

<b>Institution: University of the West of England, Bristol</b>		
<b>Unit of Assessment: 20</b>		
<b>Title of case study: Helping the British Overseas Territories navigate Brexit</b>		
<b>Period when the underpinning research was undertaken: 2016 - 2018</b>		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b>	<b>Role(s) (e.g. job title):</b>	<b>Period(s) employed by submitting HEI:</b>
Dr Peter Clegg	Associate Professor in Politics and International Relations	2000 – present
<b>Period when the claimed impact occurred: 2016 – 2020</b>		
<b>Is this case study continued from a case study submitted in 2014? No</b>		
<b>1. Summary of the impact</b>		
<p>Britain's eleven Overseas Territories (BOTs) have historically benefitted to a significant degree from European Union (EU) support through UK membership - Gibraltar as a member of the EU, others (e.g. Falkland Islands, British Virgin Islands) as part of the EU's Overseas Association Decision. The benefits have been social, political, economic, and diplomatic. Brexit will have significant detrimental effects on the BOTs and their collective population of some 250,000. Dr Clegg's research has been used to inform political debate and shape policy and proposals on how the position of the territories can be best supported after Brexit. Two reports commissioned from Dr Clegg by the United Kingdom Overseas Territories Association (UKOTA), have informed the work of stakeholders in the territories and policy-makers in London and Brussels. His research has also been used by the House of Commons Foreign Affairs Committee and the European Parliament to inform policy debate on the future of the territories.</p>		
<b>2. Underpinning research</b>		
<p>Peter Clegg is the world's '<i>foremost academic expert</i>' on the British Overseas Territories (see <b>S3</b>). His research has focused on the political and economic vulnerability of the BOTs, including Gibraltar, Anguilla, and Pitcairn Islands. The main theme was Brexit, and as a related issue, the role of offshore financial services and their regulation. Financial services is a key industry for many BOTs, particularly for the territories in the Caribbean, and the EU has played an important role in its supervision.</p>		
<b>BOTs and Brexit</b>		
<p>Dr Clegg was commissioned by UKOTA in March 2016 to research and write two reports – one prior to the referendum on Britain's membership of the EU (<b>R1</b>), and one after (<b>R2, G1</b>). Both were intended to inform public, as well as political, opinion. At that time, little was understood of the potential impact of Brexit for the BOTs. The first report provided an overview of the BOT–EU relationship and analysed the key benefits of this for the territories, including access to the EU market, support for climate change mitigation and sustainable energy, the maintenance of security, and political visibility. The second report looked forward and offered policy suggestions on how the BOTs could best defend their interests and retain some of the benefits of their relationship with the EU. Proposals included how the UK could make good any losses in EU aid, and what alternative trade relations might potentially be open to the territories post-Brexit.</p>		

A key related publication, which built upon the research undertaken for **R1** and **R2**, was published in October 2016 in *The Round Table: The Commonwealth Journal of International Affairs* (**R3**). This article considered the history of the BOTs' engagement with the EU; the advantages that the association brought; and the risks posed by Brexit. The article appeared in a special issue of the journal, titled *Brexit and the Commonwealth: What Next?*

A later article based on subsequent research was published in November 2018 (research undertaken between March and August 2018) in the *Small Islands and Territories* journal (**R4**). This reflected on what had happened in the two years since the referendum and offered a more in-depth analysis of the risks posed by Brexit to the BOTs, and potential responses to it.

### Offshore financial services in the BOTs

In order to understand better the vulnerabilities and insecurities of the BOTs, two further pieces of work were especially relevant. The first responded to a request by the European Parliament Research Unit to produce an Annex to a report for a European Parliament investigation into tax evasion, money laundering, and tax transparency in the EU's Overseas Countries and Territories (OCTs) (including the BOTs) (**R5**, **G2**). Published in April 2017, based on research undertaken between September 2016 and January 2017, the article focused on the role of offshore finance in the economic profiles of the BOTs, and the risks which would arise if greater EU regulatory oversight were applied. Even with Brexit, the EU can impose sanctions on the BOTs as third parties if they are deemed to be non-compliant with regulations.

A second article in the *Canadian Journal of Latin American and Canadian Studies* (based on research undertaken between February and August 2016) (**R6**), evaluated the significant detrimental impacts of the 2007/08 global economic downturn on the territories, impacts exacerbated by the potential impact of Brexit on trade, financial services, free movement of people, and aid.

### 3. References to the research

**R1** Clegg, P. (2016) *The United Kingdom Overseas Territories and the European Union: Benefits and Prospects. Part I – EU Benefits to the United Kingdom Overseas Territories*. Report produced for the United Kingdom Overseas Territories Association (UKOTA), June 2016. <http://ukota.org/manage/wp-content/uploads/UKOTA-Final-Report-on-Benefits-of-EU-to-UKOTs.pdf>

**R2** Clegg, P. (2016) *The United Kingdom Overseas Territories and the European Union: Benefits and Prospects. Part II – Prospects for Continued Cooperation after Brexit*. Report produced for the United Kingdom Overseas Territories Association (UKOTA), July 2016. Available on request.

**R3** Clegg, P. (2016) Brexit and the overseas territories: Repercussions for the periphery. *The Round Table: The Commonwealth Journal of International Affairs*, vol 105 (5), pp. 543-556. <https://doi.org/10.1080/00358533.2016.1229420>

**R4** Clegg, P. (2018) The United Kingdom and its Overseas Territories: No longer a 'benevolent patron'. *Small States & Territories*, vol 1 (2), pp. 149-168. <https://core.ac.uk/download/pdf/224978726.pdf>

**R5** Clegg, P. (2017) Annex III – In-depth analysis evaluating the legal, political and institutional framework concerning offshore practices related to tax evasion, money laundering and tax transparency in the Overseas Countries and Territories (OCTs) of the United Kingdom, as defined in Annex II of the Treaty on the Functioning of the European Union (TFEU), and the relations of the United Kingdom with those OCTs, pp. 145-175. In I. Ioannides and J. Tymowski, *Tax evasion, money laundering and tax transparency in the EU Overseas Countries*

*and Territories: Ex-Post Impact Assessment*, European Parliamentary Research Service, PE 593.803, April 2017.

[http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_STU\(2017\)593803#](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2017)593803#)

**R6** Clegg, P., Daniel, J., Pantojas-Garcia, E. and Veenendaal, W. (2016) The global financial crisis and its aftermath: Economic and political recalibration in the non-sovereign Caribbean. *Canadian Journal of Latin American and Canadian Studies*, vol 42(1), pp. 84-104.

<https://doi.org/10.1080/08263663.2017.1281942>

#### Evidence of the quality of the supporting research

**G1** Clegg, P. *Brexit and the British Overseas Territories*, United Kingdom Overseas Territories Association, March – July 2016, £5,000. This grant funded **R1** and **R2**.

**G2** Clegg, P. *Tax evasion, money laundering and tax transparency in the EU Overseas Countries and Territories*, Directorate General for Parliamentary Research Services (DG EPRS) of the General Secretariat of the European Parliament, November 2016 – April 2017, £10,000. This grant funded **R5**.

#### 4. Details of the impact

##### BOTs and Brexit

The two UKOTA-commissioned reports highlighted the risks and challenges posed by Brexit to the BOTs. Both reports informed and increased understanding of the issues and informed political engagement and policy response on the part of the Association, the BOTs themselves, and wider stakeholders. Report One (**R1**) was highlighted extensively by local media in the territories (e.g. **S1**), and Dr Clegg was invited by the British Virgin Islands Government to visit the territory to discuss the report and the related research with both the public and local NGOs in February 2017.

Report Two (**R2**) was presented by UKOTA to the governments of the territories, the UK Foreign and Commonwealth Office, and to the European Commission and European Parliament. As the then Chair of UKOTA noted:

*'By circulating the report UKOTA had the intention of influencing the policy debate to best defend the interests of the Territories and mitigate any losses they might face once the UK leaves the EU' (S2).*

The Special Envoy of the British Virgin Islands Government and former UKOTA Chair also praised Clegg's *'...ground-breaking work in terms of the reports that helped to guide the overseas territories in understanding the impact of Brexit on them' (S3).*

More detail on the report's impact was provided by the Special Envoy:

*'The Foreign and Commonwealth Office (FCO) drew on the UKOTA report to guide their understanding of the impact of Brexit on the OTs and alternate policy options... Similarly, the BOTs (British Overseas Territories) utilised the report in the coordination of their position on Brexit and engagement with the UK Government.*

*The report was also used by the European Commission ... to help the EU better understand the implications of Brexit on the BOTs and the wider grouping of OCTs associated with the EU. The BVI Government drew from Dr Clegg's work in the preparation of their own Brexit White Paper, July 2017' (S4).*

Report Two was also highlighted by, among others, the Falkland Islands Government Representative at a House of Lords Select Committee hearing on 10th July 2017 (**S5**, p10).

Based on **R1**, **R2**, **R3**, and **R6**, and written evidence Dr Clegg provided to the House of Commons Foreign Affairs Committee in September 2018, Dr Clegg was invited to give oral evidence to the Committee in October 2018, as part of the Committee's inquiry into the future of the BOTs (**S6**). The evidence given included analysis on Brexit, with a particular focus on the impact of the loss of EU funding, and whether there was a need to better align social policy between the territories and Britain in order to strengthen relations in a post-Brexit world.

Dr Clegg's work was also highlighted in evidence provided to the Foreign Affairs Committee by the Friends of the British Overseas Territories (**S7**, pp2, 3, 4). This is a charitable organisation which aims to increase awareness, and promote the Overseas Territories in the UK and across the world.

The subsequent Foreign Affairs Committee report entitled *Global Britain and the British Overseas Territories: Resetting the Relationship* made use of Dr Clegg's evidence in several important respects (**S8**):

- Page 22, paragraph 52, highlighted Clegg's concerns about the loss of EU funding. In its recommendations (p23, paragraph 55) the Foreign Affairs Committee stated: '*The Government must offer clarity on its long-term vision for the funding of the OTs, including replacing any lost EU funding*' (**S8**).
- On page 25, paragraph 61, the report refers to Clegg's explanation of some OT divergence from the approach to same-sex marriage taken by the UK. In the context of Brexit, the Foreign Affairs Committee was concerned to promote more effectively a common set of British values, to support relations with the territories following the UK's departure from the EU. Responding to Clegg's explanation, the Committee argued: '*It is time for all OTs to legalise same-sex marriage and for the UK Government to do more than simply support it in principle. It must be prepared to step in [and if necessary change the law]*' (p25, paragraph 61) (**S8**).

In response to the Foreign Affairs Committee report (**S8**), the British Government acknowledged the argument put forward by Clegg that Britain should offer clarity in relation to OT funding. The Government's response stated that it will:

*'examine the issue of whether to develop a dedicated OT fund'* (**S9** p4, section 7) and that *'when reviewing further options careful consideration will be given to any loss of EU funding the OTs may experience as a result of the UK leaving the EU'* (**S9** p8, section 4).

Further, the response noted *'any decisions on future funding will take into consideration the views expressed in the Foreign Affairs Committee's report'* (**S9** p8, section 4). Due to the impact of COVID-19 these decisions have been delayed.

### **Offshore financial services in the BOTs**

The work undertaken at the request of the European Parliament Research Unit to produce an Annex to a report for a European Parliament investigation into tax evasion, money laundering, and tax transparency in the EU's Overseas Countries and Territories (**R5**) has had an impact through the European Parliament.

Following publication in April 2017, Dr Clegg gave oral evidence to the Committee of Inquiry into Money Laundering, Tax Avoidance and Tax Evasion (PANA), at the European Parliament, Brussels on 2<sup>nd</sup> May 2017. The report was subsequently adopted by PANA in October 2017 (**S10**), and its key conclusions referenced two arguments that Dr Clegg had put forward in Annex III and repeated during his oral evidence.

1. That OCTs lack the necessary infrastructure, financial resources and human capacity to ensure local oversight of the financial sector.
2. That the EU transparency and due diligence requirements should be effectively enforced in these territories. Even with Brexit the EU can limit the territories' access to its financial markets, thus the importance of continued due diligence and enforcement.

The Head of Unit at the Directorate General European Parliamentary Research Services noted that the resolution adopted by plenary session by the European Parliament on 13<sup>th</sup> December 2017 called on the relevant member states to put pressure on their overseas countries and territories in line with Dr Clegg's proposals in Annex III (**S10**).

Dr Clegg's research also assisted individual MEPs on the PANA Committee to better understand how Brexit might shape tax regimes. One such MEP was the Green MEP for the South West of England and Gibraltar. As her parliamentary assistant noted (**S11**):

*'Annex III was used to produce briefing materials for Molly Scott Cato. Dr Clegg's research provided a clearer understanding of some of the background issues underpinning tax relations between the UK and its overseas territories, and an idea of how Brexit may affect the tax regimes of the territories after Brexit.'*

#### **5. Sources to corroborate the impact**

**S1** The Montserrat Reporter, *Caribbean Overseas Territories could suffer if Britain votes to leave European Union*, 17<sup>th</sup> June 2016.

**S2** Testimonial from the Chair of the United Kingdom Overseas Territories Association (UKOTA) and Cayman Islands Representative/Director, London Office.

**S3** Quote from the Special Envoy to the Premier of the British Virgin Islands and former Chair of the United Kingdom Overseas Territories Association (UKOTA), London. From a panel discussion entitled *Brexit and Beyond: Global & Local Challenges in UK Overseas Territories*, 12<sup>th</sup> September 2020.

**S4** Testimonial from the Special Envoy to the Premier of the British Virgin Islands and former Chair of the United Kingdom Overseas Territories Association (UKOTA), London.

**S5** House of Lords, Select Committee on the EU, *Corrected Oral Evidence: Brexit: Overseas Territories*, 10<sup>th</sup> July 2017. Evidence provided by Falkland Islands Government.

**S6** Written evidence provided by Dr Peter Clegg to the House of Commons Foreign Affairs Committee, (OTS0020), September 2018; Oral evidence provided by Dr Peter Clegg to the House of Commons Foreign Affairs Committee, (HC1464), 16<sup>th</sup> October 2018.

**S7** Written Evidence from the Friends of the British Overseas Territories, (OTS0089), 6<sup>th</sup> November 2019.

**S8** House of Commons Foreign Affairs Committee, *Global Britain and the British Overseas Territories: Resetting the Relationship*, HC 1464, 21<sup>st</sup> February 2019.

**S9** House of Commons Foreign Affairs Committee, *Global Britain and the British Overseas Territories: Resetting the Relationship: Government response to the Committee's Fifteenth Report*, HC2174, 13<sup>th</sup> May 2019.

**S10** Testimonial from Head of Unit, Directorate General European Parliamentary Research Services, Directorate Impact Assessment and European Added Value Ex-post Evaluation Unit.

**S11** Testimonial from the Parliamentary Assistant to Molly Scott Cato, UK Green MEP.