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Future relations between the EU and the Overseas Countries and Territories

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COMMISSION STAFF WORKING DOCUMENT

Future relations between the EU and the Overseas Countries and Territories

The present Commission staff working document comprises the annexes to the Green paper on future relations between the EU and the Overseas Countries and Territories.

Annex I

The diversity and common characteristics of the OCTs

There are huge differences between the OCTs themselves in terms of the degree of autonomy vis-à-vis the Member States to which they are linked, but also in the economic and social field and as regards their geographical characteristics and climate.

The diversity in the relationships of the OCTs with their Member States should not be underestimated. Even though in most cases the Member State remains competent for defence, foreign affairs, public order, justice and monetary policy (although some OCTs also have a certain degree of autonomy in one or more of these areas), the powers devolved to the local authorities of the OCTs under the constitutions of the Member States concerned vary greatly, including between OCTs linked to the same Member State. Moreover, the status of an OCT in relation to its Member State can evolve as a result of a democratic process, not only in the direction of greater autonomy or eventual independence, but in some cases also towards strengthening the ties with the Member State.

There are also huge differences between the OCTs in terms of financial transfers from their related Member States, which are often the only contributor besides the Community. In certain cases, the level of financial transfers from a Member State to its OCTs is very significant, whereas in other cases the Member State considers some of its OCTs to be no longer in need of direct bilateral development assistance. The latter is the case for all the British OCTs, except Montserrat, Pitcairn and Saint Helena. Consequently, Anguilla, the Falkland Islands, and the Turks and Caicos Islands in particular rely solely on the Community for financial assistance for their sustainable development.

The level of economic and social development also differs from one OCT to another. According to the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC)¹, Wallis and Futuna is the only lower middle income territory, whereas Anguilla, Mayotte, Montserrat, Saint Helena and the Turks and Caicos Islands are upper middle income territories. In contrast, all the other OCTs are not considered by the OECD/DAC as eligible for official development assistance (ODA), since in particular Greenland, New Caledonia, French Polynesia, Aruba, the Netherlands Antilles and the Falkland Islands enjoy a relatively high standard of living, while the standard of living in the British Virgin Islands and the Cayman Islands (and Bermuda) is even very high compared to the Community average.

¹ List effective from 2006 for reporting on 2005, 2006 and 2007. See www.oecd.org/dac.

Of the OCTs with a permanent local population, seven are located in the Caribbean, four in the Pacific, one in the Indian Ocean, two in the North Atlantic and two in the South Atlantic². This means that there are considerable differences between the OCTs in terms of geographical characteristics and climate, but also in terms of isolation from the outside world. In particular, it is easier for some OCTs than for others to cooperate with neighbouring countries or territories. Such cooperation is especially difficult for OCTs like the Falkland Islands, Saint Helena, Greenland and Saint-Pierre and Miquelon, because of geographical, political or other reasons.

However, despite the immense diversity between the OCTs, they also share common characteristics: none of them is a sovereign country, they are all parliamentary democracies, they are all islands, the size of their populations is very small and their ecological richness is extraordinary compared to continental Europe. They are all relatively vulnerable to external shocks and are in general dependent on a narrow economic base that mostly revolves around services. They are also heavily reliant on imports of goods and energy. In general, exports of goods from the OCTs to the EU or within their respective geographical regions remain limited.

The trade balances of the OCTs are usually negative. Most OCTs have very few natural resources and most goods need to be imported, in particular from the EU (which is, for example, the case for most French OCTs and the Falkland Islands, Saint Helena and dependencies, and Greenland) or from major regional trade partners (like the US for a number of OCTs in the Caribbean). The economies of the OCTs are usually not very diversified, and in several OCTs, especially in the Caribbean and the Pacific, are to a great extent dependent on tourism. As mentioned above, quite a few OCTs are also heavily dependent on financial transfers from their Member States. However, there are a few OCTs with important natural resources or processed products that account for the bulk of their exports and constitute an important additional source of revenue, albeit rather volatile: nickel from New Caledonia, pearls from French Polynesia, ylang-ylang from Mayotte, fish from Greenland and from the Falkland Islands, etc. Moreover, several OCTs in the Caribbean are important international financial centres, while oil refining plays an important role in the economies of the Dutch OCTs. Some OCTs possibly also dispose of oil reserves. Yet the vulnerability of the OCTs can lead to a rapidly declining economy, as illustrated by the effects of the volcanic eruption in 1995 in Montserrat or the collapse of the fishing industry in Saint-Pierre and Miquelon in the early 1990s.

The total OCT population is close to 1.25 million inhabitants, which clearly illustrates that individual population sizes are extremely small compared to other countries or territories. Once again, there are significant differences between the OCTs, the populations of the British OCTs being exceptionally small: all the British OCTs together (including Bermuda, which is the largest British OCT) account for only about 196 000 inhabitants, which corresponds to around 16% of the total OCT population. Saint-Pierre and Miquelon also has a very small population, whereas Mayotte, New Caledonia, French Polynesia, Aruba and the Netherlands Antilles constitute the 'larger' OCTs.

² In the Caribbean: Aruba, Netherlands Antilles, Anguilla, British Virgin Islands, Cayman Islands, Montserrat, Turks & Caicos Islands. In the Pacific: New Caledonia, French Polynesia, Wallis and Futuna, Pitcairn. In the Indian Ocean: Mayotte. In the North Atlantic: Greenland, Saint-Pierre and Miquelon. In the South Atlantic: Falkland Islands, Saint Helena and dependencies. The OCTs that currently do not have a permanent local population are: French Southern and Antarctic Territories, South Georgia and the South Sandwich Islands, British Antarctic Territory, British Indian Ocean Territory.

Annex II

The 20 OCTs covered by the Overseas Association Decision



1. OVERVIEW PER OCT

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1.1. Greenland

Constitutional relations	<p>An extensive form of self-government (Home Rule Authority) was established by the Home Rule Act No 577 of 29 November 1978 in Greenland. Under this act, sovereignty continues to rest with the central authorities of Denmark. Some matters such as external relations, defence and monetary policy also remain the exclusive province of the central authorities and may not be transferred to Greenland Home Rule. Specific provisions apply to the mineral resources of Greenland (joint decision-making power). There is cooperation on external relations to ensure Greenland's interests are taken into account by Denmark in its foreign policy. The Danish Government must thus consult the Home Rule authority before entering into treaties that particularly affect Greenland's interests. The Home Rule authority is likewise obliged to consult the central authorities before adopting measures liable to prejudice Denmark's interests (e.g. fisheries regulation). Upon request, the central authorities may authorise the Home Rule authority to conduct international negotiations on purely Greenland affairs (section 16(3) of the Act). Moreover, since June 2005, Greenland may negotiate and conclude agreements under public international law on behalf of Denmark that concern areas for which full responsibility has been transferred to Greenland. The Home Rule Act of 1979 is expected to be revised in the near future following year-long consultations between the Danish and Greenlandic parliaments.</p>
Historical ties with Denmark	<p>Vikings reached the island in the 10th century but Danish colonisation only began in the 18th century, and Greenland was made an integral part of Denmark in 1953. Greenland was granted self-government in 1979 by the Danish parliament, which came into effect the following year. Denmark continues to exercise control of Greenland's foreign affairs in consultation with Greenland's Home Rule Government. Greenland joined the European Community with Denmark in 1973, but withdrew in 1985 after a national referendum in 1982.</p>
Capital city	<p>Nuuk</p>
Geography	<p>Greenland, the largest island in the world, is located between the Arctic Ocean and the North Atlantic Ocean, northeast of Canada and northwest of Iceland, and has an area of 2 166 086 km².</p>
Population	<p>56 648 (Jan. 2007)</p>
Financial assistance	<ul style="list-style-type: none"> • Not eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • Community financial assistance 2007-2013: EUR 25 million (2006 prices) per year for the sustainable development of Greenland (apart from fisheries). • DK: EUR 411.39 million in 2007 as an annual direct subsidy to the Greenlandic budget.

Per capita GDP	EUR 32 030 (2005)
Major industries	Fishing, tourism and minerals.
Major trading partners	EU (Denmark, UK, Germany), US, Japan, China and Russia.
Membership of regional integration organisations	Greenland is a party to the Nordic Council and participates on an equal footing in its work, but does not have decision-making powers. The Nordic Atlantic Cooperation and the West Nordic Foundation provide the basis for cooperation with Iceland and the Faeroe Islands. As regards the environment, Greenland takes part in the Arctic Council. It is a member of the Inuit Circumpolar Conference, an NGO within the UN which is active in the area of cooperation between the Inuit peoples.
Main environmental challenges	Greenland is particularly vulnerable to the adverse effects that climate change is expected to have, given its dependence on the temperature of the sea for its fishing stocks. Furthermore, if the Greenland ice sheet were to completely melt away, sea levels would rise by more than 7 m and Greenland would most likely become an archipelago.

1.2. New Caledonia and Dependencies

Constitutional relations	The French Constitution classifies New Caledonia as a ‘sui generis collectivity’ of the French Republic, i.e. it has a unique status. Some State competences have been progressively and irreversibly transferred to New Caledonia, which is organised into three provinces (Province Nord, Province Sud, Province des Iles Loyauté), which are competent in all the matters in which the State, the territory and the 33 districts are not competent. Executive power in New Caledonia is exercised by a local government. The State is represented by the <i>Haut-commissaire</i> of the French Republic.
Historical ties with France	New Caledonia has been French since 1853, when Admiral Fébvrier-Despointes took possession of the island in the name of France. It was a penal colony from 1864 to 1897. During World War I, New Caledonia provided the French Pacific Battalion with 2 170 soldiers, a quarter of whom died in battle. During World War II, the island joined the Free French Forces in 1940 and the Pacific Battalion was reconstituted and fought in North Africa and Europe. US and Allied forces built a major base in New Caledonia and Nouméa became a military headquarters where one million American soldiers passed through in the Pacific War.
Capital city	Nouméa
Geography	New Caledonia is an archipelago of 18 575 sq km situated in the Pacific Ocean, which comprises the Mainland, Loyalty islands and dependencies: the isle of Pines, Belep archipelago and Chesterfield islands. The Mainland is the main island and its land area represents

	almost 90% of the entire territory. Taking into account the inhabited islands, the Exclusive Economic Zone is 1 386 588 sq km.
Population	240 390 (estimation 2006)
Financial assistance	<ul style="list-style-type: none"> • Not eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: EUR 19.81 million • FR: EUR 1 161 144 million in 2007
Per capita GDP	EUR 22 734 (est. 2006)
Major industries	Nickel, tourism.
Major trading partners	EU (mostly France), Singapore, Australia, New Zealand, Japan, United States.
Membership of regional integration organisations	<p>Member of the following regional organisations:</p> <p>Secretariat of Pacific Community (SPC), Pacific Islands Development Programme (PIDP)</p> <p>Associate member of the Pacific Islands Forum.</p>
Main environmental challenges	<p>New Caledonia faces three severe environmental challenges:</p> <ul style="list-style-type: none"> - Threats to the rich biodiversity: New Caledonia's very high biodiversity, which includes large numbers of endemic species, is under multiple threats from e.g. the mining industry, habitat loss, introduced predators and competing species, and illegal hunting. - Pollution and sedimentation of rivers and lagoon: open-cast hilltop mining of nickel causes huge volumes of earth to be washed down to the lagoon with heavy tropical rains. Extensive logging and traditional agricultural practices also pollute and sediment the lagoon. Use of sand and coral reefs for construction material also severe. - Climate change: New Caledonia and in particular the Loyalty islands (Ouvéa atoll) could suffer most from sea-level rises. Sea temperature rise could have impact on corals (coral bleaching on outer side of reefs). Cyclones causing devastation (coastal erosion and retreat).

1.3. French Polynesia

Constitutional relations	Having been autonomous for nearly 30 years, French Polynesia saw its statute evolve in 2004 towards greater responsibilities and reinforcement of its identity. French Polynesia is now an overseas country within the French Republic, which is governed freely and democratically by its elected representatives and through local referenda. French Polynesia is an ‘overseas collectivity’ under Article 74 of the French Constitution and benefits from ‘legislative speciality’, i.e. French laws are applicable to French Polynesia only if they explicitly provide for this. Furthermore, French Polynesia is competent in numerous matters, although regal competences (defence, civil security, justice, money, diplomacy) are exercised by the French State.
Historical ties with France	The fight for influence in the Pacific between France and England marked the history of French Polynesia. In 1843, the Tahitian Queen Pomare IV accepted the French Protectorate for all the islands, except the Marquesas, which were already considered as French islands since Admiral Marchand took possession of them in the name of France in 1791. In 1880, the islands under the Protectorate were annexed to France. Polynesia then became a French colony under the name ‘Etablissements français de l’Océanie’. During World War I, Papeete was bombed by the German navy and many Polynesian men joined the French Pacific Battalion. During World War II, Polynesian soldiers fought in the French Pacific Battalion and the US army built a military base in Bora-Bora. In 1946, ‘les Etablissements français de l’Océanie’ became a French overseas territory with a local assembly. They changed their name to ‘French Polynesia’ in 1958.
Capital city	Papeete
Geography	French Polynesia is situated in the South Pacific. It is composed of 118 islands with a total land area of 3 600 sq km scattered over a maritime area as vast as Europe (2.5 million sq km). The islands are grouped in 5 archipelagos: the Society Islands, the Tuamotu Islands, the Marquesas Islands, the Gambier Islands and the Austral Islands.
Population	259 596 (2007 census)
Financial assistance	<ul style="list-style-type: none"> • Not eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: EUR 19.79 million • FR: EUR 1 373 505 million in 2007
Per capita GDP	EUR 17 090 (2004)
Major industries	Tourism, pearls, fisheries, copra.

Major trading partners	EU (mostly France), Singapore, United States of America, China, New Zealand, Australia, Thailand, Japan.
Membership of regional integration organisations	Member of the following regional organisations: Secretariat of the Pacific Community (SPC), Pacific Islands Development Programme (PIDP). Associate member of the Pacific Islands Forum.
Main environmental challenges	French Polynesia faces two severe environmental challenges: - Climate change: French Polynesia is one of the Pacific countries/territories that will suffer most from sea-level rises as most islands are very low-lying or have infrastructure on the coast. The impact of sea temperature rise on corals is already evident. Cyclones can cause devastation. - Degradation of coral reefs and pollution of lagoons: Coral harvesting for use e.g. as construction material, over-fishing, invasive species (starfish), pollution from households and tourists, black pearl cultivation and pig breeding (causes lagoon pollution), urban sprawl (building of roads etc on coral reefs). Another challenge is waste management.

1.4. French Southern and Antarctic Territories

No permanent local population

1.5. Wallis and Futuna Islands

Constitutional relations	Wallis and Futuna is an ‘overseas collectivity’ under Article 74 of the French Constitution and benefits from ‘legislative speciality’, i.e. French laws are applicable to Wallis and Futuna only if they explicitly provide for this. A specific feature of Wallis and Futuna is that it is the only French territory where kings are legally recognised: they exercise customary law.
Historical overview	The Dutch navigators Schouten and Le Maire discovered the Futuna and Alofi islands in 1616. In 1767, the English navigator Wallis discovered Uvea (Wallis island). In 1842, the Wallis and Futuna islands opted separately to be ‘free and independent under the protection of France’ and signed treaties of peace and friendship. Wallis and Futuna were placed under a French Protectorate in 1886 and 1887, respectively. A unified protectorate was established in 1888 by a decision taken by the French minister for colonies. In 1942, the US army set up a base camp in Wallis. In the referendum on 27 December 1959, 94.4% of the electorate voted in favour of the integration of Wallis and Futuna within the French Republic as an overseas territory. This was put into effect by the law of 27 July 1961.

	Since the revision of the French Constitution of 28 March 2003, Wallis and Futuna has been an ‘overseas collectivity’.
Capital city	Mata-Utu
Geography	Wallis and Futuna is an archipelago situated in the South Pacific and composed of three main islands (Wallis, Futuna and Alofi). Wallis island is 240 km from Futuna island.
Population	14 944 (2003 census)
Financial assistance	<ul style="list-style-type: none"> • Lower middle income territory eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: EUR 16.49 million • FR: EUR 95 291 million in 2007
Per capita GDP	N/a
Major industries	Barter economy
Major trading partners	France, Singapore, Australia, New Zealand, Fiji, New Caledonia, China.
Membership of regional integration organisations	Member of the following regional organisations: Secretariat of Pacific Community (SPC). Observer to the Pacific Islands Forum.
Main environmental challenges	<p>Wallis and Futuna faces four severe environmental challenges:</p> <ul style="list-style-type: none"> - Soil erosion and loss of fertility due to poor agricultural practices: deforestation and stubble-burning are removing surface cover. This causes soil erosion and loss of fertility. - Pollution and sedimentation of the lagoon at Wallis: the run-off of soil from land leads to turbidity in the lagoon. Excrement from pigs and goats also washes into the lagoon, causing bacteriological contamination and eutrophication. - Degradation of coral reefs: 25% of corals are at risk and very degraded at Futuna. Coral harvesting for use as construction material. Over-fishing and use of destructive fishing methods. Pollution of lagoon by households, agriculture and pig farming. - Climate Change: Temperature rise affects coral reefs. Cyclones break and destroy coral cover and subsequent avalanches damage and stifle corals lower down the reef.

1.6. Mayotte

Constitutional relations	Since 2001, Mayotte has been a 'collectivité départementale' (departmental collectivity) within the French Republic. Executive power was transferred in 2004 from the prefect to the president of the general council (local assembly elected by the inhabitants of Mayotte). After the local elections of March 2008, the general council requested for Mayotte the status of 'département et région d'outre-mer' (overseas department and region). The local representatives are in favour and also wish Mayotte to become an outermost region of the European Union.
Historical overview	In 1841, Sultan Andriantsouli gave the island of Mayotte to France in order to prevent external attacks, in particular from the Comoros. Mayotte then became a French colony, where slavery was abolished in 1846. From 1886 to 1892, France gathered the three other islands of the Comoros under a protectorate and in 1912 the colony, now called 'Mayotte and dependencies', was annexed to the French colony of Madagascar. In 1946, the Comoros archipelago became a French overseas territory. In December 1974, a referendum was held on the independence of the Comoro islands. The inhabitants of Mayotte (63.8% of the vote) voted against independence. They confirmed their choice in a new referendum in 1976 (99.4% of the vote). In December 1976, Mayotte was given the temporary status of a 'territorial community' of the French Republic.
Capital city	Dzaoudzi
Geography	Mayotte is located at the entry of the Channel of Mozambique. It constitutes the eastern part of the archipelago of the Comoros. It has two principal islands and about thirty small islands strewn over a lagoon of more than 1 500 km ² .
Population	186 452 (2007 census)
Financial assistance	<ul style="list-style-type: none"> • Upper middle income territory eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: EUR 22.92 million • FR: EUR 402 271 million in 2007
Per capita GDP	EUR 3 960 (2001)
Major industries	Ylang-Ylang, aquaculture, vanilla, tourism.
Major trading partners	Imports: France, South Africa, Brazil, Thailand, China. Exports: France, Comoros, La Réunion, Madagascar, Mauritius.
Membership of	None.

regional integration organisations	
Main environmental challenges	<p>Mayotte faces two severe environmental challenges:</p> <ul style="list-style-type: none"> - Nature conservation, management of waste and water: lagoon and coasts polluted by lack of waste water treatment. Sedimentation of lagoon by agricultural practices and soil runoff due to deforestation. Current waste management practice is inadequate. - Climate change: sea water temperature rise has caused bleaching and death of corals. Coastal zones are narrow and populated. Sea-level rise would mean loss of infrastructure and relocation of population.

1.7. Saint Pierre and Miquelon

Constitutional relations	Saint-Pierre et Miquelon is an ‘overseas collectivity’ of the French Republic under Article 74 of the French Constitution and Law No 85-595 of 1985. It benefits from partial ‘legislative speciality’, i.e. French laws are applicable except in the fields where the Territorial Council has specific competences (in particular customs, taxes and urban development).
Historical ties with France	First settled by the French in the early 17th century, the islands represent the sole remaining vestige of France’s once vast North American possessions
Capital city	Saint-Pierre
Geography	Located in the North Atlantic Ocean, south of Newfoundland, with an area of 242 km ² . There are eight small islands in the Saint Pierre and Miquelon group.
Population	6 125 (2006)
Financial assistance	<ul style="list-style-type: none"> • Not eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: EUR 20.74 million • FR: EUR 61 144 million authorised for 2007
Per capita GDP	N/a
Major industries	Fish and fish products, soybeans, animal feed, molluscs and crustaceans, fox and mink pelts.
Major trading partners	Spain, Belgium, India, France, US (2006)
Membership of regional integration	N/a

organisations	
Main environmental challenges	Climate change may have effects on the size and composition of fish stocks, very important for the economy and way of life. More frequent and powerful storms and rising sea levels may mean further erosion of coasts and the submergence of low-lying lands.

1.8. Aruba

Constitutional relations	Aruba is a country forming part of the Kingdom of the Netherlands. It promotes its own interests autonomously, while the common interests of the Kingdom of the Netherlands — such as defence and foreign affairs — are promoted jointly and on an equal footing by the countries that make up the Kingdom (i.e. the Netherlands, Aruba and the Netherlands Antilles).
Historical ties with the Netherlands	Aruba was acquired by the Dutch in 1636. It seceded from the Netherlands Antilles in 1986 and became a separate, autonomous member of the Kingdom of the Netherlands. Movement toward full independence was halted at Aruba's request in 1990.
Capital city	Oranjestad
Geography	193 sq km island located in the Caribbean, north of Venezuela.
Population	71 891 (2005)
Financial assistance	<ul style="list-style-type: none"> • Not eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: EUR 8.88 million • NL: EUR 154.82 million in 2008 for the promotion of the autonomy of Aruba <u>and</u> the Netherlands Antilles (for Aruba, the cooperation programme will cease in 2009).
Per capita GDP	US\$22 434 (2005)
Major industries	Tourism, international financial services, oil refining and storage.
Major trading partners	USA, Netherlands, Panama, Colombia, Venezuela, Netherlands Antilles
Membership of regional integration organisations	Observer to CARICOM
Main environmental challenges	Impact of tourism industry, oil refining, desalination, waste and sewage on Aruba's wealthy natural environment, with severe challenges in terms of air and water pollution. Aruba is particularly vulnerable to the adverse effects that climate change is expected to

	<p>have, given its dependence on the tourist industry and its low altitude.</p> <p>Other environmental challenges in Aruba include the establishment of modern legal instruments for designating and managing protected areas, the full implementation of the Ramsar Convention on wetlands, and participation in and implementation of the Cartagena Convention for the Protection and Development of the Marine Environment of the Wider Caribbean Region and its three protocols.</p>
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1.9. Netherlands Antilles

Constitutional relations	<p>The Netherlands Antilles is a country forming part of the Kingdom of the Netherlands. It is composed of five islands: Bonaire, Curaçao, Saba, St Eustacius and St Maarten. The country Netherlands Antilles promotes its own interests autonomously, while the common interests of the Kingdom of the Netherlands — such as defence and foreign affairs — are promoted jointly and on an equal footing by the countries that make up the Kingdom (i.e. the Netherlands, Aruba and the Netherlands Antilles). Following ongoing constitutional evolution, the country Netherlands Antilles will be split to form two new countries, Curaçao and St Maarten, each forming part of the Kingdom of the Netherlands, while Bonaire, Saba and St Eustacius are to strengthen their ties with the Netherlands by becoming a sort of Dutch municipalities.</p>
Historical ties with the Netherlands	<p>In the first half of the 17th century, the islands were conquered by the Netherlands from Spain, but over time they have been in the possession of different European powers. The colonial status of the Netherlands Antilles ended in 1954, when the Statute of the Kingdom of the Netherlands laid down new constitutional relations between the Netherlands, Suriname (until 1975) and the Netherlands Antilles. In 1986, Aruba — hitherto part of the Netherlands Antilles — obtained the status of a separate country within the Kingdom of the Netherlands.</p>
Capital city	Willemstad, Curaçao
Geography	<p>The Netherlands Antilles comprise 800 sq km of islands in the Caribbean — Leeward islands, located off the coast of Venezuela: Bonaire (288 sq km), Curaçao (444 sq km); Windward islands: Saba (13 sq km), St Eustacius (21 sq km), St Maarten (34 sq km).</p>
Population	<p>Netherlands Antilles: 191 780. Bonaire: 11 537. Curaçao: 137 094. Saba: 1 491. St Eustacius: 2 699. St Maarten: 38 959 (2007).</p>
Financial assistance	<ul style="list-style-type: none"> • Not eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: EUR 24 million • NL: EUR 154.82 million in 2008 for the promotion of the

	autonomy of the Netherlands Antilles <u>and</u> Aruba (projected to decrease gradually to EUR 97 200 in 2012).
Per capita GNP	US\$17 474 (2004). Per island: Bonaire: EUR 13 650 (2006); Curaçao: EUR 13 128 (2006); Saba: EUR 11 489 (2004); St Eustacius: EUR 17 618 (2004); St Maarten EUR 13 778 (2006).
Major industries	Tourism, petroleum refining, international financial services.
Major trading partners	USA, EU.
Membership of regional integration organisations	Observer to CARICOM, associate member of the Association of Caribbean States (ACS).
Main environmental challenges	Impact of tourism, hurricanes, lack of sewage and waste water treatment in many areas, poor waste management and pollution in particular from oil refining. Overgrazing by goats, donkeys and sheep on Bonaire and Curaçao. Although the Netherlands Antilles are home to many endemic species, some are threatened or have become practically extinct. The Netherlands Antilles are particularly vulnerable to the adverse effects that climate change is expected to have, given its dependence on the tourist industry, the low altitude of Bonaire and Curaçao in particular, and the Windward Islands' exposure to hurricanes.

1.10. Anguilla

Constitutional relations	Anguilla is a British Overseas Territory. A UK-appointed Governor remains responsible for external affairs, offshore finance, defence and internal security (including the police force) and the public service. All citizens of Anguilla automatically benefit from British citizenship, unless they renounce it. There is an ongoing debate on the future of Anguilla's status in relation to the UK, which could result in a free association, i.e. complete autonomy internally, with the UK retaining only foreign affairs and defence.
Historical ties with the United Kingdom	Colonised by British and Irish settlers in 1650, Anguilla was administered as a single federation with Saint Kitts and Nevis from 1958 to 1962. The islanders, believing their interests were being ignored and wishing to retain their direct links with Britain, sought separation from the federation in the 1960s. This disquiet culminated in the revolution of 1967. Anguilla came under direct British rule in the 1970s and eventually became a separate British Dependent Territory in 1980.
Capital city	The Valley

Geography	90 sq km island located in the Caribbean.
Population	13 600 (2005 est.)
Financial assistance	<ul style="list-style-type: none"> • Upper middle income territory eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: EUR 11.7 million • UK: no direct bilateral development assistance
Per capita GDP	US\$9 711 (2006)
Major industries	Tourism, construction, government service, international financial services, banks and insurance.
Major trading partners	North America (mainly USA), Caribbean Region (CARICOM, St Martin/St Maarten and other Caribbean countries).
Membership of regional integration organisations	Associate member of CARICOM and of the Organisation of Eastern Caribbean States (OECS).
Main environmental challenges	Impact of tourist industry on Anguilla's environment, the richness of its habitats and biodiversity. Dependent on tourism and therefore on the quality of its beaches, its coral reefs, its fish and its wildlife, Anguilla is vulnerable to the effects of climate change. Tropical storms and hurricanes are common in this region.

1.11. Cayman Islands

Constitutional relations	The Cayman Islands are a British Overseas Territory with a large measure of self-government. A UK-appointed Governor remains responsible for the civil service, defence, external affairs and internal security. All citizens of the Cayman Islands automatically benefit from British citizenship, unless they renounce it.
Historical ties with the United Kingdom	In 1670, Spain ceded the Cayman Islands and Jamaica to Britain by the Treaty of Madrid. After 1863, the Caymans formally became a dependency of Jamaica and the legislature of Jamaica had the final say over the locally passed laws of the islands. Cayman Brac and Little Cayman were not settled until 1833, and it was not until 1887 that a formal administrative connection between them and Grand Cayman was established. In 1959, the islands ceased to be a dependency of Jamaica and became a unit territory within the Federation of the West Indies. When the Federation was dissolved in 1962, the Cayman Islands chose to remain under the British Crown, thereupon receiving a revised constitution, which in 1972 was modified to allow for directly responsible government.
Capital city	George Town, Grand Cayman

Geography	260 sq km island located in the Caribbean.
Population	53 172 (2006 est.)
Financial assistance	<ul style="list-style-type: none"> • Not eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: no individual allocation • UK: no direct bilateral development assistance
Per capita GDP	US\$46 590 (2006 est.)
Major industries	Tourism, international financial services, real estate sales and development.
Major trading partners	USA.
Membership of regional integration organisations	Associate member of CARICOM.
Main environmental challenges	Impact of economic and population growth and of the tourist industry on the ecologically and economically important marine and wetland systems of the Cayman Islands. Besides such pressures on the Cayman Islands' habitats and biodiversity, the main environmental challenges are invasive species, the adverse effects that climate change is expected to have, the islands' vulnerability to natural and environmental disasters, and waste management. The impact of development on terrestrial systems is a serious concern: there is a lack of protected forest and shrubland habitat to sustain endemic birds, plants, and the endangered Blue Iguana. Loss of this habitat will cause a critical loss of biodiversity.

1.12. Falkland Islands

Constitutional relations	The Falkland Islands are a United Kingdom Overseas Territory by choice. Supreme authority is vested in HM The Queen and exercised by a Governor on her behalf, with the advice and assistance of the Executive and Legislative Councils, and in accordance with the Falkland Islands Constitution. The present constitution dates from October 1985 and includes the Islanders' right of self-determination. The Governor presides over an Executive Council composed of five members: three elected and two ex-officio (the Chief Executive and the Financial Secretary). In addition, the Attorney General and the Commander of the British Forces in the Falkland Islands attend by invitation. As is usual in British Overseas Territories, the elected Councillors have a substantial measure of responsibility for the conduct of their Territory's affairs. The Governor is obliged to consult the Executive Council in the exercise of his functions (except in
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	specified circumstances, for example on defence and security issues, where he must consult and follow the advice of the Commander of the British Forces in the Islands). A review of the Falkland Islands Constitution is currently underway.
Historical ties with the United Kingdom	Although navigators of several countries have been credited with first sighting the Falklands, the first landing (English) did not occur until almost a century later in 1690. A British settlement took formal possession of ‘all the neighbouring islands for King George III’ in 1765. This settlement was withdrawn on economic grounds in 1774, but British sovereignty was never relinquished or abandoned. In 1833, exercising Britain’s rights of sovereignty, a British warship arrived. British occupation was therefore resumed and the Islands have been continuously, peacefully and effectively inhabited and administered by Britain since 1833 (apart from 2 months of illegal and forced occupation by Argentina in 1982).
Capital city	Stanley
Geography	The Falkland Islands are an archipelago of around 700 islands in the South Atlantic, the largest being East Falkland and West Falkland. They are situated about 770 km (480 miles) north-east of Cape Horn and 480 km (300 miles) from the nearest point on the South American mainland. The Islands have a total land area of 12 173 sq km.
Population	2 955 (2006)
Financial assistance	<ul style="list-style-type: none"> • Not eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: EUR 4.66 million • UK: no direct bilateral development assistance
Per capita GDP	£26 125 (2005)
Major industries	Fisheries, tourism, agriculture
Major trading partners	United Kingdom, Spain, Chile
Membership of regional integration organisations	N/a
Main environmental challenges	The environmental challenges facing the islands are mainly the conservation of declining populations of seabirds and other fauna and flora, but also solid and liquid waste. Although significant melting of the Antarctic ice-sheet could ultimately have very grave consequences for the entire planet, in this century climate change is not expected to be such a major issue to the Falklands Islands.

1.13. South Georgia and South Sandwich Islands

No permanent local population

1.14. Montserrat

Constitutional relations	Montserrat is an internally self-governing British Overseas Territory. A UK-appointed Governor remains responsible for internal security (including the police), external affairs, defence, the public service and offshore finance. All citizens of Montserrat automatically benefit from British citizenship, unless they renounce it.
Historical ties with the United Kingdom	Montserrat became a British Colony in 1632 although the first settlers were largely Irish. Montserrat was captured by the French twice for short periods, but was finally restored to Britain in 1783.
Soufriere Hills volcano	In 1995, the Soufriere Hills volcano in the south of the island became active and by 1997 more than two thirds of the island were destroyed. Since August 2005 there has been renewed dome growth. After heightened volcanic activity between December 2006 and February 2007, growth of the current volcanic dome has slowed since April 2007 and the latest scientific advice is that the volcano is in a state of 'pause', but with the danger of a large hot dome remaining.
Capital city	Plymouth (now destroyed by the volcano)
Geography	102 sq km island located in the Caribbean.
Population	4 655 (2006)
Financial assistance	<ul style="list-style-type: none"> • Upper middle income territory eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: EUR 15.66 million • UK: Direct bilateral development assistance of £15.5 million in 2006/07
Per capita GDP	US\$4 814 (2005)
Major industries	Limited economic activity including mining and quarrying, construction, international financial services, professional services and tourism.
Major trading partners	USA, UK, Japan, Trinidad & Tobago, Puerto Rico.
Membership of regional integration organisations	Full member of CARICOM and of the Organisation of Eastern Caribbean States (OECS).
Main	Montserrat is exposed to multiple natural hazards, in particular

environmental challenges	significant vulcanism and seismicity. The volcanic activity that destroyed more than two thirds of the island in 1995 also had severe environmental effects. Moreover, the ensuing relocation of a large part of the population to the northern part of the island has created pressures on natural habitats there.
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1.15. Pitcairn

Constitutional relations	The Pitcairn Islands are a UK Overseas Territory. Its constitution was first established in 1838. It was reformed in 1904 with additional reforms in 1940. It was further refined by the Local Government Ordinance of 1964.
Historical ties with the United Kingdom	Pitcairn was first inhabited by the British mutineers from HMAV Bounty in 1790. The island became a British Colony in 1838.
Main town	Adamstown
Geography	Pitcairn is situated in the South Pacific, mid-way between New Zealand and Panama. It is approximately 2 miles by 1 mile. There are three other (uninhabited) islands in the Pitcairn group, Oeno, Ducie and Henderson.
Population	55 (2006)
Financial assistance	<ul style="list-style-type: none"> • Not eligible for Official Development Assistance (2006, source: www.oecd.org/dac). • 10th EDF — EUR 3 million • UK: £1.8 million in 2006/07
Per capita GDP	£1 800 (2006)
Major industries	The Territory has few natural resources. Tourism is the main economic activity.
Major trading partners	None. Developing low-level market garden exports to French Polynesia.
Membership of regional integration organisations	Secretariat of the Pacific Community
Main environmental challenges	Pitcairn is developing an Environmental Management Plan. This will raise environmental awareness of existing biodiversity and aid development of the island while integrating environmental protection. Henderson Island (one of the four Pitcairn Islands) is a World Heritage Site.

1.16. Saint Helena and Dependencies

Constitutional relations	Saint Helena and Dependencies are a UK Overseas Territory. Its constitution came into force in 1989. The British Government is responsible for St Helena's external relations and defence. A Governor exercises executive authority and is advised by an Executive Council and an elected Legislative Council. The Executive Council consists of the Governor, 3 ex-officio officers, and 5 elected members of the Legislative Council.
Historical ties with the United Kingdom	St Helena was discovered on St Helena day (21 May) in 1502 by the Portuguese navigator Joan da Nova. In 1658, Richard, Lord Protector, authorised the British East India Company to colonise and fortify the island. Napoleon Bonaparte was exiled to St Helena in 1815 and remained there until his death in 1821. St Helena became a Crown Colony in 1834. The Zulu Chief, Dinizulu, was exiled to the island in 1890 and up to 6000 Boer prisoners were held there between 1900 and 1903.
Capital city	Jamestown
Geography	Saint Helena is situated in the South Atlantic about 1200 miles from the south west coast of Africa and has an area of 122 sq km.
Population	5 326 (2005)
Financial assistance	<ul style="list-style-type: none"> • Upper middle income territory benefiting from Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: EUR 16.63 million • UK: Direct bilateral development assistance of £15.7 million in 2006/07
Per capita GDP	£3 453 (2006/07)
Major industries	The territory has few natural resources. Agriculture, fishing and tourism are the main economic activities, apart from retail and construction.
Major trading partners	UK and South Africa.
Membership of regional integration organisations	N/a
Main environmental challenges	Conservation of the islands' unique biodiversity, sustainable environmental management, lack of adequate resources (human, physical and financial).

1.17. British Antarctic Territory

No permanent local population

1.18. British Indian Ocean Territory

No permanent local population

1.19. Turks and Caicos Islands

Constitutional relations	The Turks and Caicos Islands are an internal self-governing British Overseas Territory. A UK-appointed Governor remains responsible for external affairs, defence, internal security, the regulation of international financial services and certain other matters, but is otherwise normally required to act on the advice of the Cabinet. All citizens of the Turks and Caicos Islands automatically benefit from British citizenship, unless they renounce it.
Historical ties with the United Kingdom	The islands became a formal part of the Bahamas in 1799. In 1848, the islanders petitioned for and were granted separate colonial status with an elected Legislative Board and an administrative President. In 1872, the islands were annexed by Jamaica and remained tied to them until Jamaica became independent in 1962. The Turks and Caicos Islands then became a Crown colony with an Administrator rather than a Governor. In 1965, the Governor of the Bahamas also became the Governor of the Turks and Caicos Islands. When the Bahamas became independent in 1973, the Turks and Caicos Islands got their own Governor.
Capital city	Cockburn Town, Grand Turk
Geography	430 sq km island located in the Caribbean. Main permanently inhabited islands: Grand Turk, Salt Cay, South Caicos, Middle Caicos, North Caicos and Providenciales (where the majority of the tourism development is).
Population	32 000 (2006 est.)
Financial assistance	<ul style="list-style-type: none">• Upper middle income territory eligible for Official Development Assistance (2006, source: www.oecd.org/dac)• 10th EDF: EUR 11.85 million• UK: no direct bilateral development assistance
Per capita GDP	US\$15 683 (2005)
Major industries	Tourism, property development, real estate, international financial services and fishing.
Major trading partners	USA

Membership of regional integration organisations	Associate member of CARICOM.
Main environmental challenges	The importance of the tourist industry and the very low altitude of the land mean that climate change poses a critical threat to the Turks and Caicos Islands. Impact of the tourism industry on the environment on Providenciales. Fresh water is a valued resource and effective management will be an increasing challenge as the islands develop.

1.20. British Virgin Islands

Constitutional relations	The British Virgin Islands are a British Overseas Territory with a large measure of internal self-government. A UK-appointed Governor remains responsible for external affairs, defence and internal security (including the police), the public service and the administration of the courts. All citizens of the British Virgin Islands automatically benefit from British citizenship, unless they renounce it.
Historical ties with the United Kingdom	The islands came into British possession in 1666 when planters took control from the original Dutch settlers. The islands were annexed by the British in 1672. In 1872, they were incorporated into the British colony of the Leeward Islands. These islands were administered under a federal system until 1956 when the Federation was dissolved. The Governor of the Leeward Islands continued to run the British Virgin Islands until 1960 when an appointed Administrator (later a Governor) assumed direct responsibility.
Capital city	Road Town, Tortola
Geography	Islands located in the Caribbean with an area of 153 sq km.
Population	27 000 (2005 est.)
Financial assistance	<ul style="list-style-type: none"> • Not eligible for Official Development Assistance (2006, source: www.oecd.org/dac) • 10th EDF: no individual allocation • UK: no direct bilateral development assistance
Per capita GDP	US\$41 700 (2006 est.)
Major industries	Tourism, international financial services.
Major trading partners	US Virgin Islands and the USA.
Membership of regional integration organisations	Associate member of CARICOM and of the Organisation of Eastern Caribbean States (OECS).

Main environmental challenges	Particularly rich marine habitats are under multiple threats and have undergone major losses as a result of development associated with an increasing population and the expansion of tourism. Limited natural fresh water resources. Land and sea pollution. Subject to hurricanes and tropical storms. Earthquake and tsunami risk.
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2. KEY STATISTICAL TRADE DATA

	New Caledonia	French Polynesia	W & F	Mayotte	SPM
Exports in goods (€n) 2005 or most recent year	871.9	169.6	0.04	5.21	5.46
Imports in goods (€n) 2005 or most recent year	1 430	1 371.1	49.27	274.34	68.2
Trade balance (goods): exports-imports (€n) 2005	-558.1	-1201.5	-49.23	-269.13	-62.74
Goods coverage rate (%)	61.10	12.4	0.08	1.90	8.10
Tourist revenues (€n) 2005	154.2	421.1	Na	10	Na
Tourist revenues per inhabitant (€)	663.9	1665	Na	57	Na
Taxes on imports (€n) 2005	290.8	153.8	8.18	81.9	12.919
Taxes on trade/imports (%)	20.3	11.2	16.6	29.85	21.59
OCT imports from ACP Region (€n) 2005 including South Africa	5.2	Max 6.8	Approx. 2.7	42.13	Na
OCT exports to ACP Region (€n) 2005 including South Africa	9.95	0.14	Unknown	2.09	Na
Trade balance with ACP Region (€n) 2005 including South Africa	4.73	Na	Approx.- 2.7	-40.04	Na
Imports from ACP Region /total (%)	0.36	Max 0.5	Max 9	15.36	Na
Exports to ACP Region /total (%)	1.14	0.09		40.12	Na
OCT imports from EU (€n) 2007	863.1	607.9	8.9	249.1	22.1
OCT exports to EU (€n) 2007	640.8	24.8	0.05	3.2	6.2

1 euro = XFP 119.332 (XFP 1 = 0.00838 euro)

Source: for the OTCS FR IEOM, territorial statistical institutes, except for tax data in St Pierre and Miquelon and Eurostat (2006)

	Anguilla	BVI	Cayman	Montserrat	TCI	Neth. Antilles	Aruba
Monetary unit used in the table	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Exports in goods (million) 2005 or most recent year	15.02	22.309	1.625	4.24	10.80	1 739	101.79
Imports in goods (million) 2005 or most recent year	132.30	270.783	1238.0	28.73	303.85	4 091.0	1 028.51
Trade balance (goods): exports-imports (million) 2005	-117.28	-248.474	-1 236.375	-24.49	-293.05	-2352	-926.72
Goods coverage rate (%)	11.36	8.24	0.13	14.76	3.55	42.51	9.90
Tourist revenues (million) 2005	69.2	461.703	648.75	8.99	317.9	765.00	1 082.96
Tourist revenues per inhabitant	5 074	21 676	30 458	1913	10 388	4124	10 602

Taxes on imports (million) 2005							
Taxes on trade/imports (%)	14.53	7.70	15.72	19.00	14.06	8.4 (excl. oil)	14.39
OCT imports from ACP Region (million) 2005 including South Africa	Np	7.435	2.5	3177	2.5	Na	15.62
OCT exports to ACP Region (million) 2005 including South Africa	Np	4.902	Na	2193	0.1	Na	1.12
Trade balance with ACP Region (million) 2005 including South Africa	Np	-2.533	Na	-984	-2.4	Na	-14.50
Imports from ACP Region/total (%)	Np	2.74	0.20	11	1.44	Na	1.52
Exports to ACP Region/total (%)	Np	21.97	Na	52	0.75	Na	1.21
OCT imports from EU (€m) 2007	17.4	489.2	1169.2	3.4	40	748.9	211.1
OCT exports to EU (€m) 2007	0.2	122.0	599.2	1.0	4	227.6	223.8

Source:

For BVI: data provided by DPU.

For Netherlands Antilles: ECLAC (2006).

For Turks & Caicos: statistical office and CDB.

For Montserrat: territorial authorities, CDB.

For Cayman Islands: territorial authorities, CDB.

For Aruba: Eclac (2006), IMF (2005) and Aruba CBA: exports-imports and tariffs to imports ratio: excluding fuels.

For Anguilla: Department of Statistics (Ministry of Finance), CDB.

Eurostat

	Falklands	St Helena	Greenland
Monetary unit used in the table	€	€	US\$
Exports in goods (million) 2005 or most recent year	125.0	0.36	346.86
Imports in goods (million) 2005 or most recent year	70.0	9.6585	460.10
Trade balance (goods): exports-imports (million) 2005	55	-9.2985	-113.24
Goods coverage rate (%)	178.57	3.73	75.39
Tourist revenues (million) 2005		0.6465	

Tourist revenues per inhabitant		153	
Taxes on imports (million) 2005			
Taxes on trade/imports (%)	Unknown	11.65	27.21
OCT import from ACP Region (million) 2005 including South Africa	-	-	-
OCT exports to ACP Region (million) 2005 including South Africa	-	-	-
Trade balance with ACP Region (million) 2005 including South Africa	-	-	-
Imports from ACP Region/total (%)	-	-	-
Exports to ACP Region /total (%)	-	-	-
OCT imports from EU (€m) 2007	47	24.2	491.6
OCT exports to EU (€m) 2007	96	1.4	316.3

Euro (£1 = €1.5)

Source:

For Falklands: UE-OCT database, official Falkland Islands portal.

For Greenland: HRG statistics, EU-OCT database.

For St Helena: territory's authorities

Eurostat

Annex III

The Overseas Association Decision of 27 November 2001

1. INTRODUCTION

The provisions of the Overseas Association Decision of 27 November 2001³ can be divided into two main categories: provisions on development finance cooperation and provisions on economic and trade cooperation.

In addition, the 2001 Overseas Association Decision contains general provisions on the association of the OCTs with the Community, which include provisions on dialogue and partnership for a broad-based exchange of views on the implementation of the OCT-EC association. Given the constitutional links between the OCTs and the Member States to which they are related, such a dialogue has since 1991 been held systematically on a trilateral basis, i.e. between the Community, the OCTs and the related Member States. In this respect, the 2001 Overseas Association Decision contains a number of further innovations, as a result of which the main platforms for discussion today are the annual OCT-EU Forum and more individualised Partnership Working Parties on specific issues. In addition, there are regular informal meetings between the Commission, the Member States to which the OCTs are linked and the OCTs (represented by the Brussels-based ‘OCT Association’, which has no formal role in the OCT-EC partnership).

Whereas the current Overseas Association Decision was initially applicable until 31 December 2011, its duration has been extended until 31 December 2013 following technical amendments made in 2007, in order to coincide with the duration of the 10th European Development Fund (EDF) covering the period 2008 to 2013 and the multiannual financial framework for the period 2007 to 2013. However, these technical amendments remain without prejudice to later revision of the Decision before its expiry in 2013, in particular for the subsequent application of the principles set out in Articles 182 to 186 of the EC Treaty⁴.

2. DEVELOPMENT FINANCE COOPERATION

The Overseas Association Decision’s present provisions on development finance cooperation are intended to promote the sustainable development of the OCTs, with a focus on the reduction, prevention and, eventually, eradication of poverty. Accordingly, development finance cooperation with the OCTs has until now been financed from the EDF, which is the financing instrument also used for development finance cooperation with the ACP states. As a consequence, EDF procedures apply at present to development finance cooperation with the OCTs, even though the OCTs benefit from somewhat specific procedures in comparison with

³ Decision 2001/822/EC of the Council of 27 November 2001 on the association of the overseas countries and territories with the European Community, OJ L 314, 30.11.2001, p. 1. Decision as amended by Decision 2007/249/EC (OJ L 109, 26.4.2007, p. 33).

⁴ See Article 62 of the revised Overseas Association Decision, as well as recital 14 of Council Decision 2007/249/EC.

the ACP states. A number of OCT-specific simplifications were introduced by the 2001 Overseas Association Decision and fine-tuned in 2007.

Even though the OCTs are not part of the ACP-EC Partnership Agreement and are, strictly speaking, not covered by the Community's development cooperation (given the structure of the EC Treaty), the classic development cooperation logic based on the fight against poverty has been applied to them, even though this approach is no longer suitable for the present-day OCTs. This parallelism between the OCT-EC association and ACP-EC relations can, however, be explained historically, given the common origin of the relations of both the OCTs and the ACP states with the Community. In fact, the list of OCTs in the Treaty of Rome of 1957 included Member States' colonies that have in the meantime become independent sovereign countries, most of them currently ACP states.

Under the current Overseas Association Decision, only OCTs with a per capita GNP not exceeding the Community per capita GNP benefit from a territorial EDF allocation⁵. Of all the OCTs with a permanent local population, only the Cayman Islands and the British Virgin Islands — with levels of per capita GNP far above the Community average — do not qualify for a territorial allocation. In addition to support at territorial level, all the OCTs, regardless of the level of per capita GNP (and thus including the Cayman Islands and British Virgin Islands), are eligible for support given to regional cooperation and integration.

It should also be mentioned that individuals from an OCT and, where applicable, relevant public and/or private bodies and institutions in an OCT are eligible to the same extent and under the same conditions as legal entities from the member States to which the OCTs are linked for participation in and funding from Community programmes such as the Research Framework Programme, education and training programmes, the Competitiveness and Innovation Framework Programme, cultural and audiovisual programmes, etc⁶. In fact, the eligibility of entities of the OCTs for horizontal Community programmes has been generalised since 1 January 2007, subject to the rules and objectives of each individual programme and the arrangements applicable to the Member States to which the OCTs are linked.

In addition, the OCTs have access to a number of actions adopted for developing countries within the general budget of the EU, such as the thematic programmes covered by the Instrument for Development Cooperation (DCI)⁷.

3. ECONOMIC AND TRADE COOPERATION

According to Part Four of the EC Treaty, the establishment of close economic relations between the OCTs and the Community as a whole is part of the overall purpose of the OCT-EC association, and the objectives of the association include the extension by the Member States of the same treatment to their trade with the OCTs as that which they accord to each other, as well as the extension by the OCTs of the same treatment to their trade with the Member States and the other OCTs as that which they apply to the Member State to which

⁵ The amount allocated to each beneficiary OCT is calculated by taking into account the size of the population, the level of GNP, the level and use of previous EDF allocations, constraints due to geographical isolation and, for the OCTs listed in Annex IB to the Overseas Association Decision, structural and other obstacles.

⁶ See Article 58 of and Annex II F to the Overseas Association Decision.

⁷ See Annex II E to the Overseas Association Decision.

they are linked. The Overseas Association Decision furthermore specifies that the objectives of the OCT-EC association also have to be pursued by focusing on the gradual integration of the OCTs within the regional and world economies.

Since the revision of the Overseas Association Decision in 1991, the OCTs have benefited from the most generous tariff regime granted by the Community, under which all '*products originating in the OCTs*' can be imported into the Community free of duty and free of quota. Furthermore, the OCTs are allowed, unlike the Community, to retain or introduce customs duties or quantitative restrictions under specific conditions laid down in the EC Treaty and the Overseas Association Decision. In this respect, however, the resulting trade arrangements applied by an OCT to the Community may not be any less favourable than those it applies to third countries, in accordance with the most favoured nation principle, unless another OCT or developing country is involved. In addition, these one-sided arrangements may not give rise to any discrimination between Member States, which means that an OCT may not treat the Member State to which it is linked more favourably than the other Member States.

The definition of '*products originating in the OCTs*' (and which can be imported into the Community free of import duty and quota) is laid down in Annex III to the Overseas Association Decision, which contains favourable rules of origin. These also provide for the possibility of cumulation of origin, which allows materials originating in the Community or the ACP states to be considered as if they originated in an OCT when incorporated into a product obtained in that OCT. As a consequence, such products acquire OCT originating status and thus benefit from the tariff regime applicable to OCTs⁸.

In addition, transshipment enables products not originating in an OCT, but which are in free circulation in that OCT and are re-exported to the Community, to be accepted for import into the Community free of customs duties and taxes with equivalent effect⁹. However, the products must comply with the conditions laid down in the Overseas Association Decision and must in principle have been subject to a change in the means of transportation in the OCT, implying at least the unloading and reloading of the goods. The Overseas Association Decision specifies that, for these products, customs duties comparable to the customs duties applicable in the Community must have been paid in the OCT concerned, and that any refunding of such payments is prohibited. Nevertheless, at the request of an OCT, the Commission may authorise this OCT to provide public financial aid to those using the transshipment procedure.

The EC Treaty and the Overseas Association Decision also contain provisions relating to services and investment. More precisely, on the Community side the OCTs benefit from a comprehensive liberal regime across service sectors and modes of supply, including commercial establishment. The OCTs for their part must in principle grant just most-favoured-nation and non-discriminatory treatment to Member States, whereas the Overseas Association Decision allows them one-sidedly to adopt regulations to aid their inhabitants and

⁸ However, there are annual limits on cumulation of origin for two sensitive products, rice and sugar (for sugar, cumulation possibilities will be phased out by 2011). These annual limits were introduced in 2001 as a consequence of safeguard measures adopted by the Commission in response to a massive influx of products obtained from ACP rice and sugar into the Community via the more favourable tariff applicable to OCTs (which constitutes a good illustration of the 'OCT route' which was very attractive for economic operators as it allowed them to avoid duties and quotas).

⁹ The transshipment procedure does not apply to agricultural products or goods resulting from the processing of agricultural products, with the exception of the potential import into the Community of a limited volume of specific fishery products from Greenland and Saint-Pierre-et-Miquelon.

local activities. With regard to certain health care professions, a list of professional qualifications specific to OCT inhabitants is to be recognised in the Member States.

It is important to recall that, though not third countries, the OCTs do not form part of the Community single market. Therefore, the related four freedoms (free movement of people, goods, services and capital) that apply within the Community do not cover the OCT-EC association, although this does not affect the rights conferred upon OCT inhabitants by citizenship of the Union within the meaning of the EC Treaty¹⁰. Instead, the above-mentioned arrangements for trade in goods, establishment and the provision of services apply to trade and economic relations between the Community and the OCTs. The Overseas Association Decision also contains provisions on current payments and capital movements. Furthermore, the free movement of workers between the OCTs and the Member States is mentioned in the EC Treaty, but this issue is to be governed by agreements to be concluded subsequently with the unanimous approval of the Member States. However, given this very cumbersome procedure laid down in Article 186 of the EC Treaty, such agreements have never been adopted so far. In this respect, it should be noted that the Treaty of Lisbon of 13 December 2007 makes the regulation of the free movement of workers between the OCTs and the Member States subject to the common procedure of Article 187 of the EC Treaty for adopting the detailed rules and procedures for the OCT-EC association, which could facilitate regulation of this issue.

¹⁰ With regard to citizenship of the Union, see section 3.1.1 of the Green Paper to which the present Commission staff working document is attached.

Annex IV

Working document on the trade arrangements between the Community and the OCTs

No review of the present trade arrangements between the Community and the OCTs can take place without taking into account the changes in the wider world, which affect the Community and the OCTs themselves, as well as the OCTs' principal trading partners and in particular their ACP neighbours. The Community has for many years consistently supported regional economic integration as a priority for the ACP states, because integration regionally and within multilateral trading systems offer new trade opportunities that could lead to economic growth and thus a path out of poverty for these countries. This is also the underlying rationale of the development cooperation logic of the Economic Partnership Agreements (EPAs) negotiated with the ACP states.

It is also a fact that the theoretical benefits offered to the OCTs by the current OCT-EC trade regime in terms of preferential access to the Community market are eroding as a result of progressive trade liberalisation on a global and regional scale. This is an inevitable process for which the OCTs need to prepare, in particular because the OCTs already benefit from the most generous tariff regime ever granted by the Community, which leaves no real room for improving their preferential access to the EU market.

In this context, the Commission has since 2003 invited the OCTs located in an ACP region and the Member States to which they are linked to examine their position on the regional economic integration of these OCTs with their neighbouring ACP countries, and what these OCTs stand to lose or gain from participating in such regional economic integration. As mentioned above, the rationale behind the EPAs is regional economic integration. Determining the added value for OCTs of greater regional integration and/or EPA-like trade arrangements is an extremely complex task, both for the OCTs and the Commission, in particular as long as the EPAs have not entered into force. In any case, it is clear that the choice by an OCT (in conjunction with the related Member State) to join — fully or partly — regional trade arrangements applicable to its ACP neighbours cannot be imposed by the Community. The specific OCT-EC trade regime, whose basic principles are guaranteed by the EC Treaty, can continue to coexist with the EPAs, should an OCT not proceed towards more regional integration (or should it be unable to do so, for example because of its geographical isolation).

It should, however, be noted that it is possible, following a formal request by an OCT (via the Member State to which it is linked), to broaden or supplement the scope of the EPAs, in accordance with the usual procedure for their revision, and in particular without prejudice to the Commission's institutional prerogatives and subject to the agreement of the ACP states concerned, to bring an OCT within the scope of an EPA. Without prejudice to the details of each case and subject to the necessary modifications of the applicable legal framework, there appear to be three main possibilities, depending first and foremost on the choice to be made by each OCT and the Member State to which it is linked: 1) an OCT remains subject in full to the OCT-EC trade regime, based on the principles laid down in the EC Treaty; 2) an OCT opts for full or partial regional integration, which would in principle entail the application of the related regional trade arrangements, but while maintaining the OCT-EC trade regime; 3) an OCT opts for full or partial regional integration and also becomes subject to the reciprocal

EPA arrangements that apply to trade between the Community and the ACP states in question, which would fully or partially replace the OCT-EC trade regime for that given OCT.

With regard to trade in services and unlike the arrangements for trade in goods, the Overseas Association Decision does not provide for an exception to the most favoured nation clause for trade between an OCT and other OCTs or developing countries. However, it could be relevant to examine whether this constitutes an obstacle to OCT regional economic integration in certain cases. In this respect, one could refer as an example to the fact that the participation of Montserrat in the Caribbean Single Market and Economy would under the current rules entail an obligation for this OCT to apply to the Community trade arrangements for services that are not less favourable than those applied to the members of the Caribbean Single Market and Economy, which is seen as an obstacle to Montserrat's participation in this initiative despite its membership of CARICOM.

On the other hand, a modernisation of the rules of origin (primarily regarding fisheries products), tailored to the OCTs' specific situation, or the strengthening of the OCTs' capacities to comply with obligations on imports of goods into the Community, could help maximise the benefits that the OCTs derive from the OCT-EC trade regime despite the decreasing theoretical value of their tariff preferences. In the same vein, the current transshipment procedure should be subject to a critical assessment. Last but not least, the Overseas Association Decision also provides for cooperation in "trade-related areas" that are becoming increasingly important to trade in general but also between the EC and ACP neighbours of OCTs.

1. RULES OF ORIGIN

Some OCTs have suggested establishing a specific set of rules of origin for OCTs in order to facilitate the access of their products to the Community market. As stated in a 2005 Communication on the future rules of origin, the Commission is in favour of a possible modernisation of the rules for both ACP states and OCTs (e.g. regarding the crewing of vessels). However, establishing a specific set of rules of origin for OCTs might impose administrative and operational burdens with regard to OCT-ACP cumulation, which would run counter to the objective of simplifying the current rules and the need for an easy to operate system. It is also clear that a modernisation of the rules of origin should contribute to the OCTs' sustainable development and should thus avoid OCTs merely becoming a platform for products of other countries trying to reach the EU market under the OCT preferences, so as not to open the door to trade deflections. Furthermore, it is necessary to take into account the geographical range of the OCTs, which could make it interesting for some OCTs (those in an ACP region) but not for others (the most isolated OCTs and those whose interests lie in the European Economic Area) to engage in OCT-ACP cumulation activities. If a specific set of rules of origin is established for the OCTs, derogations from the rules of origin would, ideally, no longer be required.

At the same time, it should be borne in mind that, if the possibility of OCT-ACP cumulation is to be maintained, the OCTs should, as a matter of policy, be subject to rules of origin that are identical to those applicable to the ACP states, which will sometimes vary per region depending on the regimes provided for in the different EPAs. In addition, administrative cooperation agreements between the OCT and ACP cumulating partners need to be in place. In any event, the present provisions of Annex III to the Overseas Association Decision on cumulation of origin between OCTs and ACPs need to be amended, as these provisions refer

to cumulation using materials originating in the ‘ACP states’ in general. This particular reference to the ‘ACP states’ is however not supported by a clear outline of the composition of this group of countries: as of 1 January 2008, the ACP states that have not signed agreements with the EU establishing, or leading to the establishment of, EPAs only benefit from the less favourable General System of Preferences (GSP) and its rules of origin, whereas those who benefit from the Market Access Regulation¹¹ come under the rules of origin laid down in Annex II to that regulation. This not only means that ACP states are already subject to different rules of origin than those applicable to OCTs, but also means that some ACP states apply different rules of origin than others, which seriously complicates cumulation of origin between the OCTs and ACP states, and will make cumulation of origin between the OCTs and *all* ACP states impossible once the EPA origin protocols enter into force.

The bottom line is that the choice is between either OCT-specific rules or maintaining the possibility of cumulation by applying rules of origin identical to those applicable to the ACP states that an OCT would want to cumulate with. However, it is necessary to take into account the geographical diversity of the OCTs, which could make it interesting for some OCTs (those in an ACP region) but not for others (the most isolated OCTs and those whose interests lie in the European Economic Area) to maintain the possibility of OCT-ACP cumulation rather than become subject to OCT-specific rules.

It is therefore up to an OCT to indicate if it would like 1) a specific set of rules of origin for the OCTs, which would be applicable to all the OCTs choosing this option and would rule out the possibility of cumulation of origin, or 2) a regional set of rules of origin compatible with the rules of origin applicable to the ACP states of the region in question, which allow for cumulation of origin with these ACP states. For example, the Caribbean OCTs could prefer to apply the same rules of origin as the 15 ACP states that participate in the EC-Cariforum EPA, whereas OCTs such as St Pierre and Miquelon and Greenland could prefer OCT-specific rules.

Whereas cumulation of origin between ACP countries and OCTs might offer certain possibilities for the economic development of some OCTs (for example, ACP-OCT cumulation in the Netherlands Antilles and Aruba with regard to rice and sugar products), the real added value of maintaining cumulation should be subject to a critical assessment, in particular because cumulation carries the risk that products from ACP countries simply transit through certain OCTs without strengthening the OCTs’ economic development or without contributing to ACP-OCT economic cooperation. Moreover, the added value for ACP countries to pass through an OCT will most probably decrease significantly or even disappear when the ACP countries obtain quota-free and duty-free access to the EU market, which will be the case with the entry into force of the EPAs or, pending that, is already the case for those ACP countries that come under the Market Access Regulation¹². Even if there are limited exceptions for imports into the EU of ACP sugar and rice, these will be phased out as well.

¹¹ Council Regulation (EC) 1528/2007 of 20 December 2007 applying the arrangements for products originating in certain states which are part of the African, Caribbean and Pacific (ACP) Group of States provided for in agreements establishing, or leading to the establishment of, Economic Partnership Agreements, OJ L348, 31.12.2007, p. 1.

¹² Least Developed Countries (LDC) already have duty-free, quota-free access under the ‘Everything But Arms’ initiative, irrespective of what they do on EPAs.

2. TRADE-RELATED AREAS

With the ongoing trade liberalisation of goods and services and the conclusion of the EPAs, increased emphasis is being put on 'behind the border measures', such as trade-related legislation and regulatory reform in the trade field, in order to secure more effective participation, under the most favourable conditions, in Community, domestic, sub-regional, regional and international markets. In addition, trade facilitation (including customs duty structures and customs regimes to avoid standards being set arbitrarily and becoming obstacles to trade) and human resource development are of growing importance with a view to fully engaging in regional or international trade.

The Overseas Association Decision already identifies support for trade-related areas as possible areas of cooperation between the Community and the OCTs. At the same time, these are increasingly becoming areas for cooperation between the Community and ACP neighbours of OCTs. Today, the Community is available to help reinforce, within the association strategies of each OCT, the capacity of the OCTs to handle all areas related to trade, including where necessary improving and supporting the institutional framework. However, not least because of the limited funds available for Community financial assistance, this possibility is at present not exploited by the OCTs, which assume the primary responsibility for the formulation of their association strategies.

At the same time, trade-related cooperation could be developed in a number of areas. For example, harmonising certain parts of locally applicable legislation in the OCTs in the sanitary and phytosanitary field with Community legislation may facilitate trade flows into the Community for economic operators within the OCTs. This can be illustrated by the Community's sanitary and phytosanitary system. It has evolved from a fragmented to a highly harmonised system, which now enables the movement of animals and products with minimum restrictions, official checks and paperwork. There is a harmonised legislative system and strong capacity in the areas of animal and plant health and food safety, which allows avoiding possible trade-barriers arising from controls, checks and certifications at border inspection posts, while ensuring that the Community's high standards in his field are maintained.

In fact, such an approach is currently being considered in Greenland, which has requested to be allowed to trade in fishery products, live bivalve molluscs, echinoderms, tunicates and marine gastropods and certain animal by-products of fish origin with the Community in accordance with intra-Community rules. Under a proposal for a Council Decision laying down trade provisions between the Community and Greenland, the latter will undertake to transpose, adopt and comply with all the relevant Community provisions. The intention is to secure the free circulation of certain Greenlandic fishery products between Greenland and the Community.

However, this also requires the administrations of the OCTs concerned to be capable of conducting veterinary border controls on third country imports and to be authorised to do so, which might also require action on behalf of the Member State to which the OCT is linked. Under the Community's sanitary and phytosanitary system, the harmonised requirement for all checks to be carried out at external border inspection posts is essential for the free movement of the products concerned within the single market. Consequently, a third country or territory must prove that (1) adequate prevention and control measures are in place, as well as effective organisation and administration, competent authority and veterinary control systems; (2) it is able to provide rapid and regular data on the existence of important animal diseases on its territory; (3) its legislation, rules and livestock health status satisfy Community requirements

for the animals or products in question; (4) it or its region is free of the most important diseases; (5) it has acceptable public health standards (e.g. an approved residues control plan). In most cases, the Commission's Food and Veterinary Office first carries out on-the-spot inspections to ascertain the respect of the above conditions. In addition, all live animals and products must be accompanied by a health certificate and must enter via an external border inspection post, where checks are carried out.

According to the assessment of a number of OCTs by the Food and Veterinary Office, a huge challenge remains for them to upgrade their standards and to improve their regulatory and control framework, enabling to certify the above steps on behalf of the Community. Many OCTs still lack the necessary capacities, sometimes due to infrastructural problems (e.g. the use of old facilities that do not meet modern structural and hygiene requirements to comply with good manufacturing practice). Major investments are needed in structures, equipment, water quality, sewage and hygiene practices, management and worker training, in order to strengthen food safety and quality management systems, such as the use of 'hazard analysis and critical control point' (HACCP). This represents a major challenge, in particular for small businesses, but is essential for a competitive and viable industry.

Because the OCTs are not part of the Community's single market, they must comply with obligations on imports of goods into the Community concerning trade and sanitary measures. Thus, improved standards in the OCTs in the sanitary and phytosanitary field, inspired by the Community's harmonisation experience, may generate mutual benefits, competitive and flexible markets, economies of scale and improved consumer choice.

Another area for trade-related cooperation could be tax and tariff regulation: first, to improve the institutional, administrative, regulatory and procedural matters relating to tax; second, to adapt the fiscal systems of certain OCTs, for instance by introducing a regionally coordinated system of value added tax, in order to facilitate regional economic integration. Furthermore, closer cooperation could be pursued on public procurement rules, intellectual property rights, effective enforcement measures both at an OCT's borders and internally, and effective dispute settlement provisions, in order to make an OCT's market more transparent, accessible for relevant information and open for foreign investment. In addition, concrete measures to support trade development in general, such as activities aimed at improving the business climate to attract foreign investment, access to trade finance, trade promotion, and market development in the productive and services sectors, including at institutional and enterprise levels, are areas where the Community could usefully assist OCTs in order to secure a more viable private sector and a shift from a predominant public sector (seen in many OCTs) towards more private initiative. Moreover, with reference to the Community acquis in the field of aviation and in particular the Common Aviation Area, strengthened cooperation in this field would also allow market access barriers to be lifted.

3. TRANSHIPMENT

Transshipment is only theoretically relevant for a small group of OCTs and is only one of several instruments available to promote the OCTs' economic development. Historically, transshipment was introduced following a request by one particular OCT (the Netherlands Antilles) with developed but under-utilised harbour facilities, based on the loading and unloading of goods. The original aim of the transshipment procedure was therefore to promote the exploitation of existing infrastructures and create local economic growth. This has not happened.

The regularity of some early transshipment attempts in the 1990s was questioned, namely because certain OCTs encouraged third-country economic operators to use this procedure by repaying them part of the customs duties they paid to the OCTs, in particular as compensation for the additional transport costs involved in passing through an OCT rather than exporting directly to the Community. However, notwithstanding the serious problems encountered, all four Member States to which the OCTs are linked insisted that the procedure should be maintained and improved. As a consequence, the Overseas Association Decision adopted in 2001 did eventually maintain the possibility of transshipment, but also introduced conditions for granting OCT aid to economic operators to promote the use of transshipment. In particular, the possibility of OCT public financial aid to those using the transshipment procedure became subject to preliminary authorisation by the Commission on a case by case basis.

However, despite the possibility of OCT public financial aid on a case by case basis to cover the additional costs generated by the re-routing of products via an OCT, the lack of requests by OCTs to grant such aid indicate that third-country economic operators do not make use of this possibility in practice (at least not in forms eligible for authorised public aid), and the possibility of transshipment does not therefore seem to provide any impetus for the social and economic development of the OCTs. Moreover, apart from the lack of success of the instrument itself, the theoretical attractiveness of transshipment is decreasing as a result of increasing fuel costs and the progressive liberalisation of trade between the Community and its trade partners (both ACP countries and other third countries).

In view of the above, the Commission is of the opinion that transshipment has not yielded the expected results, because it implies purely artificial trade routes that present no added value for third-country economic operators to pass through an OCT.

Some OCTs are of the opinion that transshipment could still be relevant, and have suggested that the procedure should be made more operational. In particular, they have asked the Commission to drop its insistence that the transhipped products must in principle have been subject to a change in the means of transportation in the OCT. However, these suggestions fail to take into account that such an approach would entail serious risks for certain economic sectors of the Community or of one or more Member States, while the bulk of the financial benefits would go to third-country economic operators rather than the OCTs themselves (as illustrated by the above-mentioned transshipment attempts in the 1990s). Allowing just the transit of products through an OCT without any unloading and reloading would not only be difficult to reconcile with the generally accepted definition of transshipment (a definition accepted by the OCTs themselves in their relations with partners other than the Community)¹³, but also with the original aim of the transshipment procedure (to promote the exploitation of developed but under-utilised harbour infrastructures).

Moreover, several OCTs have asked the Commission to develop clear guidelines for the use of this instrument, namely as regards the authorisation of OCT public aid to those who use the procedure. However, it should be noted that the Commission has over several years already provided guidance to OCTs on transshipment, though without establishing one-size-fits-all guidelines that would apply in each and every case. It is indeed not possible to develop guidelines to determine, *ex ante* and once and for all, the acceptable level of OCT public financial aid to third-country economic operators, as the risk that such aid would provoke

¹³ It should also be stressed that, in relation to fisheries management measures agreed in the context of Regional Fisheries Organisations, transshipment of fish is subject to very strict conditions, and in some cases even prohibited.

serious disturbances or difficulties for an economic sector in the Community or in one or more Member States can only be examined on a case by case basis.

Nevertheless, the Commission acknowledges that the aim of transshipment, i.e. to make existing (or future) well-developed but under-utilised harbour infrastructure in the OCTs more competitive, remains relevant for OCTs with such infrastructure. It could therefore be examined how this objective could be best achieved, taking due account of the potential in certain OCTs (but not in all of them) to provide safe and efficient transshipment or temporary warehousing in their harbours for products destined for the Community.

Annex V

Working document on the vulnerability and diversity of the OCTs

On 2 October 1997, the Conference of the Heads of State and Government that adopted the Treaty of Amsterdam made a declaration on the OCTs in which it called for a review of the OCT-EC association arrangements with the objective of, among other things, taking greater account of the diversity and specific characteristics of the individual OCTs¹⁴. Consequently, the 2001 Overseas Association Decision introduced a number of innovations in this respect. Whereas until the 8th EDF, programmable aid was divided among the French, Dutch and British OCTs as a group, leaving it up to the Member States concerned to allocate these resources between their own OCTs, the 2001 Overseas Association Decision introduced the allocation of Community financial assistance directly to individual OCTs and provided for greater subsidiarity as regards the management of the financial instrument. It also included provisions on the needs of the most isolated and least developed OCTs. However, based on the experience acquired since then, the Green Paper to which the present Commission staff working document is attached should now critically assess a number of further challenges concerning the OCTs' vulnerability and diversity, without prejudice to the other questions raised in the Green Paper.

1. THE VULNERABILITY OF THE OCTS

Due to their geographical characteristics, the OCTs suffer from narrow-based markets, which prevent them from reaching a sufficient level of scale in order to develop diverse economic activities. Most products are imported at high transport costs whereas the local production that can be exported is insufficient to ensure a positive trade balance. This situation makes the OCTs vulnerable to any fluctuation in trade exchanges. This dependency on external resources also applies to the provision of energy.

Moreover, the insular characteristics of the OCTs mean they are particularly exposed to environmental shocks as well as natural disasters, whose frequency and force are increasing with global warming. The OCTs are particularly vulnerable to climatic, seismic and volcanic risks and to tsunamis. Such natural disasters can easily destroy the infrastructures and the few activities that are possible given the reduced size of the OCTs' economies. Besides the risk of economic paralysis, these phenomena can cause a heavy human toll and lead to the displacement of populations, and are thus likely to disrupt the economic and social organisation of the OCTs.

Against this background, the OCTs and the Member States to which they are linked have consistently indicated that the Overseas Association Decision should be improved to take better account of the OCTs' vulnerability as micro-island economies and that specific criteria and instruments should be identified in line with their specific situation. In the context of the revision of the Overseas Association Decision in 2007, the Council and the Commission

¹⁴ Declaration No 36 on the Overseas Countries and Territories annexed to the Final Act of the Conference of the Heads of State and Government that adopted the Treaty of Amsterdam (OJ C 340, 10.11.1997).

stressed that greater coordination between support at regional and territorial level could contribute to enhancing the resilience of the OCTs towards the challenges that they are facing regardless of the level of per capita GNP or other elements used to determine the territorial allocations. Nonetheless, the Commission did not propose a fundamental revision of the existing criteria and instruments, because it felt that such issues should be discussed in the context of a wider dialogue on the overall philosophy underpinning the OCT-EC association. Moreover, if it were accepted that allocation criteria should be more vulnerability-oriented, the ancillary challenge of quantifying vulnerability in an objective way on the basis of other elements than those already taken into account today would require further reflection.

2. THE DIVERSITY OF THE OCTS

Besides examining whether and how the OCTs' vulnerability should be taken into account in the context of the OCT-EC association, the Commission would also like to raise issues related to the diversity of OCTs. Even though the OCTs have common characteristics (small population sizes, islands, biodiversity, etc.), there are huge differences between them, for example in terms of relative wealth, actual population size, natural resources, geographical characteristics, physical isolation, climate, possibilities for economic diversification, etc. Nevertheless, despite the innovations introduced in 2001, the current Overseas Association Decision and in particular the financial instrument continue to be based largely on a 'one size fits all' approach. For example, the Community's development finance cooperation is currently based on a common set of standards, treating OCTs like Anguilla and Mayotte in the same way, even though the challenges they face are radically different. Similarly, no distinction is made between OCTs that benefit from considerable financial transfers from the Member State to which they are linked and those for which the Community is in fact the only donor. Even the provisions for the most isolated OCTs and even more so for the least developed OCTs¹⁵ are based on generalisations that do not reflect the differences between the OCTs concerned.

On the other hand, and quite apart from the challenges set out above with regard to the trade regime applicable to the OCTs, the range of possible areas of cooperation identified in the current Overseas Association Decision is very wide and, according to the principles and procedures of the partnership between the OCTs and the Community, the authorities of each beneficiary OCT are primarily responsible for formulating the association strategies, including the choice of focal area for Community financial assistance. In this respect, it should also be noted that, because the funds available are limited, the Commission insists on funds being concentrated in one sector, following a comprehensive approach taking into account complementarity with other actions and other partners. This has the advantage that Community assistance has more leverage and increased efficiency, while at the same time minimising the burden of managing these funds.

On the basis of the experience acquired and in response to the dialogue with the OCTs and the Member States to which they are linked, the Commission wishes to examine whether the individualised approach based on each beneficiary OCT's ownership of the association strategies supported by the Community should be complemented by further action to take the specific characteristics of the individual OCTs into account. This should further facilitate

¹⁵ The OCTs considered the least developed for the purpose of the Overseas Association Decision are listed in Annex IB to that Decision. The OCTs listed are Anguilla, Mayotte, Montserrat, Saint Helena and dependencies, Turks and Caicos Islands, Wallis and Futuna Islands, and Saint-Pierre and Miquelon.

targeting the particular situation in a given OCT, such as increasing the accessibility of an isolated OCT, reducing the development gap of an OCT facing real development needs, strengthening an OCT's institutional and administrative capacities where relevant, improving the competitiveness of an OCT in areas where it has specific potential, or strengthening an OCT's resilience to cope with the specific challenges it faces, such as natural disasters or environmental sustainability. At the same time, disproportionate administrative burdens or fragmentation of the limited funds available should be avoided.