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SPECIAL COMMITTEE ON THE SITUATION
WITH REGARD TO THE IMPLEMENTATION
OF THE DECLARATION ON THE GRANTING
OF INDEPENDENCE TO COLONIAL
COUNTRIES AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH
IMPEDE THE IMPLEMENTATION OF THE DECLARATION ON THE
GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND
PEOPLES IN TERRITORIES UNDER COLONIAL DOMINATION

Anguilla, Bermuda, Cayman Islands, Montserrat, Turks and
Caicos Islands and United States Virgin Islands

MILITARY ACTIVITIES AND ARRANGEMENTS BY COLONIAL POWERS
IN TERRITORIES UNDER THEIR ADMINISTRATION

Bermuda, Guam and United States Virgin Islands

Working paper prepared by the Secretariat

I. INTRODUCTION

1. Since 1965, the items entitled "Activities of foreign economic and other interests which impede the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples in Territories under colonial domination" and "Military activities and arrangements by colonial Powers in Territories under their administration" have continued to engage the close attention of the General Assembly and the Special Committee, as reflected in a number of decisions on decolonization adopted annually by the General Assembly.

2. In 1993, the Special Committee, in keeping with its consistent goal of limiting documentation and streamlining its report to the General Assembly, recommended to the General Assembly that the working papers relating to foreign economic and other interests and military activities should be combined to form a single document.

3. At its forty-eighth session, the General Assembly, by its adoption of resolution 48/52 of 10 December 1993 entitled "Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples", approved, inter alia, the above-mentioned recommendation of the Special Committee. In accordance with that decision, the present report covering both items is submitted for consideration by the Special Committee and the General Assembly.

4. Basic information on conditions in Anguilla, Bermuda, Cayman Islands, Guam, Montserrat, the Turks and Caicos Islands and the United States Virgin Islands is contained in the general working papers A/AC.109/1181, 1189, 1190, 1192, 1188, 1185 and 1183, respectively.

5. In 1993, information on the activities of foreign economic interests in Anguilla, Bermuda, the Cayman Islands, Montserrat, the Turks and Caicos Islands and the United States Virgin Islands was published in documents A/AC.109/1158, 1153, 1157, 1156, 1161 and 1155, respectively. The information contained in section II covers the period under review and has been derived from published reports, as well as from information transmitted by the United Kingdom of Great Britain and Northern Ireland under Article 73 e of the Charter of the United Nations (see paras. 7-34 below).

6. In 1993, information on military activities and arrangements in Bermuda, Guam and the United States Virgin Islands was published in documents A/AC.109/1144, 1149 and 1151, respectively. The information contained in section III (paras. 35-42) covers the period under review and is derived from published reports.

II. ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH
IMPEDE THE IMPLEMENTATION OF THE DECLARATION ON THE
GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND
PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION

1. Anguilla

7. In its 1992 report on Anguilla, the Caribbean Development Bank (CDB) stated that within the commercial banking system, deposits increased by 9 per cent to EC\$ 78 million 1/ in the 12 months ending December 1992. In comparison, outstanding loans increased by 11 per cent to EC\$ 70 million, in response to increased lending to the private sector and the tourist sector, and for house and land purchases. 2/

8. Foreign currency deposits, which continued to be the largest component of total deposits, rose by 9.3 per cent in 1992, a slower rate than the 20 per cent increase during the previous year. The strongest rate of growth was in demand deposits, which grew by 19.5 per cent, although it constituted only 4.2 per cent of total private sector deposits. Savings deposits rose in 1992 by 1.7 per cent, a slower rate than the 8.6 per cent recorded in 1991. Time deposits, which comprised 17.8 per cent of total deposits, declined in 1992 by 0.9 per cent, following an increase of 15.3 per cent in the previous year. 3/

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9. The United Nations Development Programme (UNDP) reported in 1992 that about 80 per cent of the Anguillan Government's Public Sector Investment Programme (PSIP), which was estimated at \$35 million for the period from 1991 to 1995, was expected to be financed by external donors through grants and concessionary loans. 4/

2. Bermuda

10. The Territory remains one of the most important and sought after offshore financial centres. Over the past three years, under the United Bermuda Party Government, the offshore sector has grown to account for about 50 per cent of Bermuda's foreign exchange earnings. During 1993, a total of 887 new companies were registered in Bermuda, bringing the total number of companies on the register as at 31 December 1993 to 7,580, a net increase of 309, or 4.2 per cent, over 1992.

11. In his Budget Speech of 14 February 1994, 5/ the Minister for Finance announced that in 1992 international companies spent B\$ 359 million in Bermuda, an increase of 5.5 per cent over 1991. Of that amount, the sum of B\$ 30.8 million 6/ was contributed directly to government revenues in the form of taxes and fees.

12. According to the Financial Times of London, 7/ the importance of the offshore investment and insurance business in Bermuda has been growing steadily following a recent decline in the tourist industry, which suffered as a result of the recession in the United States.

13. The tourist industry, traditionally the mainstay of Bermuda's economy, declined sharply between 1987 and 1992. The Government therefore decided to promote further the offshore investment trust and insurance industries to compensate for the loss of revenue through more active marketing. It also started to dismantle elements of the restrictive and protectionist economic policies, making Bermuda even more attractive to overseas financial service companies. 7/

14. Legislation passed in 1991 already allows foreign companies to compete with local banks in the trust business; and the Territory's two largest bankers, the Bank of Butterfield and the Bank of Bermuda, which until recently dominated some offshore financial services, have since been exposed to much greater competition in the trust and securities business. As a result, international institutions have taken advantage of the relaxation of the rules by establishing new equity firms or acquiring full control of local firms.

15. It was reported that further changes are planned for Bermuda in a number of other sectors. In 1993, the reinsurance market grew significantly enough to increase demands on new local infrastructure and services. Bermuda, which is already a leading captive insurance centre and a favoured venue for a number of specialized companies selling financial reinsurance and high-level insurance covering international companies against the cost of legal awards, is home to large companies which dominate their markets and which are among the fastest growing and most profitable companies in the international insurance industry.

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In 1993, investors placed more than B\$ 4 billion into new catastrophe reinsurance companies, with some of the world's leading reinsurers establishing new subsidiaries in the Territory. 7/

16. The Government is still calling for further liberalization of the economy, such as an end to exchange controls, a measure supported by the Minister for Finance. The Prime Minister is "keeping an open-mind on the issue", however, although it would be difficult to enforce rules restricting foreign investors to 40 per cent ownership of non-exempted companies if the exchange rules are eliminated. At present, Bermudians pay a tax on any capital transferred out of the Territory.

17. On 2 March 1994, the Governor of the Bank of England approved a plan to abolish exchange controls in Bermuda, stating that their removal would be beneficial to the Territory's economy. The Minister for Finance revealed in his Budget Speech of 14 February 1994 that the final barrier, the B\$ 25,000 annual ceiling on foreign currency exports, would be phased out within a year. 5/

18. The Bank of Bermuda had reportedly bought a large foreign institutional business located in Asia (Hong Kong and Singapore) to strengthen its position in that area. Under the terms of the acquisition, the Bank of Bermuda will administer an extra B\$ 3 billion worth of institutional assets, thus raising the total amount of funds managed on behalf of its clients from B\$ 25 billion to B\$ 28 billion. The President of the Bank, replying to concerns over the magnitude of the deal, said that the Bank would not stretch itself financially and that the decision had been taken as part of a plan to continue developing the share of international business accounts in the Bank's profits and to provide valuable jobs in Bermuda. 8/

19. An annual survey of the world's 1,000 largest banks taken in 1993 revealed that the Bank of Bermuda was ranked the 684th largest bank, with assets of B\$ 5.83 billion as at 30 June 1992. The Bank of Butterfield, with B\$ 3.4 billion in assets, is ranked 795th. All banks in the survey were compared in terms of real growth in profits, performance and return on assets. In 1993, the Bank of Bermuda reported a profit of B\$ 35.9 million, compared to B\$ 28 million the previous year. The Bank of Butterfield reported a profit of B\$ 27 million in 1992. 9/

3. Cayman Islands

20. It will be recalled that, on 5 July 1991, regulators in seven countries, namely Luxembourg, the United Kingdom of Great Britain and Northern Ireland, the Cayman Islands, Spain, France, Switzerland and the United States of America, seized control of the Bank of Credit and Commerce International (BCCI), a private banking group, on the grounds of widespread fraud. The Bank's Cayman operations revolved around the three main groups, BCCI (Overseas), the Credit and Finance Corporation (CFC) and the International Credit and Investment Company (ICIC). Based in the Cayman Islands, these three BCCI affiliates reportedly had controlling offices in 29 countries and served as a conduit for many fraudulent activities of BCCI.

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21. On 15 January 1992, Caymanian law-enforcement agencies presented to the Cayman Islands Grand Court documents containing data regarding the Bank's fraudulent activities in the Territory. Those documents indicated that BCCI (Overseas) had liabilities of approximately US\$ 4.2 billion, against realizable assets of US\$ 471 million, while about US\$ 600 million in BCCI (Overseas) deposits had not been recorded and therefore could not be traced or accounted for. The loan portfolio of BCCI (Overseas) was estimated at US\$ 3,244 million, against US\$ 165 million that could be located and collected. The Cayman Islands Grand Court was also informed that CFC had liabilities of US\$ 135 million, against realizable assets of US\$ 3 million. The report concluded that the liquidation of BCCI in the Cayman Islands would allow depositors and creditors to collect a pay-off of only approximately US\$ 0.1 per US\$ 1.00. On 16 January 1992, the Grand Court issued an order for the final liquidation of all BCCI interests in the Cayman Islands. Such liquidation also resulted in the termination of employment of approximately 70 Caymanians hired by three BCCI affiliates (A/AC.109/1117, para. 8). According to press reports, in 1993 the liquidators of BCCI reached an agreement with BCCI creditors and depositors domiciled in the Cayman Islands, regarding the amount of their reimbursements. According to the terms of the settlement, the depositors and creditors would be repaid between approximately US\$ 0.30 and US\$ 0.40 per US\$ 1.00. 10/

22. In November 1993, a group of Caymanian water sports operators expressed concern about an increased share of foreign companies in the territorial tourist industry. They also indicated that many cruise operators advertised only foreign-owned recreational facilities in the Territory. They called upon the territorial Government to ensure that Caymanians benefit in full from the tourist industry. 11/

4. Montserrat

23. According to press reports, 12/ in January 1993, the Energy Processing and Supply Company, Ltd., a multinational company, submitted to the territorial Government a proposal to build in Montserrat a recycling plant for petroleum-derived waste, including a toxic substance of polychlorobiphenyls which was to be imported from Germany. It was argued that the construction of the plant would create an additional 250 jobs in the Territory. In July 1993, the Montserrat Reporter, a local newspaper, disclosed the proposal and started a public campaign against it. In February 1994, the Government of Montserrat rejected the proposal.

24. Press reports indicate that the American University of the Caribbean (AUC) was planning to close down its medical school in Montserrat. The territorial Government, aware of negative consequences of that decision for Montserrat, established in January 1994 a committee to investigate the situation and to conduct negotiations with the President of AUC. 13/

5. Turks and Caicos Islands

25. According to CDB, tourist arrivals declined in 1992 to 52,000, a 4.5 per cent decrease from the previous year. 2/ Following the introduction of

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daily service in December 1992 to Providenciales by American Airlines, however, the number of tourist arrivals increased by 36 per cent over the period from January to May 1993, as compared to the same period the previous year.

26. The Chief Minister reported in his Budget Speech that the main objectives of the tourism policy were to increase the number and quality of visitors to the Islands, the establishment of national standards for the industry and the maximization of revenue from the sector.

27. The Chief Minister added that the growth in the tourist industry provided opportunities for inter-sectoral linkages in the areas of agriculture, fisheries and offshore finances and that the Government would therefore seek to coordinate those activities so that more of the revenue derived from tourism be retained in the local economy.

28. According to press reports, Carnival Airlines has reinstated flights from Miami, United States, to Grand Turk, Cayman Islands, a service which had been discontinued by Cayman Airways in July 1993 owing to excess capacity caused by the entry in the area in late 1992 of American Airlines. 14/

6. United States Virgin Islands

29. Tourism and related services continued to be the main activity in the United States Virgin Islands. During the period between October 1992 and October 1993, the number of air arrivals increased by 11.0 per cent to 731,000. Occupancy rates increased by 52.4 per cent on St. Croix, 21.7 per cent on St. Thomas and 21.7 per cent on St. John. Cruiseship arrivals registered a 5 per cent decline, however, during the 1993 fiscal year, compared with the previous year.

30. In his State of the Territory address in January 1994, the Governor stated that in 1993 the territorial Government had purchased the assets of the West Indian Company, a wholly owned subsidiary of the last Asiatic Company of Denmark, which had significant property and development interests in the Charlotte Amalie Harbor.

31. According to press reports, 15/ on 17 March 1994, American Inspection Co., Ltd., (AMSPEC) pleaded guilty before the United States Magistrate judge, to conspiracy to violate the federal Atomic Energy Act and to mail fraud and was fined US\$ 100,000 and an additional US\$ 218,000 in restitution to the federal and territorial Governments. It was proved that AMSPEC had been X-raying pipes at the Hess Oil Virgin Islands Corporation refinery.

32. In his Budget Address, the Chief Minister stated that Turks and Cayman Airways, which began operations in 1992, had filed plans with the United States Department of Transportation to launch its first service to the United States linking Miami with Providenciales and Grand Turk on weekends. It also proposed a twice-weekly service linking San Juan, Puerto Rico, and Providenciales.

33. The Chief Minister also stated that British Caribbean Airways has been granted a licence to operate between the United States and the Islands, as well

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as between the Turks and Caicos Islands and Puerto Rico, the Dominican Republic, Haiti and the Bahamas.

34. Beginning on 1 December 1995, the Government plans to restrict the amount of charter airlift entering the Islands to 20 per cent. 14/ It also intends to halt certain water sports which are considered harmful to the environment, in order to protect the area's reputation as one of the best diving destinations in the world.

III. MILITARY ACTIVITIES AND ARRANGEMENTS BY COLONIAL POWERS IN TERRITORIES UNDER THEIR ADMINISTRATION

1. Bermuda

35. Information on the item relating to the Territory is contained in document A/AC.109/1189, paragraphs 31 to 35.

2. Guam

36. The United States Government allocated approximately US\$ 640.9 million for their military operations on Guam during fiscal year 1992. Of that amount, the sum of US\$ 450.2 million was allocated for wages and salaries; US\$ 112.4 million for procurement of goods and services; and US\$ 78.3 million for military construction. Military retirees had a payroll of US\$ 17.0 million in 1992. 16/

37. In 1992, duty military personnel and their dependents totalled 22,178 persons, a 4.7 per cent increase compared to 1992. 17/

38. Military spending continued to be a major source of revenue for the Territory. In 1992, total military spending in Guam amounted to US\$ 640,904,378, compared with US\$ 535,885,888 in 1991 and US\$ 327,335,399 in 1990. 18/

39. Press reports 19/ indicate that the following United States Navy commands will be relocated from the Territory during 1994-1995: Fleet Air Reconnaissance Squadrons 1 and 5; Fleet Logistics Support Squadron 50; Fleet Imaging Office; Fleet Aviation Specialized Operations Training Group Pacific Fleet Detachment; Naval Aviation Engineering Services Unit; Naval Air Pacific Repair Activity; Navy Calibration Laboratory; and Naval Oceanography Command Detachment. It was also reported that the United States Navy intends to dissolve the Agana Naval Air Station in April 1995. 20/

40. The Guam Army and Air National Guard, officially referred to as the Guam Territorial Command, was established on 21 July 1981. Its main mission, recently redefined, is the land defence of the Marianas Islands. The Guam Territorial Command was the only reserve unit that was activated and that served in the Gulf War. There are currently over 700 members in two divisions: the Army 294th division and the Airforce Aerial Command. The Guam Territorial Command operates on a US\$ 9.3 million budget (US\$ 9.0 million for federal funds and US\$.3 million from the territorial Government). 17/

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3. United States Virgin Islands

41. According to press reports, 21/ in October 1993, the United States Navy decided to suspend its port calls to St. Thomas as a result of escalating crime in the Territory. It will be recalled that from June to October 1993, 12 violent crimes against United States Navy personnel were registered on St. Thomas. It is estimated that as a result of the port call suspension by the United States Navy, the Territory would lose US\$ 15 million annually, which would have been spent by Navy personnel for supplies, fuel and water. During the period under review, territorial officials conducted negotiations with representatives of the United States Navy concerning resumption of port calls. As at April 1994, however, no decision had been taken by United States Navy officials to resume their port calls to the United States Virgin Islands.

42. The United States Coast Guard continued to maintain a detachment on St. Thomas and to patrol the waters of the Territory including, under special arrangements, those of the neighbouring British Virgin Islands. In March 1993, there were 33 members of the Coast Guard Auxiliary on St. Thomas. The Auxiliary, a volunteer non-military organization, was created by the United States Congress in 1939, to assist the United States Coast Guard in promoting safety on the waterways. No data were reported for the St. Croix chapter of the Auxiliary.

Notes

1/ The currency of the Territory is the East Caribbean dollar (EC\$). United States dollar (US\$ 1.00) is equivalent to EC\$ 2.70.

2/ The Caribbean Development Bank, Annual Report, 1992.

3/ Eastern Caribbean Central Bank, Reports and Statement of Accounts for the financial year ended 31 March 1993 (Basseterre, St. Kitts).

4/ DP/CP/ANL/2.

5/ The Royal Gazette (Hamilton), 3 March 1994.

6/ One Bermuda dollar (\$1.00) is equivalent to one United States dollar.

7/ Financial Times (London), 19 October 1993.

8/ The Royal Gazette (Hamilton), 10 July 1993.

9/ Ibid., 26 August 1993.

10/ The Caymanian Compass, 26 May, 26 and 28 October 1993, and 10 March 1994.

11/ Ibid., 20 November 1993.

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12/ Caribbean Insight, vol. 17, No. 2, February 1994; see also The Montserrat Reporter, 21 January 1994.

13/ The Montserrat Reporter, 14 and 28 January and 11 February 1994.

14/ Caribbean Update, April and October 1993.

15/ The Daily News (United States Virgin Islands), 18 March 1994.

16/ 1992 Guam Annual Economic Review, Department of Commerce, Guam, p. 29.

17/ Ibid., p. 31.

18/ Ibid., p. 30.

19/ Pacific Daily News, 2 February 1994.

20/ Ibid., 11 December 1993.

21/ The Daily News (United States Virgin Islands), 11 February, 12 March and 20 April 1994.
