

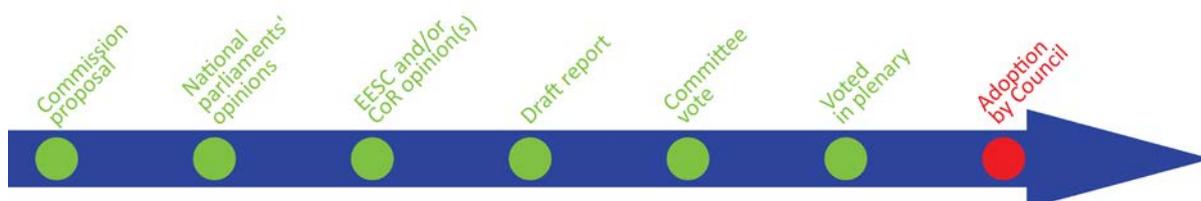
# A new association of the Overseas Countries and Territories (including Greenland) with the European Union

## OVERVIEW

On 14 June 2018, in preparation for the new multiannual financial framework (2021 to 2027 MFF), the European Commission published a proposal for a Council decision on the Association of the Overseas Countries and Territories, including Greenland, with the European Union. For Greenland the main source of EU funding is currently the EU budget, while for the other overseas countries and territories, it is the European Development Fund, a financial instrument outside the EU budget. The proposed decision would bring together the funds for all EU overseas countries and territories under the EU budget, as part of new Heading 6 'Neighbourhood and the world'. The European Parliament, which is only consulted, has adopted its legislative resolution on the proposal, in which it calls for an increase of the proposed budget for 2021-2027, and for better account to be taken of OCTs' social and environmental circumstances.

### Proposal for a Council decision on the Association of the Overseas Countries and Territories with the European Union including relations between the European Union on the one hand, and Greenland and the Kingdom of Denmark on the other ('Overseas Association Decision')

|                               |  |  |
|-------------------------------|--|--|
| <i>Committee responsible:</i> | Development (DEVE)   | COM(2018) 461<br>14.6.2018   |
| <i>Rapporteur:</i>            | Maurice Ponga (EPP, France)  | 2018/0244(CNS)   |
| <i>Shadow rapporteurs:</i>    | Doru-Claudian Frunzulică (S&D, Romania)<br>Eleni Theocharous (ECR, Cyprus)<br>Jan Zahradil (ECR, Czech Republic)<br>Charles Goerens (ALDE, Luxembourg)<br>Lola Sánchez Caldentey (GUE/NGL, Spain)<br>Maria Heubuch (Greens/EFA, Germany) | Consultation procedure<br>– Parliament adopts<br>only a non-binding<br>opinion |
| <i>Next steps expected:</i>   | Adoption by Council  |  |



## Context

The future long-term framework for the European Union (EU) budget will apply as of 1 January 2021. The European Commission presented its proposals for this multiannual financial framework for the 2021 to 2027 period (MFF 2021-2027) in June 2018. Under this proposal, Heading 6, [Neighbourhood and the world](#), will cover funds for EU overseas countries and territories (OCTs).

The OCTs enjoy extensive self-governance but are not sovereign states. Their constitutional relationship with certain Member States – Denmark, France, the Netherlands and the United Kingdom – is reflected in the [Treaty on the Functioning of the European Union](#) (TFEU, Part Four, Association of the overseas countries and territories). Although they share similar characteristics with the EU's outermost regions (ORs), the OCTs' have a different status in the EU Treaties.<sup>1</sup> While the ORs are covered by EU law, albeit [adapted](#) to their specific situation, the OCTs are not, unless explicitly provided in the texts. The OCTs are not part of the European single market.

The EU's OCTs currently number 25 overseas islands. In 2021, on account of Brexit, the 12 British OCTs will lose their association with the EU. As shown in Table 1 below, the OCTs share a number of similarities: most of them are small islands, not densely populated, and the majority draw most of their revenues from fishing and tourism. They represent [80% of EU biodiversity](#), and their geographic positions and reliance on natural resources make them particularly vulnerable to climate change. They are remote from the EU mainland and, more generally, from their trading partners. Reliance on imports represents a heavy burden. The OCTs' per capita gross domestic product (GDP) is lower than the EU average, with the exception of the Falklands, Saint Barthélemy, and those OCTs specialised in high-yield financial services.

Table 1 – OCTs: main characteristics and current EU support

| Overseas country or territory                               | MS <sup>a</sup> | Surface (km <sup>2</sup> ) | Pop. <sup>b</sup> | Density (pop./km <sup>2</sup> ) <sup>c</sup> | GDP/capita (€) | EU support (2014-2020, million €) <sup>d</sup> | Main economic activities                       |
|---|-----------------|----------------------------|-------------------|--|----------------|--|--|
| <b>British OCTs (not included in the current proposal )</b> |                 |                            |                   |  |                |  |  |
| <a href="#">Anguilla</a>                                    | UK              | 132                        | 15 962            | 121  | 18 763         | 14.0   | Tourism, construction, financial services      |
| <a href="#">British Virgin Islands</a>                      | UK              | 153                        | 28 213            | 185  | 30 124         | –  | Financial services, tourism                    |
| <a href="#">Cayman Islands</a>                              | UK              | 259                        | 55 000            | 213  | 55 966         | –  | Financial services, tourism                    |
| <a href="#">Montserrat</a>                                  | UK              | 102                        | 5 000             | 50   | 11 160         | 18.4   | Construction, tourism, agriculture, banking    |
| <a href="#">Turks and Caicos Islands</a>                    | UK              | 948                        | 38 435            | 41   | 20 868         | 14.6   | Tourism, construction, financial services      |
| <a href="#">Bermuda</a>                                     | UK              | 54                         | 64 237            | 1 190  | 80 441         | –  | Financial services, tourism                    |
| British Indian Ocean Territory                              | UK              | –                          | none              | n/a  | n/a            | –  | n/a  |
| <a href="#">Pitcairn</a>                                    | UK              | 5                          | 55                | 11   | n/a            | 2.4  | Subsistence fishing, horticulture, handicrafts |

| Overseas country or territory  | MS <sup>a</sup> | Surface (km <sup>2</sup> ) | Pop. <sup>b</sup>   | Density (pop./km <sup>2</sup> ) <sup>c</sup> | GDP/capita (€) | EU support (2014-2020, million €) <sup>d</sup> | Main economic activities                                  |
|--|-----------------|----------------------------|---------------------|--|----------------|--|---|
| British Antarctic Territory  | UK              | –                          | none                | n/a  | n/a            | –  | n/a   |
| <a href="#">Falkland Islands</a> <sup>e</sup>                          | UK              | 12 173                     | 2500                | 1  | 89 941         | 5.9  | Fisheries, agriculture, tourism                           |
| <a href="#">Saint Helena, Ascension, Tristan da Cunha</a> <sup>e</sup> | UK              | 121<br>88<br>98            | 4 177<br>710<br>260 | 35<br>9<br>3                                 | 6 378          | 21.5   | Tourism, coffee, stamp sales                              |
| South Georgia and the South Sandwich Islands                           | UK              | –                          | none                | n/a  | n/a            | –  | n/a   |
| <b>Caribbean</b>   |                 |                            |                     |  |                |  |   |
| <a href="#">Aruba</a>  | NL              | 180                        | 101 484             | 564  | 27 134         | 13.0   | Tourism   |
| <a href="#">Bonaire</a>  | NL              | 294                        | 16 000              | 55   | 20 545         | 3.9  | Tourism   |
| <a href="#">Curaçao</a>  | NL              | 444                        | 142 180             | 321  | 21 219         | 16.9   | Tourism, oil refinery                                     |
| <a href="#">Saba</a>   | NL              | 13                         | 2 000               | 154  | 2 075          | 3.5  | Tourism, medical school                                   |
| <a href="#">Saint-Barthélemy</a>                                       | FR              | 25                         | 8 800               | 353  | 35 700         | –  | Tourism, public works, non-financial market sector, trade |
| <a href="#">Saint Eustatius</a>  | NL              | 31                         | 3 800               | 123  | 24 673         | 2.4  | Tourism, oil storage terminal                             |
| <a href="#">Sint Maarten</a>   | NL              | 41                         | 50 000              | 1 220  | 14 447         | 7.0  | Tourism   |
| <b>Indian Ocean</b>  |                 |                            |                     |  |                |  |   |
| <a href="#">TAAF (French Southern and Antarctic Lands)</a>             | FR              | 439 672                    | none                | n/a  | n/a            | –  | Fishing, tourism, scientific research                     |
| <b>Pacific</b>   |                 |                            |                     |  |                |  |   |
| <a href="#">French Polynesia</a>                                       | FR              | 2.5 million                | 267 000             | 498 (Tahiti)                                 | 16 000         | 29.9   | Services, tourism   |
| <a href="#">New Caledonia</a>  | FR              | 18 576                     | 245 580             | 14   | 28 931         | 29.8   | Mining activities, trade, construction, tourism           |
| <a href="#">Wallis and Futuna</a>                                      | FR              | 142                        | 13 445              | 95   | 10 100         | 19.6   | Agriculture, non-merchant and public services, trade      |

| Overseas country or territory   | MS <sup>a</sup> | Surface (km <sup>2</sup> ) | Pop. <sup>b</sup> | Density (pop./km <sup>2</sup> ) <sup>c</sup> | GDP/capita (€) | EU support (2014-2020, million €) <sup>d</sup> | Main economic activities                    |
|---|-----------------|----------------------------|-------------------|--|----------------|--|---|
| <b>Other areas/Isolated OCTs<sup>e</sup></b>  |                 |                            |                   |  |                |  |   |
| <a href="#">Greenland</a>   | DK              | 2.2 million                | 56 810            | 1  | 30 020         | 217.8  | Fishing, mining, tourism                    |
| <a href="#">Saint Pierre and Miquelon<sup>e</sup></a>   | FR              | 242                        | 6 125             | 26   | 28 327         | 26.3   | Public administration and merchant services |
| <b>Additional financial support for OCTs (excepting Greenland) (EDF 11)</b>                             |                 |                            |                   |  |                |  |   |
| Regional cooperation, emergencies, technical assistance, European Investment Bank investment facilities |                 |                            |                   |  |                | 126.5  |   |

<sup>a</sup> MS: associated Member State: Denmark (DK), France (FR), the Netherlands (NL), or the United Kingdom (UK)  
<sup>b</sup> Pop.: permanent population. <sup>c</sup> Density rounded up to the unit. <sup>d</sup> EU support: Greenland : MFF 2014-2020, other OCTs: EDF 2014-2020 indicative allocation. <sup>e</sup> Isolated OCTs as listed in [Decision 2013/755/EU](#).

**Data source:** Surface area and population: Association of the OCTs (OCTA), accessed 4 October 2018; GDP per capita and main economic activities: [EPRS](#), April 2017 (except for the TAAF: [OCTA](#)); EU support: [European Commission](#), accessed 4 October 2018.

## Existing situation

The [Treaty on the Functioning of the European Union](#) (TFEU, Part Four) sets out the main principles underpinning the association of the OCTs with the EU. The legal framework for OCT association with the EU also applies to Greenland, unless otherwise stipulated in the [special protocol](#) for Greenland, annexed to the Treaties.

The current Council Decision 2013/755/EU on the association of the OCTs with the EU – referred to as the [Overseas Association Decision \(OAD\)](#) – was adopted by the Council after consulting Parliament. The decision promotes **OCT cooperation with their neighbours**, in particular the African, Caribbean and Pacific states, and their regional groupings.<sup>2</sup> It also emphasises their unique role as regards environmental challenges: the association decision is built around EU support to strengthen **OCT resilience** 'in the fields of conservation of biodiversity and ecosystem services, disaster risk reduction, sustainable management of natural resources and promotion of sustainable energy'. Another aim of the decision is to improve **OCT competitiveness**, in the areas of sustainable trade and tourism in particular and by fostering economic diversification.

The OCTs benefit from trade preferences; these provide in particular for adapted [rules of origin](#). The promotion of labour standards and financial transparency is also highlighted. OCT authorities are encouraged to develop policies in areas such as the sustainable management of forests, coasts, water and fish stocks; waste; communications; research and education; health; culture; tourism; and the fight against terrorism.

Before [1985](#), Greenland was part of the EU under Denmark's membership but asked to be granted OCT status after a referendum held in 1982. Council Decision 2014/137/EU, the [Greenland Decision](#), complements the OAD in respect of Greenland. The joint EU-Greenland [Programming Document for the Sustainable Development of Greenland](#) lays down guidelines for the partnership and the use of the corresponding funding (the EU budget [Instrument for Greenland \(IfG\)](#)). For the 2014 to 2020 period, the focus for cooperation is on education, vocational training and the post-elementary school system. Relations between the EU and the island are also governed by the EU-Denmark/Greenland fisheries partnership agreement ([Council Regulation \(EC\) No 753/2007](#)).

The EU, the OCTs and the relevant Member States meet on [a regular basis](#). A non-profit organisation under Belgian law, '[OCTA](#)', with representatives of permanently inhabited OCTs and of the TAAF, was set up in 2000 to promote partnerships and develop common positions.

The Overseas Association Decision stipulates that the European Development Fund is the main source of funds allocated to the OCTs *other than Greenland*.

According to the Greenland Decision, the EU's financial assistance to Greenland is provided by the general budget.

OCTs are eligible for EU 'horizontal' programmes (such as [COSME](#), [Erasmus+](#) and [LIFE](#)), unless explicitly excluded.

The European Commission is proposing to merge the current Overseas Association Decision and the Greenland Decision into one decision on the 'Association of the Overseas Countries and Territories with the European Union including relations between the European Union on the one hand, and Greenland and the Kingdom of Denmark on the other'.

## Comparative elements

Table 2 – Budget comparison

| (in commitments, million €)                 | 2018 constant prices            |                                |              | Current prices                  |                                |              |
|---|---------------------------------|--------------------------------|--------------|---------------------------------|--------------------------------|--------------|
|   | 2014-20<br>(EU-27<br>estimated) | 2021-27<br>(EU-27<br>proposal) | % change     | 2014-20<br>(EU-27<br>estimated) | 2021-27<br>(EU-27<br>proposal) | % change     |
| Heading 6: Neighbourhood and the world      | 96 295                          | 108 929                        | 13 %         | 94 521                          | 123 002                        | 30 %         |
| <i>of which: OCTs (including Greenland)</i> | <b>594</b>                      | <b>444</b>                     | <b>-25 %</b> | <b>582</b>                      | <b>500</b>                     | <b>-14 %</b> |

Source: [European Parliament](#); based on figures provided by the Parliament's Budgets Committee secretariat. For comparison, estimates of UK allocations are deducted from, and EDF allocations added to, the current MFF.

## Parliament's starting position

In the past, the European Parliament has [recommended](#) that OCT parliaments be involved in EU decision-making for areas concerning them, such as tourism, coastal management or fishing. Parliament has suggested that OCT representatives be informed and consulted when it comes to EU external relations with OCT neighbouring countries (in the context of the EU-ACP institutions for instance). It has also asked the Commission to assess the impact on OCTs carefully when negotiating trade agreements with their neighbours. Before the European Commission presented its proposals for the next MFF, Parliament expressed a desire for continuity in EU financial support for OCTs, in particular through a dedicated financial instrument that would take into account their specific circumstances ([Resolution 2017/2052 \(INI\)](#) of 14 March 2018). The Commission's proposal is in line with Parliament's starting position.

## Council starting position

The priorities for the next MFF were discussed during an informal European Council meeting on 23 February 2018. The heads of state or government 'agreed that the [EU would spend more](#) on stemming illegal migration, on defence and security, as well as on the Erasmus+ programme',

dossiers that would be relevant to the OCTs, although this was not explicitly mentioned. A progress report on the MFF would be presented at the European Council of 13 to 14 December 2018.

The [EU ministers in charge of development cooperation](#) had an exchange of views on the next MFF's 'Neighbourhood and the world' heading during the Foreign Affairs (Development) Council on 22 May 2018. The content of this exchange has not been disclosed.

## Preparation of the proposal

In December 2017, the European Commission published a mid-term review of external financing instruments, including the [Greenland instrument](#) and the [EDF](#), which currently funds the other OCTs. The reviewers judged the Greenland instrument to be relevant and effective, but regretted the lack of data to assess 'EDF performance in OCTs' and that EDF procedures were not adapted to OCT specificities. They also noted 'the lack of connection between EDF support to OCTs and other forms of EU support available to these territories'. The evaluation highlighted the need for more flexibility and coherence between instruments. In its proposal for 'a modern budget for a Union that protects, empowers and defends' ([COM\(2018\)321](#), 2 May 2018), the European Commission suggests bringing the EDF into the general budget. As the EDF currently provides most of the EU financial support for the OCTs (with the exception of Greenland), this would enable the resources for all the OCTs to be merged within a single instrument. However, the Commission does not propose to merge funds for OCTs into the broader Neighbourhood, Development and International Cooperation Instrument (NDICI) on account of the specific relationship OCTs have with the EU and the [specific legal basis](#) that relationship is based upon.

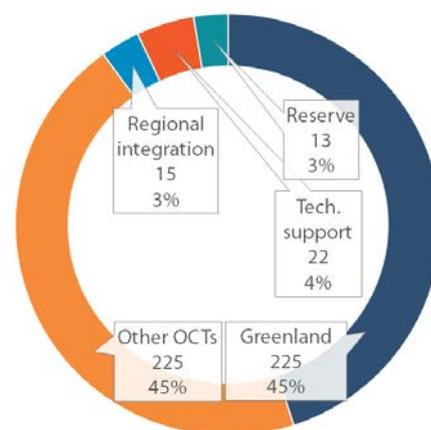
## The changes the proposal would bring

The [proposal for a new decision on the association of OCTs with the Union](#) is in line with the intended simplification of the next MFF. The proposed integration of the EDF into the EU budget would make it possible to bring together the Greenland instrument, currently in the EU budget, with the funding for other OCTs, currently provided by the EDF. In the 2021-2027 MFF, a new budget line under Heading 6 would cover funding for all OCTs.

The objective of the proposal is to 'preserve what works well': its structure is similar to the 2013 Overseas Association Decision, with updates in respect of achievements to date and new context (for example, reference to the UN sustainable development goals). The main changes are that:

- the proposal concerns all OCTs, with special arrangements for Greenland;
- funding is provided by the general budget instead of the EDF;
- the use of funds may extend over several years (article 80): this derogation to the principle of budgetary annuality mirrors the current situation under the EDF;
- the proposal earmarks allocations for cooperation between OCTs, ORs and third countries in the same region;
- OCTs would be eligible for thematic programmes under the new Neighbourhood Development and International Cooperation instrument (in addition to being eligible for the Humanitarian Aid instrument as currently);
- if adopted, the decision would be implemented after the UK has left the Union, therefore the 12 British OCTs would no longer be covered.

Figure 1 – Commission's proposed distribution of budgetary allocations to OCTs



Data source: European Commission, [COM\(2018\) 461](#).  
 Million euros, current prices,  
 % of €500 million (total proposed allocation for OCTs).

In the [impact assessment](#) accompanying the proposal, the Commission highlights the fact that 'unity of management with all the OCTs under the same source of financing – the budget – will create synergies in programming and implementation' and strengthen the OCTs' shared objectives.

## National parliaments

This proposal was [scrutinised by national chambers](#) in nine EU countries (Germany, Ireland, Spain, Finland, Malta, Poland, Slovakia, Sweden and the United Kingdom); none of which either raised concerns about [subsidiarity](#) or transmitted important information before the deadline of 24 September 2018.

## Advisory committees

The opinions of the Committee of the Regions (CoR) and the Economic and Social Committee (EESC) on this proposal were optional. The CoR did not express an opinion, while the EESC [endorsed the Commission's proposal](#) without further comment.

## Stakeholders' views<sup>3</sup>

The OCTA, the Association of the Overseas Countries and Territories of the EU, made its [position](#) known in August 2018, in the context of the [public consultation](#) organised by the European Commission. The OCTA welcomed the option to retain the main features of the cooperation and to integrate OCT funds into the EU general budget, while retaining the flexibility of the EDF. However, the OCTA regretted that the proposal does not sufficiently address challenges such as climate change. It disapproved of the discrepancy between the increase in the external action budget as a whole and the decrease in allocations for the OCTs (see Figure 2 for Parliament's calculations). The OCTA pointed out that EU programme implementation remains a challenge. The OCTA recalled the OCTs 'comparative disadvantages' ('size, remoteness and isolation, diseconomies of scale, limited or inexistent industrial base, lack of economic diversification, high exposure to extremely devastating natural hazards, etc.'). Moreover, the OCTA disagreed with the proposal to transfer responsibility for annual reporting from the Commission to the OCTs, especially since the Commission has most of the data, and because responsibility for annual reporting would impose an additional burden on OCTs.

## Legislative process

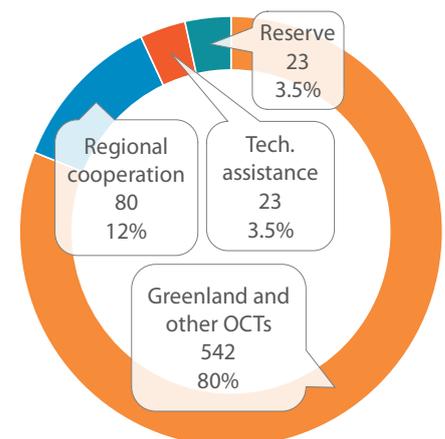
This decision is not subject to the ordinary legislative procedure. Under Article 203 TFEU, Parliament is consulted before the Council decides by unanimity on the proposal. Parliament's opinion is not binding. Parliament's Committee on Development (DEVE) had a first [exchange of views](#) with the Commission and the OCTA on 24 September 2018. DEVE adopted its report on 13 December 2018. Parliament voted on this report on 31 January 2019; its [resolution](#) takes on board DEVE's propositions and calls for:

- reinforcing the focus on climate change and sustainable management of natural resources;
- strengthening social and human rights, such as gender equality and education.

As concerns the institutional aspects, Parliament's opinion is that:

- a stronger political dialogue between OCTs, linked Member States and the EU should be put in place;

Figure 2 – Parliament's proposed distribution of budgetary allocations to OCTs



Data source: European Parliament, [P8-TA\(2019\)0053](#).

Million euros, current prices, % of €669 million (total proposed allocation for OCTs)

- OCTs should be formally included in EU dialogue with their neighbouring countries;
- as a rule, all EU programmes should apply to OCTs, except where OCTs are explicitly excluded;
- programming and monitoring rules should take into account the limited administrative resources of the OCTs, especially the least developed ones.

Members highlighted the need to reinforce OCTs' resilience and competitiveness by increasing the proposed budget for 2021-2027 to €669 million (see figure 2). They called for a more transparent breakdown of funds between the 13 OCTs concerned.

## EP SUPPORTING ANALYSIS

Key EPRS publications on the [Post-2020 multiannual financial framework](#), including initial appraisals of European Commission impact assessments.

## OTHER SOURCES

[Association of the overseas countries and territories with the EU including EU/Greenland/Denmark relations 2021–2027](#), Legislative observatory (OEIL), European Parliament.

## ENDNOTES

- <sup>1</sup> There are no pre-determined criteria to define an OCT: constitutional links and the level of autonomy vary from one to another. Their geographical location is not a determining factor: for example, Saint Martin and Sint Maarten share the same island, but Saint Martin is a French outermost region (OR), while Sint Maarten is an OCT linked to the Netherlands. Furthermore, the list of OCTs is annexed to the Treaties but is subject to change without the need to amend the Treaties. Articles 355 and 356 [TFEU](#) state that Denmark, France or the Netherlands – the UK is not listed – can ask the Council to amend the status of an OCT (or OR) to which it is linked. This happened with Saint Barthélemy, a former French OR, which was granted OCT status in [2012](#); and conversely with Mayotte, which ceased to be an OCT in [2014](#) and is now a French OR.
- <sup>2</sup> For OCT participation in various regional groupings, see the maps in the EPRS briefing [Le futur partenariat de l'Union européenne avec les pays d'Afrique, des Caraïbes et du Pacifique](#), July 2018 and subsequent editions.
- <sup>3</sup> This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.

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