UK Overseas Territories and Brexit

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On 1 March the European Union Committee of the House of Lords published a report *Brexit: Gibraltar*. This was only the second time – before or after the referendum on EU membership – that a more in-depth assessment has been undertaken of the risks that Brexit may pose to the UK Overseas Territories. There are 14 Overseas Territories in total – the last remaining bits of the British Empire – and although only Gibraltar is formerly part of the EU, nine others have an important link with the organisation.

Gibraltar has been part of the EU since the UK's accession in 1973, and its relationship is framed by Article 355(3) of the Treaty of the Functioning of the EU. Under this status Gibraltar applies most EU laws, with the exception of those related to the Common Agricultural Policy, the Value Added Tax (VAT) Area, the EU common customs territory and the EU's Common Commercial Policy. The other territories have associate status – under Part IV of the Treaty – and the nature of that relationship has been most recently defined by the 'Overseas Association Decision' (OAD) from 2013. The key provisions of the OAD include establishing closer trade links between the so-called Overseas Countries and Territories (OCTs) and the EU; increasing the amount of aid to the OCTs; enhancing their competitiveness and resilience; and deepening political dialogue.

During the campaign leading up to the referendum the UKOTs, perhaps unsurprisingly, did not receive much attention. 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. The likely impacts for the UKOTs as a whole were hardly considered. Gibraltar's government was forthright in its support for the UK to stay in the EU. Other OTs were more circumspect, as their populations were not able to vote in the referendum. When the vote was held Gibraltar voted to 'Remain' by 19,322 to 823. But as Gibraltar's chief minister, Fabian Picardo, said, the territories votes 'did not even move the needle'.

The territories are concerned that Brexit will damage their interests in several ways, particularly around losing access to the single market, potential restrictions on the free movement of people, the end of EU funding, and the closing of important avenues for political dialogue. Let's consider each issue in turn.

Access to the single market

The trading relationship that several UKOTs have with the EU is very important. For Falkland Islands, sales of fish, meat and other agricultural products are valued at £180 million per year, making the EU the largest market for Falklands' products. For Tristan da Cunha the EU is increasingly important for its high quality and sustainably sourced lobster. In addition, the ability of several OTs (e.g. Gibraltar and Bermuda) to 'passport' their financial services to the rest of the EU is beneficial. Also, there are potential trading opportunities, such as fish exports from British Virgin Islands, which would be enhanced if access to the single market was maintained.

Free movement

The freedom to travel, work and reside in the EU is an important benefit for the UKOTs, most of whose residents are UK citizens. Falkland Islanders often travel to the EU to meet with their business partners who are involved in the fisheries industry or in the Falkland's continuing oil exploration efforts. The opportunity for students to travel to the EU to study, in some cases supported by the EU's Erasmus Student Exchange Programme, is also noteworthy.

Conversely, 40% of Gibraltar's entire workforce cross daily from Spain. Further, the vast majority of tourists arrive through the frontier. A 'harder' border would thus have a damaging impact on Gibraltar's economy.

EU funding

Total EU bilateral funding for the UKOTs (excluding Gibraltar) via the 11th European Development Fund (EDF), 2014–20, is €76.8 million. Regional funding is worth another €100 million. Funds are focused on economic diversification, Small and Medium Enterprises, climate change mitigation, and sustainable energy. These funds provide important support for the UKOTs, and particularly for some that are not in receipt of UK development assistance, for instance British Virgin Islands and Cayman Islands. Also, EU financial aid is helping to secure the economic viability of Pitcairn, which struggles to cover its budgetary expenditure, and to mitigate the impacts of remoteness for territories such as Tristan da Cunha. In addition, there is EU funding for several NGOs that are involved in a range of projects to safeguard the territories' vast biodiversity. Gibraltar also receives funding from the EU, albeit from other sources. It is estimated that almost €60 million has been disbursed since 1990.

Political dialogue

UKOTs gain also from institutional links with the EU. The principal link is with the European Commission, through its Directorate-General for International Cooperation and Development (DEVCO) and its OCT Unit (DEVCO Unit 0.7). Stemming from this link there are various associated groupings to facilitate cooperation, such as the OCT-EU Forum and the Overseas Countries and Territories Association (OCTA). Gibraltar, once again, stands somewhat apart. It has broader ties with the European Commission; also, since 2004 Gibraltar has taken part in elections to the European Parliament. These political links have proved very important in allowing the territories' opinions to be aired.

So, it is clear that the UKOTs have potentially much to lose as a consequence of Brexit. However, they have begun the process of engaging with the UK government regarding the negotiations to come. Most importantly there is the Joint Ministerial Council (JMC) on Gibraltar EU Negotiations, and the United Kingdom – Overseas Territories JMC on EU Negotiations, which provides a basis for the territories' interests to be presented and discussed. The feedback from the first meetings has been positive, and the territories have been trying to present how they can enhance the UK's position post-Brexit. For example, it has been suggested that the territories, through their financial centres, can better facilitate capital flows to the UK. However, concerns remain that the territories could find themselves attached to a weaker and more isolated UK in a couple of years' time, which may well damage their own future security and prosperity.

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