways. To date this has been done through OCTA in Brussels. There is merit, however, in now exploring an additional Caribbean dimension to this arrangement through dialogue among all the Caribbean OCTs and the establishment of a dedicated mechanism to facilitate it, possibly ending in a specific EU-Caribbean OCT regional arrangement within the broader framework of whatever emerges in the OAD in support of regional action. However, this will not happen unless or until a Caribbean OCT takes the initiative in its own interest and on behalf of the other Caribbean OCTs to set the ball rolling on this matter. It will not be wholly new since it was on an initiative of Chief Minister Lavity Stoutt of the BVI that the first meeting of the Caribbean OCTs associated with the EU was held in Tortola in November 1993 to explore closer cooperation (Summary and Report of the First European Union Community/Overseas Countries and Territories Conference 1993). But it will be timely and unlike the first meeting can, with the experience

of the intervening years, go beyond the preliminary nature of much of the material presented at that first meeting to focus on the real issues for Caribbean OCT cooperation. No other framework is so promising and the record shows that if the Caribbean OCTs do not move to help themselves, then no one else will help them.

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**Paul Sutton** is a political scientist specializing in the Caribbean, the development policies of the European Union, and the political economy and security of small states. He has held academic positions in several universities and recently retired from the University of Hull, UK. He has published widely on the Caribbean, and among his books are *Europe and the Caribbean* (1991) and *Charting Caribbean Development* (2001). His most recent books are *Modernizing the State: Public Sector Reform in the Commonwealth Caribbean* (2006) and, with Kate Quinn, a forthcoming edited book on politics in Haiti. <P.K.Sutton@hull.ac.uk>

## Notes

1. The twenty six OCTs comprise of eleven UK OCTs: Anguilla, British Virgin Islands, Cayman Islands, Montserrat, Turks and Caicos Islands, St Helena and the Dependencies, Falkland Islands, South Georgia and South Sandwich Islands, British Antarctic Territories, British Indian Ocean Territories, and Pitcairn; seven French - French Polynesia, New Caledonia and the Dependencies, Wallis and Futuna Islands, Mayotte, St Pierre et Miquelon, the French Southern and Antarctic Territories, and St Barthélemy; six Dutch – Aruba, Bonaire, Curaçao, Saba, Sint Eustatius, and Sint Maarten; and one Danish – Greenland. Bermuda by its own request has never had an association agreement with the EU. The Netherlands Antilles was counted as a single OCT until it fragmented into five separate entities on 10/10/2010 (Curaçao, Sint Maarten, Bonaire, Saba and Sint Eustatius). St Barthélemy changed its status from an ‘outermost region’ to an OCT on 1/1/2012 and Mayotte is expected to change its status from an OCT to an ‘outermost region’ in the near future.
2. The background to and the current status of the Overseas Association Decision is set out in Sutton 2012.
3. Montserrat and the Turks and Caicos Islands did not respond to the Green Paper.
4. The Outermost Regions are the overseas French (Martinique, Guadeloupe, French Guiana, Réunion, St Barthélemy, Saint Martin), Spanish (the Canary Islands) and Portuguese (Azores and Madeira) territories which are classed as integral parts of the EU but which also benefit from special measures to assist their development. The distinction between EU policy to them and to the OCT is set out in Sutton 2012.
5. The reasons for not signing remain unclear. Discussions of the author with officials in the Cayman Islands, March 2012.
6. CARICOM includes as full members the following: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname and Trinidad and Tobago. Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands and the Turks and Caicos Islands are Associate Members and Aruba and the Netherlands Antilles observers.
7. The OECS includes as full members: Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines. Anguilla and the British Virgin Islands are Associate Members.
8. CARIFORUM includes all CARICOM members (except Montserrat) plus the Dominican Republic and Cuba (except Cuba is not a signatory to the Cotonou Agreement).
9. The Caribbean ACP has the same membership as CARIFORUM excluding Cuba.
10. Montserrat is not a sovereign state and therefore has no automatic right to negotiate with other sovereign states to enact treaties or reach international agreements unless it is given an ‘entrust-

- ment' to do so by the metropolitan administering state. The UK has been reluctant to grant such a procedure; the Netherlands has been more willing to do so.
11. The constitutional status of the OCTs as 'non-independent' is also a problem as any cooperation would need the involvement of the UK.
  12. Interviews by the author with officials in Anguilla, St Martin and St Maarten in February/March 2010.
  13. The EPA provides for cooperation with the DOM in Article 239.
  14. The EU Eastern Caribbean Delegation gives a higher figure of €1.7 million for Anguilla and €21.6 million for Montserrat. See Delegation of the European Commission in Barbados and the Eastern Caribbean), The European Union and the Eastern Caribbean (October 2008).
  15. The author carried out a series of extensive interviews on the regional dimensions of EU-OCT involvement in February/March 2010 in Anguilla, British Virgin Islands, Curaçao, St. Lucia, Saint Martin and Sint Maarten.
  16. Confirmed by interviews by the author in the Caribbean OCTs in 2010 and 2012.

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