



## GOVERNMENT OF BERMUDA

### **Bermuda Submission with regard to the White Paper on the Overseas Territories in 2012 that will set out in detail the UK Government's approach to the Overseas Territories**

#### **Introduction**

1. Bermuda is an Internally-Self-Governing Territory administered by the United Kingdom of Great Britain and Northern Ireland. The Territory is located in the western part of the Atlantic Ocean, about 917 kilometres east of the nearest continental shore, the North Carolina coast of the United States of America. The Territory, covering 57 square kilometres, consists of 8 major and 130 smaller islands. The largest is Great Island, or Main Island. Hamilton, the capital, and St. George's are the two municipal centres.
2. The Overseas Territories (OT) Act, which came into force in 2002, provides British citizenship to the peoples of its Territories, including Bermudians. That law allows Bermudians to hold British passports and to work anywhere in the European Union.
3. The Foreign Secretary, Mr. William Hague, said that the UK will continue to do everything it can to:
  - i. advance human rights, freedom, opportunity and democracy
  - ii. maintain international peace and security
  - iii. advance the prosperity of our own people and the rest of the world

He went on to state that the Foreign and Commonwealth Office (FCO) and his colleagues across other Government Departments will work tirelessly to ensure that the partnership promotes the best interest of all our citizens and a bright and successful future for the Overseas Territories (OTs).

4. As the United Kingdom seeks to refine the relationship between itself and the remaining OTs, it is important to note that mutual respect and accommodation should underpin the relationship as opposed to a more outmoded paternalism that is characterised by prescriptive actions. Also as part of the joined-up Coalition Government one would hope that the apparent genuine efforts by Minister Bellingham are not being undercut by competing and contradictory actions taken by other UK Ministries so one ends up with a zero sum game. For example, efforts to assist OTs in rebuilding their revenues should not be undermined by other organs of HMG seeking to aggressively woo business from OTs.
5. Ahead of addressing the consultation questions that were helpfully provided it is perhaps useful to set out views on a few headline matters from a more dynamic perspective regarding the balance of power between the United Kingdom and the OTs. We have five points.

6. The first matter relates to reserve powers of the Governor with respect to command over internal security. Where the local government provides the budget and other resources to outfit law enforcement units, the local government should have a more defined responsibility on security issues. It may be that something akin to a National Security Council model as a refinement of the existing Governor's Council is a useful mechanism. This is an issue where there can be constructive dialogue as we seek to ensure there is the proper accountability framework.
7. The second matter relates to negotiation of commercial treaties including air links and International Investment Protection and Promotion Agreements. OTs must have greater autonomy and latitude in the negotiation and finalisation of such agreements.
8. The third matter relates to the need for additional monetary stabilisers in OTs. Very recently, Standard and Poors lowered Bermuda's sovereign credit rating to AA- based upon revised rating methodology that attached more weight to a sovereign's monetary flexibility. This is an opportune time to have a discussion about the merits of a central bank model for Bermuda, despite our status as an OT.
9. The fourth matter is representation in global organisations such as the World Bank and the International Monetary Fund. Given the systemic issues that have challenged the international financial system in recent years, it is sensible to enable international financial centres such as Bermuda to participate in global organisations that oversee the international financial system. The World Trade Organisation presents an excellent working model in this regard.
10. The final point relates to the democratic principle of non-interference in domestic political affairs where there is a long history and tradition of stable government and seamless transitions between different administrations following general elections. Bermuda has a strong vibrant democracy supported by good governance and accountability. Accordingly, the Government of Bermuda would not anticipate that HMG would have any interest in seeking to initiate election monitoring in Bermuda, irrespective of what may have occurred in other OTs.

## **The Consultation Questions**

### **I. Challenges – what are the main challenges facing Bermuda?**

11. Adverse Impact of the Downturn of the Global Economy The global recession continues to impact the livelihood of resident Bermudians. Bermuda has experienced its highest level of unemployment in a decade. The loss of revenue has seen the Government of Bermuda take measures to address the continued deficit, due to the shrinkage of the tax base in the wake of sustained weak global economic activity.

Bermuda's economic revenue streams are rooted in international business and tourism. As in other jurisdictions, these economic contributors are being challenged by the global recession.

Access to external sources of capital from UK funding agencies for private sector developers would be helpful in some instances for infrastructure development in Bermuda.

12. Geographical Isolation Bermuda is geographically isolated in the north Atlantic Ocean. This produces a myriad of operational and logistical problems. Whilst relatively well connected by both air (from continental USA and UK) and sea, transit time can be protracted and weather dependant. It is also costly to move personnel and/or freight. In the event of disaster (either natural or man-made) or public disorder, resources on island are finite and likely to become rapidly overwhelmed. Reinforcement of local security and emergency services would be difficult in a timely fashion and, realistically, only achievable by air. Should an event arise that ‘air-bridge’ becomes ineffective, (e.g. severe hurricane damage to the airfield), the island would be isolated. Emphasis is required to make Bermuda as ‘self-sufficient’ as possible (for a realistic timeframe) before outside assistance could be made available.
13. Military Experience The Bermuda Regiment is a small (less than 400 personnel, mostly part-time with a small full-time cadre) organised and modelled around a British Territorial Army Infantry Battalion. The opportunity to ‘grow’ experience within its personnel is limited as there is currently little opportunity for Regiment soldiers to be actively involved in operational soldiering. The majority of career enhancement courses requires individuals to travel overseas (mostly to UK) or for subject matter experts to travel to Bermuda.
14. Opportunity for Military Training The real estate required for training is severely limited within Bermuda. Currently, the Regiment utilises public land and also the former US Naval Annex at Morgan’s Point. Whilst the developer of this site has agreed for the Regiment to continue using this area, once development starts the Regiment will lose its only reasonable sized, secure training area. The only way in which to then train anything above a Platoon sized organisation will be by deploying overseas, with the inherent cost and administrative factors. In addition, opportunities for live fire training are severely limited.
15. Increase in violent crime A critical challenge facing Bermuda is the increase in violent crime (guns) and the extended duration of the global recession. The proliferation of gun crime resulted in 7 murders and 29 related injuries through the use of firearms in 2010. Although the rate of murders has decreased in 2011, the proliferation of gun usage continues to occur on a regular basis. Gang activity and its related violent crimes not only have an impact on our local quality of life and sense of security, but poses a risk to the Bermuda’s reputation as a safe leisure destination and international business domicile.
16. An aging population. Bermuda must also grapple with its growing aging population and the related health costs and housing support challenges. As the birth rate is shrinking, there are fewer people entering into the workforce, and thus fewer people to contribute to the Government pension fund.

## **II. Cooperation with UK – what are the most important areas of cooperation between Bermuda and the UK?**

17. The most important areas of cooperation with the UK are: national security, immigration matters, legislation and international treaties/representation. As an Overseas Territory (“OT”), Bermuda’s police and regiment are under the control of the UK. Bermuda is a member of the Commonwealth and governs her people according UK based legislation and is represented on numerous international treaties by the UK Government.

18. Bermuda would seek to have greater engagement and interaction between the UK and other territories on matters concerning; policing, the economy, health care and education. Each of the aforementioned matters of importance plays a significant role in each of the Territories.

### **Civil Service**

19. The UK could strengthen cooperation and build more effective partnerships with its Territories by increased dialogue and the offering of further training and education for Civil Servants at no cost. The objective would be to enhance the operations of government and assist to ensure the continued development of good governance in the region.

### **Immigration**

20. The UK Government is responsible for protecting Bermuda's interest with regard to European Union (EU) relations. Bermuda and the OTs are continually challenged by the provision entitled Council Regulation (EC) 1932/2006 in the EU Constitution that requires OT, without UK Right of Abode affixed to their passports, to obtain visas for entry into EU member states (amended December, 2006). Previously, this policy was not in place and citizens of OT member states were allowed to move freely, without visa restriction, throughout the twenty-five European territories who are signatories to the Schengen Treaty. The UK Government's assistance in this matter would be beneficial.

### **Diplomacy**

21. Bermuda was in fact the first country to ascend to the OECD 'white list', and to date has signed 30 TIEAs (Tax Information Exchange Agreements) with various countries globally. Bermuda and the OTs could benefit from UK efforts to quell arbitrary economic defensive actions against OTs by its EU and other partners.
22. Bermuda's constitutional status, its political, economic and social system, and our track record in international affairs and external relations is not widely known in the UK, or in the EU. Constructive engagement could prove mutually beneficial to both the UK and Bermuda by way of civil service secondments, other Bermuda Government representatives to work alongside their British counterparts in both the UK and Brussels in constructive engagement. Bermuda and our London Office could be strengthened through the use of UK diplomatic resources particularly in Brussels and the EU. The same can be said for the UK Embassy in Washington and our office and our resources there.
23. It has been proposed that a mechanism should be established to provide Bermuda with avenues of direct engagement to the UK Parliament. This could be done by serving on Parliamentary Committees, for example, where matters affecting Bermuda's national interest are discussed.
24. It has been said that UK Government Departments should recognise their responsibility to engage with the OTs in the areas of competence and expertise. Therefore, in pursuing greater partnerships, it is recommended that the Government of Bermuda identify departments whose economic growth and or enhancement can benefit directly from UK engagement. It would be most helpful if the UK establish a formal mode of communication that will support an enhanced mechanism for accessibility to UK Government Institutions.

25. The Government is considering the establishment of an international shipwreck exploration industry to generate a new revenue stream for Bermuda. Bermuda would become a suitable destination for the registration of finds inside and outside of its territorial waters by introducing policies on licensing, fees and customs duties which would be attractive to individuals who engaged in diving for these purposes UK assistance in this initiative would be most helpful.

### **Social Policy Cooperation**

26. The UK is known to have strong rehabilitation programs for those who have been incarcerated. Educational programs for this group, as well as other sectors of the Bermudians population engaged in anti-social behaviour, should be explored and offered by the UK through their resources and relevant departments.
27. The transfer of prisoners, based on a level of criminality, to UK prisons under an MOU without any added costs, save for administrative fees, would be a very useful area of enhanced cooperation.

### **Technical Education and Expertise**

28. While Bermudians have the skill sets in many areas of financial services, and other areas of the economy, there is still a need for opportunities for education and expansion of knowledge particularly in the technical skills arena needed in a modern day economy. It is recommended that support with respects to further training and development for the electrical, mechanical, structural, waste and water engineers. To ensure a broader experience and to ensure that our engineers are as equipped as possible, it is recommended that consideration should be given to possible employee exchanges with our counterparts within the UK Civil Service or affiliated agencies, and secondments of our junior engineers to the UK so they can gain the necessary exposure in their respective fields. This collaboration will only lead to improvements to the management of Bermuda's physical infrastructure such as marine structures, retaining walls, bridges etc. It will also assist in:
  - Preparing our engineers to become experienced professionals that can undertake important maintenance and emergency works on the Government of Bermuda's Infrastructure;
  - Providing additional exposure to procedural and quality management practices of jurisdictions other than our own; and
  - Benefiting our engineers by having them train with engineers in Civil Service positions to gain a broader insight into government processes outside of our own – as part of their Continued Professional Development (CPD).

### **Military Affairs**

29. The Bermuda Regiment maintains good and close co-operation with the UK military. This is achieved either formally, through the British Assistant Military Attaché in Washington, or, more often, through 'informal' contacts within the British military. These contacts are either made by Regiment personnel who travel overseas on attachments / courses but more often through our affiliated British Regiment, The Royal Anglian Regiment (who provide

significant support), or via the Staff Officer post. Whilst these contacts generally provide the level of support required, this is due to the generosity of these benefactors and the attraction of sending instructors to Bermuda. There are areas where the Regiment would wish to strengthen support:

- **Courses** Currently Regiment personnel attend several UK military courses. These include officer training at the Royal Military Academy, Sandhurst, Platoon Tactics and Live Firing training at the Infantry Battle School and Drill Instructor. Currently, the Regiment pays 'full fare' for any of these courses, similar to any other foreign country. The Regiment receives no financial support via SCAP funding (provided by the International Policy and Planning Department in London). However, these courses are very expensive to fund (when including course fees, pay, travel etc) and the Regiment would request that, as an Overseas Territory, we fund basic course costs only, as per a British Army soldier. Future areas of course development for Bermuda Regiment personnel would likely include maritime operations and military/police public order training.
- **Equipment** The Regiment has sought permission from the Chief of Defence to obtain and wear British military 'multi-cam' combat uniform. It is requested that this process be expedited and a payment method be identified, so these items and the associated ancillaries can be purchased as soon as possible. In addition, a more formal process for purchasing British military equipment through the United Kingdom Ministry of Defence (MOD) (or surplus equipment through Disposal Services Authority) would greatly ease our procurement process. The Regiment would also wish to be included in the distribution of British military manuals, in particular the British Army Electronic Battlebox.
- **Ammunition and pyrotechnics** Currently, the Regiment has to purchase ammunition and pyrotechnics from civilian sources. This can lead to issues regarding quality control and movement. The Regiment would wish to identify if ammunition and pyrotechnics could be sourced through the MOD and transported on military aircraft/ships that are transiting through Bermuda.
- **Increase the number of Operations/Attachments.** As previously identified, the Regiment has limited opportunity to 'grow' experience from within. A more formal process of attaching Bermuda Regiment personnel to British military units and, in particular, the opportunity to gain operational experience would be welcomed.
- **Host British Military Units.** Whilst Bermuda is limited for military training, it has excellent opportunities for adventurous training, most obviously water sports. The Regiment is keen to offer support to UK military units who would wish to consider expeditions or training opportunities in Bermuda.

## Aviation

30. It would be beneficial to Bermuda if the UK were to engage in helping to promote us as a business domicile as well as a tourist destination. Assistance with negotiating airlift to Bermuda would also help in opening up competition within airlines that service. You will have noted the earlier references in 7 above to the recommendation that Bermuda has a

greater level of autonomy in negotiating with airlines so as to increase airlift. This could be facilitated through a specific entrustment so that the Bermuda Government negotiates directly with airlines with a broader remit than is currently the position in order to increase the airlift to Bermuda.

### **National Security**

31. Transnational crimes have become a part of the region and have affected many of the OTs. Increased assistance to Bermuda and the OTs with respect to collaboration would be most valuable. An enhanced level of cooperation with the UK with regard to the development and implementation of new policing strategies, systems and procedures would be welcomed.

### **III. Governance, financial management and economic planning**

32. The Bermuda Government has established the Procurement Office which has a commitment to providing transparency and good governance and achieve value for money by:
  - a. Raising the profile and importance of procurement as a strategically critical function;
  - b. Striking an effective balance between cost management, quality service, timely delivery, investment in the Bermuda economy and people, long-term sustainability and compliance with legislation;
  - c. Ensuring compliance with approved policies and processes;
  - d. Managing suppliers and contractors to ensure long-term sustainability and long-term relationships;
  - e. Maximising value by collaborating with the private sector and identifying shared service opportunities; and
  - f. Requiring timely, accurate and appropriately detailed reports on Government spending.
33. The Bermuda Government has established the Office of Internal Audit to ensure:
  - public funds are adequately safeguarded and are used as intended;
  - public funds are used economically, effectively and efficiently;
  - risks are appropriately identified and managed;
  - financial, managerial and operating information is accurate, reliable and timely;
  - the auditee's actions are in compliance with law, policies, procedures; and,
  - plans, goals and objectives of the auditee are capable of being achieved
34. The Government has established the Office of the Ombudsman in order to:
  - provide an impartial form of alternative dispute resolution which is less formal and more flexible and accessible than going through the Courts
  - help to make public services more effective
  - protect public servants from frivolous complaints.

35. The Government has continued to support the Office of Sustainable Development whose remit is to assess the impact of major Government initiatives on the long-term environmental, social and economic well-being of Bermuda.
36. The UK could strengthen cooperation and build more effective partnerships with its Territories by increased dialogue and the offering of further training and education for Civil Servants at no cost. The objective would be to enhance the operations of government and assist to ensure the continued development of good governance in the region.
37. The Bermuda Regiment has His Excellency, The Governor of Bermuda as the Commander in Chief. His Excellency is responsible for deciding on all operational matters, including deployments and is the legal basis for 'embodying' the Regiment. The Government of Bermuda is responsible for legislation (The Defence Act), finance and manning issues. The Defence Board is responsible for advising the Governor, Government and the Regiment on matters relating to defence and governance.

#### **IV. External Support**

38. Bermuda is an Associate Member of the Caribbean Community and Common Market (CARICOM). The Territory also participates in the Caribbean Conservation Corporation, the International Confederation of Trade Unions, Interpol and the International Olympic Committee. Presently the Bermuda Government does not have the authority to represent itself in the European Union.
39. Bermudians could benefit from being able to have opportunities available to work directly amongst professional staff of diplomats and work within an international network of embassies, high commissions and consulates to look after our own interests and those travelling to Bermuda.

This would be especially useful to young people who have returned to Bermuda with degrees such as international relations and speak multiple languages which Bermuda does not have the capacity to employ. These young people could be exposed to and assist with international treaties, consular services etc.

40. Whilst the Regiment has conducted overseas exercises in Jamaica and been involved in various seminars and planning exercises with other territories, no formal mechanism is in place for planning and conducting joint activities. It would be beneficial if the UK would be prepared to assist or advise on areas of joint co-operation with other territories, the Regiment would wish to be involved.
41. The Regiment co-operates on a regular basis with foreign governments and militaries, including the Jamaican Defence Force, US Marine Corps and Canadian military. In addition to our links with AMA Washington, the Regiment seeks to have 'informal' ties with more UK Defence Attaches (in particular Jamaica and Canada) to help identify and expedite requests for support.
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more UK Defence Attaches (in particular Jamaica and Canada) to help identify and expedite requests for support.

43. The Bermuda Regiment has assisted in disaster relief operations in overseas territories, including Grenada, Montserrat and Turks and Caicos. This type of operation is agreed at Government level but the Regiment requires assistance in the movement of personnel and stores (previously this has been achieved by RAF or US Coast Guard assets).
44. Whilst the Regiment has conducted overseas exercises in Jamaica and been involved in various seminars and planning exercises with other territories, no formal mechanism is in place for planning and conducting joint activities. Most often, this comes down to lack of funding rather than lack of will. If UK would be prepared to assist or advise on areas of joint co-operation with other territories, the Regiment would wish to be involved.
45. There is a question of external support in the context of a sovereign Bermuda: if Bermuda became independent, would the UK undertake not to revoke British passports held by Bermudians?

## **V. Cooperation between Territories**

46. Bermuda does offer humanitarian (in the form of relief aid and human assistance, including the regiment personnel) and financial aid to assist those Caribbean islands that encounter natural disasters (hurricanes, earthquakes).

### **Militia Affairs**

47. Bermuda maintains a defence regiment of some 600 part-time soldiers. The adult male population is subject to conscription by ballot, involving three years' part-time liability for weekly drills, as well as an annual camp.
48. Overseas Territory Militia. The Regiment has taken part in Regional bodies that have aimed to develop greater joint synergy. It is proposed that an OT security and defence policy forum group (that had realistic and manageable outcomes and goals) be created. This military unit could be available to reinforce tenets established by the OTs as a whole.

### **Tourism**

49. The lines of cooperation can be expanded amongst the Territories with the establishment of a formal platform of exchange in the areas of tourism.

## **VI. Global Profile of the Territories – how can the UK support OTs?**

50. The Government of Bermuda currently promotes itself by utilising its overseas offices (Washington and London), the tourism offices scattered in major cities around the globe. Bermuda is promoted through the various public private partnerships that have been established within the International Business landscape such as Business Bermuda.

51. Bermuda remains a very attractive business jurisdiction and tourist destination. Both of these areas are aggressively promoted through the Government and private sector. The Government Tourism and Finance Ministries participate in numerous overseas conferences and spearhead promotional events to promote Bermuda. The Ministry of Finance is also very much engaged in economic diplomacy on behalf of Bermuda.
52. Business Bermuda is a non-profit business organisation of Bermuda-resident service providers and international businesses that actively promote Bermuda as one of the world's foremost centres for international business.
53. UK can assist in the endeavour to raise the global profile of Bermuda by:
- Partnering with Bermuda and the OTs to research climate change and its effects on Bermuda and support the resulting activities to assist in combating its effects on Bermuda and the other OTs.
  - Allowing OT Ministers and Government officials to have their unique voice internationally at global events/conferences without seeking the authority of the UK.
  - The UK could actively partner with the Territories in their promotional efforts. The UK Government can assist by way of mainstream marketing initiatives and at international conferences and forums.