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France, the EU and the South Pacific

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Glossary

ACP – Africa-Caribbean-Pacific program – developing country assistance program of the European Union

EDF – European Development Fund – regional development cooperation funding arrangement of the European Union

EEC – European Economic Community

EEZ – Exclusive Economic Zone – maritime zone 200 km. beyond territorial seas established by the United Nations Law of the Sea Convention

EPA – European Partnership Agreements – regional European Union development cooperation and trade agreements replacing the ACP arrangements

EU – European Union. In this paper, for ease of reading, the term “EU” refers to all past iterations of the European Union (eg European Communities, European Economic Community)

OCT – Overseas Countries and Territories – overseas territories of European Union member states

PACER – Pacific Agreement on Closer Economic Relations

PICTA – Pacific Island Countries Trade Agreement

PIF – Pacific Islands Forum – regional South Pacific political organisation based in Suva

SPC – Secretariat for the Pacific Community (formerly South Pacific Commission) – regional South Pacific technical organisation based in Noumea

WTO – World Trade Organisation

France, the EU and the South Pacific¹

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Abstract

As the date approaches for one of France's Pacific entities, New Caledonia, to vote on its status for the future, it is worth reflecting on one of the wider contributions that France's sovereign presence has made to the South Pacific region, that of the presence of the EU.

At a time of changing strategic balances in the South Pacific region and pressure on European budgets, this paper analyses the role of France in shaping the current engagement of Europe in the region, and its effect particularly on the French Pacific entities.

France is the sole currently active resident sovereign European power in the South Pacific region. It has pioneered a special relationship between the EU and its own Pacific territories through the EU Overseas Countries and Territories arrangement, and between the EU and the independent South Pacific island countries through the Africa-Caribbean-Pacific program and its successor Economic Partnership Agreements. Although there have been limitations, and the relationship is changing, it has in general been a mutually productive one for both the EU and the South Pacific region. But aspects of EU engagement touch on sensitive local political nerves, both within the French collectivities and potentially more broadly in the region.

For the French Pacific collectivities, France, while itself advancing substantial direct financial support, has negotiated special access to EU funding, and non-reciprocal customs protection and EU citizenship rights for its Pacific nationals. But these measures have worked against integration of the French Pacific entities within the wider region. And citizenship issues are highly sensitive within the French Pacific islands.

For Pacific island independent states, the EU presence has delivered modest development cooperation; an evolving trade relationship which is yet to prove its consistency with other regional trade regimes; and higher expectations and standards on governance and other issues, with a potential for heightening regional differences.

¹ This paper was presented as a seminar paper at the Australian National University Centre for European Studies on 27 March 2012.

For its part, by acquiescing in the Europeanisation of France's geopolitical ambitions in the Pacific, the EU derives strategic benefits in its access, through what it has itself described as its outposts in regions of strategic interest, to a resident global presence, vast maritime zones with actual and potential mineral resources and a wealth of biodiversity, and land and sea areas which support Europe's space program and scientific and technological research. But the EU now has its own stake in peaceful, sustainable and democratic outcomes in New Caledonia and the other French Pacific territories. The EU and its structures, including its human rights organisms, offer new avenues for French Pacific leaders, pro-independence and pro-France alike, in seeking international support for their positions. Until New Caledonia's future status is resolved, it is too early to assess the effect of French/EU regional policy evolutions on the wider Pacific, although the issues raised are potentially divisive.

1. Introduction and Context

Australia's nearest Pacific neighbour off the East coast of the north-eastern Australian state of Queensland is France, a fact which is little talked about or even acknowledged by many Australians. France is present there in its pre-eminent Pacific entity, New Caledonia, which lies just two hours flying time from the Australian city of Brisbane. It is also present in the Pacific region in its collectivities French Polynesia, Wallis and Futuna and the uninhabited island of Clipperton off the Mexican coast.

The nature of France's future presence in the South Pacific region² is about to be re-defined. New Caledonia is approaching a critical turning point, in the form of a long-promised referendum process on its status for the future, to take place between 2014 and 2018. The result will have an effect in the other French Pacific collectivities. The independence vote has been consistently deferred, over four separate French statutes from 1984 to 1988 during which there was civil war and bloodshed over the issue; and, from 1988, when the Matignon/Oudinot Accords deferred the vote once more for 10 years, only for the 1998 Noumea Accords to defer it again by a further twenty years on the eve of its renewal. This time a vote must and will be held. The vote will focus on the transfer of the final sovereign responsibilities to New Caledonia, its

² In this paper, the "South Pacific region" refers to the independent and non-independent island collectivities south of the Equator (although the two principal regional organisations which will be referred to, the Secretariat for the Pacific Community and the Pacific Islands Forum, both include as members some entities north of the Equator).

access to “an international status of full responsibility”, and on the organisation of citizenship and nationality (Noumea Accord 1998 Article 5). French Polynesia, which has its own pro-independence movement, is watching the outcome, and so is Wallis and Futuna, which depends on New Caledonia’s economy.

These developments are taking place in a context of strategic change in the wider Pacific region, specifically uncertainty about the increasing role of China and a consequent reassertion of US interest there.

China has been showing an increased interest in the South Pacific region, based partly on a desire to divert independent island country support from Taiwan, but mainly on its quest for commodities including minerals and energy resources. China is now funding infrastructure development in Pacific island states, with an accompanying influx of Chinese workers; has expanded business interests including in the mining sector; and has advanced repayable loans – all of this without the usual governance conditions applying to Western grants (D’Arcy 2007: 4; Hanson 2008; Dobell 2007). At the same time it has backed its maritime claims in the South China Sea with force, and is increasing its naval capability (Hsiu 2011; White 2011). These activities have led to unease within the Western camp (D’Arcy 2007: 1; Hanson 2008b; Ratuva 2011).

In response, the United States is asserting a renewed interest in the wider Pacific region, with some practical effect in the South Pacific. Addressing the Australian Parliament on 17 November 2011 US President Obama declared a “deliberate and strategic decision... to play a larger and long-term role in shaping this region and its future...The United States is a Pacific power, and we are here to stay” (Obama 2011). With the end of the Cold War, the US had reduced its interest in the South Pacific region. The USAID office in Fiji had closed at the end of the 1990s, and the US paid only 2.34% of Secretariat for the Pacific Community (SPC) assessed contributions (just under \$US 2 million a year). But in 2011, the SPC reported an agreement with USAID bringing US contributions to the highest historic level (SPC website, 17 November 2011 accessed 19 November 2011). The US also sent its largest ever delegation to the Pacific Islands Forum Summit meeting in Auckland in September 2011.

With these strategic shifts in the background, France has come to be seen as a solid Western ally in the region in recent years, working closely with Australia and New Zealand on defence and emergency assistance measures and sharing fisheries surveillance intelligence with Pacific neighbours. It conducts defence exercises with regional forces, is a dialogue partner with the Pacific Islands Forum (PIF) and contributes modestly to regional development through the

SPC and bilaterally. From 2004, France has hosted a France Oceanic Summit with Pacific leaders every two years.

It was not always so. France's management of its Pacific presence engendered serious strategic instabilities relatively recently. Its nuclear testing in French Polynesia over thirty years to 1996, was a deeply divisive issue. And its non-acceptance of decolonisation demands in Vanuatu (then New Hebrides run jointly by France and Britain), New Caledonia and French Polynesia in the 1970s was destabilising, leading to bitterness and civil war in Vanuatu and New Caledonia, who both turned to Libya at one point, for training and support. By 1980 France was obliged to accept Vanuatu's independence, although it did so reluctantly and fuelled rebellion there (Henningham 1992: 40-42, 222). While France negotiated peace in New Caledonia through the transitional 1988 and 1998 Matignon and Noumea Accords, the Accords will only be fully implemented with a referendum process by 2018. And in French Polynesia, pro-France forces, with the tacit compliance of France, have resisted the 2004 election of a pro-independence government, resulting in 13 changes in government there from then to the present (mid 2012).

Against this background of change, it is worth reflecting on one of the wider contributions that France's sovereign presence has made to the South Pacific region, that of the presence of the EU.³ France has played a strong role in the way in which Europe is present in the South Pacific, which is not to say that the EU is only contributing to the Pacific because of France's sovereign presence.

France has influenced the EU presence in two main areas, that of the EU's links with its own Overseas Countries and Territories (OCTs); and as the decolonisation process unfolded, with the independent island countries, in the Africa-Caribbean-Pacific (ACP) and then the Economic Partnership Agreement (EPA) process. This paper will explore France's role in these evolving relationships and comment on some of the consequences. It will focus more on the effect within the French Pacific entities, where EU policy change has already had some impact, and will flag broad areas of potential impact on the wider region. The paper will not elaborate on responses of independent island neighbours or organisations, as key EU strategic policy changes are yet to be finalised and their full regional effect yet to be experienced. (The reactions of independent Pacific island states to French policies in the region are analysed in Fisher 2012a, 2012b and 2012c.)

³ For ease of reading, this paper generally refers to the "European Union" (EU) though the EU was known by other names at different periods (ie the European Economic Community, the European Community).

2. Europe and the French Pacific collectivities as European Overseas Countries and Territories (OCTs)

The French Pacific entities, which now represent 519,000 people among a South Pacific population of over 10 million, and which bookend the independent South Pacific countries, have represented a slice of Europe in the South Pacific from the late 1950s in some form or other. By 1947 the only European Administering Powers of Pacific territories were Britain, France, and the Netherlands, all represented, along with the US and Australia, in the first regional organisation, the South Pacific Commission, later the Secretariat for the Pacific Community (SPC), which has become the pre-eminent technical organisation and is still based in Noumea. The Netherlands withdrew from Irian Jaya in 1962 and thus from the region. Britain remains present only by virtue of its 50 or so inhabitants on Pitcairn Island, and withdrew from the SPC in 2004. The US's possessions mainly lie north of the Equator and in any case as noted, the US has contributed only modestly to the SPC until recently. So of all EU members, only France now has a significant South Pacific resident presence.

The first European treaty, the 1949 Statute of the Council of Europe, did not refer specifically to overseas territories of member states. The 1951 Treaty of Paris establishing the Coal and Steel Community, made only cursory mention of these territories, guaranteeing that any preferential measures in those territories would be extended to other member states (Article 79; Faberon and Ziller 2007: 244). French National Assembly debates in 1954 suggest that political factors had inhibited their inclusion, notably concern that the European High Authority could supplant French authority in its overseas territories (Custos 2011: 95). The 1952 Paris Treaty on a European Defence Community extended only to “the European territories of the Member states” but made oblique mention, secured by France, of its then territory Algeria and Saint-Pierre-et-Miquelon (Article 120 links the Treaty areas to Article 6 of the North Atlantic Treaty, which specifies Algeria and territories of the Parties north of the Tropic of Cancer). The French National Assembly subsequently decided not to ratify the Treaty.

The 1957 Treaty establishing the European Atomic Energy Community specifically extended to the non-European territories subject to the jurisdiction of Member states (Article 198). This was in acknowledgement of the economic realities of dependence for uranium on the Belgian Congo (Custos 2011: 96).

But it was the 1957 Treaty of Rome establishing the European Economic Community which made specific provision for members' “overseas countries and territories” (OCTs) to be associated with the EU (Article 3 (r) and Part Four Article 131 *et seq*), which at the time

essentially meant the French overseas possessions, Belgian and Italian African territories and Dutch territories in the Americas. French influence was the decisive factor in ensuring that these provisions were included, particularly Article 227 of the EEC Treaty which specifically provides for *French* overseas departments. France's upper hand in the negotiations was referred to by Ravenhill (1985: 15). Jean-Yves Faberon and Jacques Ziller in their *Droits des Collectivités*, in 2007, noted that "There is no doubt that the influence of France was a determining factor not only for the adaptive integration provision of Article 227 No 2 which only applied to her [France] but also for the concept of an association regime, which also applied to Belgium, Italy and the Netherlands" (2007: 249). Julien Jorda wrote in 2008 that the Principles of Association for all the OCTs, set out in the fourth part of the Treaty, were notably France's initiative (Jorda 2008: 343). In his 2011 consideration of France's role, Custos stated that "France's insistence on full consideration of its Overseas played a determining role in the treatment of the implications of the Europe project for the Overseas" and set out France's clear position, originating in 1952 at the time of the aborted European Political Community, but revived by Overseas Affairs Minister Gaston Defferre in early 1956, centring on the African possessions. She considered the inclusion of the French Overseas collectivities a turning point for France, whose ministries had opposed participation in the European Community until then. Indeed, France made the participation of its overseas entities a condition for its own signature and this became a major stumbling block in Treaty negotiations, overcome only at the highest level (Custos: 97-100).

Although the Treaty stopped short of seeing the OCTs as legally part of Europe (Europa website accessed 9 November 2011), the OCT arrangements have broadly remained unchanged since then, and are aimed at advancing economic and social development of the OCTs, and the establishment of close economic relations between them and the whole Community (Article 131 of the 1957 Treaty, reflected in Article 182 of the later Merger Treaty 1967 Faberon and Ziller 2007: 250). The French OCTs include not only New Caledonia, French Polynesia, and Wallis and Futuna, in the South Pacific region, but also, elsewhere, the French Southern and Antarctic Territories, Mayotte, and Saint-Pierre-et-Miquelon. (The four French overseas *départements*, Guadeloupe, Guyana, Martinique and Réunion, are not OCTs as they are an integral part of the European Community by virtue of their status as departments of France.)

The provisions under the 1957 Treaty included the creation of a European Development Fund (EDF) "to help to redress the main regional imbalances in the Community" (Art. 130c), from which the French overseas possessions derived considerable financial benefits (see below).

France has consistently contributed a larger amount than other European countries with overseas possessions. France contributed 24.3% for 2000 to 2007, well ahead of Britain, the Netherlands and Denmark, which was over 8% of French development aid in 2006; and for the 10th EDF, 2008 to 2013, France is the second largest contributor, providing 19.55 % of funding after Germany but before Britain, the Netherlands and Denmark (Jorda 2008: 347).

3. Relations with independent island countries: ACP and EPA programs

With the decolonisation of many overseas European, including some French, possessions in the 1960s and 1970s, the EU developed links with the newly independent African states and Madagascar in the 1963 Yaoundé Convention; and the new Africa-Caribbean-Pacific countries (ACPs) under the 1975 Lomé Convention. Both provided for preferential trade arrangements and access to technical assistance under the EDF.

France was instrumental in securing these arrangements. The Yaoundé Convention covered principally France's former African territories. All but three of the eighteen African countries party to the Convention were former French colonies. Although the 1975 Lomé Convention was agreed in the wake of Britain's accession to the EU in 1973 and therefore impelled by the need to accommodate some of Britain's arrangements with its former colonies, the Convention also represented "an extension of the EU's special relations with former colonies", most of which had been French; and the decision to limit the "Africa" component of the ACP grouping was based on the mainly French former African EU colonies (for example, South Africa was not included, see Ravenhill 2002: 3-4; Bitsch and Bossuat 2005). Thus the Lomé Convention was signed by 46 ACP countries, of which 37 were from Africa. Only three were from the Pacific (Fiji, West Samoa and Tonga) and six from the Caribbean (Lomé Convention preamble).

The June 2000 Cotonou Agreement superseded the Lomé Convention and aimed at replacing preferential trade arrangements with reciprocal market access through Economic Partnership Agreements (EPAs), to bring the EU-ACP arrangements in line with World Trade Organisation (WTO) provisions. It emphasised sustainable development, poverty reduction and integration into the global economy, and incorporated good governance conditions, objectives which complemented and supported Australian objectives in the Pacific region (see Downer, 2000). These were linked to Economic Development Fund grants to the ACPs. By this time the Pacific component included fifteen island states.

It was intended that EPAs would be individually negotiated by 2008, but this deadline was not met. One problem that emerged early was the apparent inconsistency between the EPA process and the 2002 Pacific Agreement on Closer Economic Relations, including a requirement that Pacific islands countries negotiate free trade agreements with Australia and New Zealand if they did so with any other developed party, although Australia and New Zealand have not insisted on the implementation of this stricture (ECDPM 2006). At the same time regional governments were negotiating their 2004 Pacific Plan, whereby they sought to integrate and rationalise their governance institutions, resources and policies. This process, like the general construction of South Pacific regionalism, is a fragile one (see for example Fry 2004; Connell and Soutar 2007), so the potential for creating division was considerable. By 2011 Pacific EPAs had been signed only between the EU and Papua New Guinea and Fiji (both in 2009) (Morrissey 2011) granting them duty- and quota-free exports to the EU from 1 January 2008. The other Pacific island countries in the interim benefit from the EU's generalised system of preferences, which does not have a major impact given their weak trade links with Europe.

The EPA process is not likely to proceed quickly, mainly because trade between the island countries of the region and the EU is minute, both-ways trade worth just over Euros 1 billion in 2008, of which EU exports comprise just under Euros 700 million (Euros 677 million, in Xenellis 2011). The EU's main exports to the Pacific region are machinery and transport equipment (about 60% of its exports in 2008). It imports mainly palm oil (49 % of its imports in 2008) and sugar (14%) (Europa website <http://ec.europa.eu/trade/wider-agenda/development/economic-partnerships/negotiations-and-agreements/#pacific> accessed 6 December 2011). Although the EU takes 10 % of Pacific ACP exports, over 90% of these come from PNG and Fiji alone (Commission 2006: 24). The importance of the EU to Fiji is reflected in the EU's taking half of Fiji's major commodity, sugar, at guaranteed prices, until the phase-out of the program in 2010. And this engagement is a two-edged sword: this preferential treatment has been suspended on occasion from 2007 to sanction Fiji's undemocratic practices. For example on 18 May 2009 the EU cancelled \$A 31 million aid to Fiji's sugar industry as Fiji's military dictatorship entrenched itself. While consistent with Western governance ideals, such intervention risks regional perceptions of being neo-colonialist (see for example Fry and Kabutaulaka 2008). The EU has signed fishery agreements with the Solomons, Kiribati and the Federated States of Micronesia, covering fishing licences for Spanish and French fishing vessels, and has acceded to the Western Central Pacific Fisheries Convention.

4. Preferential treatment of OCTs relative to ACPs

ACP arrangements were agreed at regular intervals, applicable for ten years, most recently in the Cotonou Agreement of June 2000 (which was again extended in 2010). In parallel, arrangements for the OCTs were set out in an “agreement of application” (of the association provisions of the Rome Treaty) signed on 25 March 1957, and periodically renewed by decisions of association taken by the European Council at various intervals (procedure set out in Faberon and Ziller 2007: 268).

Under these agreements, preferential access to EU members’ markets was the same for ACPs and OCTs until 1991, when the OCTs were accorded free and unlimited access to the European market, while the ACPs had to comply with rules of origin and trans-border requirements; then under Cotonou when the ACPs had to take on responsibility for reciprocity and governance conditions. As noted above, this conditionality for ACPs complemented stated Australian governance objectives for independent island countries in the region, though as Jolly (2008) and Fry (2000; 2008) point out these are not as yet necessarily deeply integrated ideas in the region). However the changes locked the OCTs more closely into their dependence on Europe.

After the establishment of the European Union in 1993, further benefits were accorded to the OCTs in an annexe to the Treaty of Amsterdam of 1997. No EU customs duties or other charges were payable by OCTs. The arrangements are not reciprocal, and OCTs could make their own customs regulations, for example to protect sensitive sectors of their economies. By this time, overseas territories of other European members had been added to the OCTs (those of the United Kingdom in 1973, and of Denmark in 1986). But France negotiated special arrangements for its own OCTs in two protocols to the Treaty of Amsterdam, one called the “Protocol on France” preserving the privilege of issuing currency in its overseas entities, the other a declaration reserving the right of each member state to act separately from other member states in the interest of the OCTs (European Commission 1998: 30).

Both French Polynesia and New Caledonia have provisions in their respective Organic Laws for their governments’ executives to be involved in relations and negotiations with the EU, and for consultation with their assemblies on proposed acts of the EU (Articles 30 and 89 of the 1999 Organic Law for New Caledonia, and Articles 41 and 135 of the 2004 Organic Law for French Polynesia, see Faberon and Ziller 2007: 271, and Faberon 2008: 285 *et seq*). In practice, the collectivities themselves have not been directly engaged with the EU over substantive issues,

although French Polynesia has had a representative in Brussels from 1994 (Institutions de Polynésie Française, 2011). French representatives are present at annual meetings between the EU and OCTs.

5. Evolution of the EU/OCT relationship

As with the ACPs, the EU approach to the OCTs is evolving, and France has been instrumental in driving this change. At France's behest (see below), the OCTs are being increasingly seen as strategic outposts for the EU, less as dependent development cooperation recipients, and more as beneficiaries under normal EU programs, even though this appears inconsistent with accompanying rhetoric to engage the OCTs more within their own regions. As such the OCTs are being drawn closer in to the EU "family".

In its 2008 Green Paper on the OCTs, the Commission stated that "Indeed, while the OCTs do not form an integral part of the EU, they are a part of or at least closely related to an EU Member State, which means that they cannot be uncoupled from the EU and, in a sense, are 'part of its ultimate frontiers'" (European Commission June 2008: 7). It noted that the emphasis to date on development cooperation, and the relatively high expenditure on the OCTs relative to the ACPs was outmoded, since "Under the 10th EDF (2008-2013), the average per capita level of Community financial assistance to the OCTs is approximately six times higher than the average per capita level of Community financial assistance to the ACP states" (Commission 2008a: 5, fn. 4). The Paper said the approach had been formed when most OCTs had been African colonies, and might not be consistent with the contemporary realities of the OCTs. Aspects under consideration included whether the development cooperation approach was the most relevant, given the relatively high standards of living in the OCTs (for example, New Caledonia has a per capita income of \$A31,287 (cfp 2.953 million converted 22 March 2012, SPC Pacific Regional Information System, PRISM site) comparable with New Zealand's); whether and how the OCTs could play a key role as "strategic outposts" for the EU; whether better means could be found for their integration into their geographic regions; and how they could better engage in environmental protection of their unique biodiversity. The Green Paper also raised the special role and influence of other countries in respect of the OCTs, in the case of the Pacific, the role of the US, Japan, China, Australia and New Zealand (Commission 2008a: 12). Custos sees these changes as designed to bring the OCTs more within the EU "family" (Custos 2011: 112).

From 2009 to 2011 a further process of review was underway, including a 2009 European Commission Communication based on consultations launched by the 2008 Green Paper, which set out possible parameters for future application to the OCTs from 2013. These include a shift from a development cooperation approach to a partnership based on sustainable development and promotion of the EU's standards and values to the wider world; strengthening the competitiveness and resilience of the OCTs, and their cooperation with other partners to assist their integration within the respective regions (Commission 2009). In February 2011, the relevant EU Members and OCTs agreed on a Joint Position Paper fleshing out this approach (Joint Position Paper 2011) which will form the basis of a new Overseas Association Decision.

The role of France in these changes is perhaps evident in the fact that the February 2011 meeting took place in Noumea. The directions of these changes, notably the view of the EU's OCTs as strategic outposts, and the trend towards their integration in their own region, reflect French policy approaches to their own OCTs, enunciated by the French President and other leaders (see below).

So the EU has at the least accepted, or acquiesced in, France's strategic objectives for its collectivities. This amounts to what one analyst, Karis Muller, has described as the "Europeanisation" of France's geopolitical ambitions in the Pacific (Muller 2011: Ch. 15). She pointed out that it is only France amongst all the EU states which consistently uses the phrase "Europe in the Pacific" (Muller 2011: 342 fn. 8), and refers to France's establishment in January 2010 of a "Pôle Outre-mer" (Overseas centre) in its office in Brussels, reflecting a wish for a greater presence and influence of the Overseas in European institutions. Muller cited various references by French authorities and leaders to their own overseas collectivities as "advance posts", "satellites", "outposts" or even "laboratories" for Europe: for example, a Defence report and a French environment meeting at Grenelle in 2007, a Senate Report in 2008, a senior politician's comments in 2009, and a parliamentarians' report to the National Assembly on the EU and the OCTs in February 2010, and she noted efforts during the French EU presidency in 2008 to link the strategic importance of the overseas with Europe's environmental priorities (Muller 2011: 357).

The EU has only relatively recently adopted some of this language. One of the Commission's Communications in 2008 refers to the OCTs' "unique geostrategic position, specific potential in terms of renewable energies, the observation and monitoring of the effects of climate change and of biodiversity" (Commission 2008b: 642, 7). Custos noted the belated acknowledgement in European circles of the significance of the EU OCTs in contributing to the

vast maritime zone of Europe, despite the EU becoming party to the 1983 Law of the Sea Convention in 1998 (Custos 2011: 111). For example, France's 11.57 million square kilometres of Exclusive Economic Zone (EEZ) - the second largest in the world - includes over 10 million square kilometres thanks to its overseas collectivities, of which 7.3 million square kilometres derive from its South Pacific collectivities alone (Faberon and Ziller 2007: 8). In contrast, France's continental EEZ represents 340,290 square kilometers. So the increase in the EU's maritime zone is directly based on the contribution of the French territorial presence in the South Pacific.

The February 2011 EU-OCT Joint Position Paper agreed in Noumea devoted an entire section to "Strengthening the OCTs as regional outposts for Europe", in which the EU and OCTs note that "The location of OCTs allows the EU to be present in regions of strategic importance for the EU, where the influence of its major partners is constantly growing". "OCTs offer a unique opportunity for promoting EU values and standards at an international level". The paper highlights the scope for the OCTs to provide a base for EU scientific and technological research. "The EU should consider the OCTs more as key stakeholders in regional programs rather than as third countries", it says (Joint Position Paper 2011: 6). Similarly, Custos noted that although the EU signed on to the Biodiversity Convention in 1993, it took it until 2006 to refer to the OCTs' contributions in this area (citing its Communication of 2006, 8; Custos 2011: 111). Custos cautioned also that the process of consultation undertaken in preparing the Joint Paper included only limited participation by civil society, and none at all in the French OCTs (Custos 2011: 113).

This Joint Paper language explicitly reflects views expressed by former French President Sarkozy in speeches to the French Overseas possessions in November 2009 and January 2010. Sarkozy referred variously to the direct role of the French possessions in France's status as the second maritime nation of the world with an Exclusive Economic Zone equal to that of the United States; as a premier space and nuclear power, with unrivalled biodiversity (Sarkozy 2009); and with major influence as "*La France des trois océans*" or France "of the three oceans" (Sarkozy 2010), where the Pacific possessions represent a vast springboard for France's scientific research (see Fisher 2011: 237-254) for a fuller analysis of the strategic benefits delivered to France by the French Pacific possessions). He also referred repeatedly to the desirability of the French possessions becoming more integrated in their own regions, although he emphasised that there was "only one red line which I will never accept to be breached: that of independence" (Sarkozy 2010).

All of the strategic benefits identified by Sarkozy accrue to Europe by virtue of its link with France's OCTs, with the added strategic benefit that the association of Europe with its overseas collectivities ensures that the territories remain within the Western sphere of influence (Spaak 1957 cited in Custos 2011: 101).

Separate to the EU arrangements for the OCTs, France has provided generous funding to its own collectivities, around \$A 4 billion a year at current exchange rates.⁴ This sum does not include generous tax exemptions and other forms of support for over \$US 6 billion investment in two nickel projects in New Caledonia.

So the French Pacific entities as OCTs hold an increasingly privileged position compared with other Pacific island states, which are ACP/EPA partners, in relation to their treatment by Europe. And as noted, the EU has recently described the role of the OCTs as outposts for the EU in the Pacific. With the EU Association Decision yet to be finalised, it is too early to establish the response by regional island governments to these developments. But there is clearly potential for a negative and divisive effect (see for example Larmour 2005 and Fry and Kabutaulaka 2008 on the limitations of institutional transfer ideas). Moreover, through special arrangements it has agreed to for France's OCTs, the EU has become enmeshed in issues relating to French sovereignty in the Pacific, which has been a highly contentious regional issue in the recent past. An example of this is the area of citizenship, where policies have evoked sensitive reactions within the French collectivities.

6. French Pacific OCTs: citizenship

The way in which EU provisions apply to the populations in the OCTs is variable, and still being worked out. Karis Muller (1999) has noted the differences in application for example between Gibraltar and French Polynesia. But, again, thanks to French negotiations, the French OCTs retain particular privileges relating to citizenship, which in turn impact on local sensitivities in the French Pacific collectivities.

⁴ In 2007, to New Caledonia, 121.5 billion cfp (\$A1.4 billion converted 25 November 2011), *Tableaux de l'Économie calédonienne*, Institut de la Statistique et des Études Économiques, Noumea 2008 p. 960; in 2006 to French Polynesia 159.1 billion cfp (\$A 1.8 billion) , Press Release, French High Commission, Tahiti, 7 August 2007; and in 2006 to Wallis and Futuna 373.7 million cfp (\$A 4.3 million), *Service Territorial de la Statistique et des Études Économiques*, on SPC website www.spc.int/prism accessed 19 May 2009.

The French State has negotiated rights for the inhabitants of the French Pacific entities who are French well beyond what other European citizens enjoy there (Faberon and Ziller 2007: 253; Gohin 2002 point 4). In its negotiations France adduced the notion of indivisible French citizenship rights under its own Constitution, ironically, given that France provides special voting rights to some of its citizens in New Caledonia (only longstanding residents can vote in certain local elections) under the Noumea Accord. Within the EU, not only do the citizens of the three French Pacific collectivities vote for special overseas seats in European elections and receive European passports, as do all Europeans (European Commission 1998: 15), but they also enjoy (non-reciprocal) rights of mobility and settlement in EU member countries; they can protect sensitive sectors of their economies from EU imports; and France can issue a special currency for them.

6.1 *Voting Rights*

In its negotiations over EU voting rights, France secured agreement that all French citizens, including French citizens in the French Pacific collectivities, had the right to vote in EU elections. They were the only member state nationals outside the EU who could do so (Muller 1999: 43; European Commission 1998: 15). Three special *Députés* (members of Parliament) positions were created specifically to represent the French overseas collectivities.

But the provision of voting rights has been a mixed blessing for the inhabitants of the French Pacific entities. This is because they see the EU as largely irrelevant (see below) and partly because preserving special voting and employment rights has long been a preoccupation of many of the indigenous and non-indigenous long-term inhabitants, especially in New Caledonia where the 1998 Noumea Accord provided for restricted voting rights and special employment protection for some of their citizens, at least until 2018.

Unease at the role of Europe in their home archipelagos, based on a fear of being “swamped” (Doumenge 2000: 201) is reflected in low voter turnouts for European Parliament elections, which stands at around 20%, compared to around 70 % turnout in local elections (see below). There is a general lack of appreciation of the benefits, or potential benefits, of European membership. In French Polynesia, the indifference bordered on suspicion, when most inhabitants effectively boycotted or at best ignored the 1989 EU Parliamentary elections (Henningham 1992: 63). Local leaders at the time warned that the EU vote risked fuelling independence sentiment and even pro-France leader Gaston Flosse suggested the EU identity could erode local culture and identity (Muller 1999: 44).

France's move to accord a more privileged status for the OCTs relative to the ACPs from 1991 may well have been designed to respond to such sensitivities. In New Caledonia, the pro-independence Palika (Kanak Liberation Party) has traditionally opposed participation in EU elections on the basis that it would imply integration into a system that condoned colonialism in Kanaky (Chappell 1998: 443). After the Noumea Accord was signed, France secured special non-reciprocal rights by which EU members resident in New Caledonia, but without French citizenship, could not vote in congressional or provincial elections. However they remained able to vote in municipal elections, which arouses particular concern amongst the pro-independence groups at the regular rounds of municipal elections (see for example Maclellan 2005: 413).

But France's efforts have failed to reduce the sense of concern and isolation in its entities: in the June 2004 EU parliamentary elections, voter turnout was a low 25.43% in New Caledonia, and 39.85 % in French Polynesia. In May 2005 Palika, a leading constituent of the pro-independence FLNKS (National Kanak Socialist Liberation Front), called for a boycott of the French vote on the EU constitution (Maclellan 2005b: 413). This was consistent with its anti-EU election stance noted above, and occurred when Palika was challenging the pro-France group's interpretation of the restricted electorate for provincial elections in New Caledonia.

A further effort was made by the French State to encourage more active participation in EU elections. Until 2009, the three French overseas EU Parliament positions were contested on the basis of one electorate and a list of candidates elected on a proportional basis. This meant that candidates from the most populous territory of Réunion in the Indian Ocean invariably won all three seats. At the instigation of France, for the 2009 election this procedure was changed, with the creation of three separate electorates, enabling the election of one representative from each of the Caribbean, Indian Ocean and Pacific collectivities. During the lead-up to the election, newspapers reported extensively on the substantial funding the OCTs received from Europe. But this effort failed too. Voter turnout in 2009 in New Caledonia (21.82%) and French Polynesia (22.59%) was even lower than in 2004 (see also Muller 2010 : 6). These turnouts are low not only compared to local voter turnout for local elections (eg New Caledonia 72% in 2009 provincial elections, French Polynesia 78% in 2004), but also when compared with the overall turnout for France in EU parliamentary elections (46.76% in 1999, 42.76 % in 2004, and 40.63% in 2009, see EU Parliament, EU website accessed 12 January 2011).

6.2 Non-reciprocal rights of travel and settlement

Again, by virtue of their French citizenship, the French Pacific populations may settle in each of the other European Union member states on the same terms as residents of other EU member states, but under special provisions they do not have to welcome other EU nationals onto their soil. Under the 1957 Treaty, this right can be regulated by agreements requiring the unanimity of member States, but no such agreements have been adopted (Faberon and Ziller 2007: 254-5; European Commission 1998: 27). Therefore the OCTs benefit from the non-reciprocity of the right to travel and settle in other EU states. But at any time, this could be changed by unanimous agreement of the member states.

In 1985, under the Schengen arrangement, some countries of the EU, including France, agreed to create an area of free movement of peoples, abolishing border checks at internal borders. By 2008, most EU countries were participating (see The Schengen area and cooperation, EU website accessed 12 January 2011). But at France's request, the French OCTs are not considered part of the Schengen group, and maintain their own police border controls (Faberon and Ziller 2007: 256).

Special employment protection provisions of New Caledonia and French Polynesia are allowed for under EU arrangements. Thus the French OCTs can take protective measures on employment, so long as incoming workers from EU members are treated no differently from those from third countries (European Commission 1998: 27, Faberon and Ziller 2007: 267). Approving employment by non-residents (EU or others) is a sensitive subject. All applications by foreigners for employment visas are individually seen and decided upon in the Executive (or Cabinet) of New Caledonia, with often quite arbitrary, political decisions resulting (for example, when the officially-approved Goro nickel plant construction project was under way in 2003, many Australian contractors did not receive work visas and were obliged to travel on tourist visas). Faberon and Ziller (2007: 267) have noted that while statistics are difficult to come by, judicial experience indicated that the EU provisions have resulted in a greater influx of EU workers into the French OCTs, particularly French Polynesia.

6.3 Economic benefits

The French OCTs are given full access to the internal market of the EU, which is a meaningful privilege given that virtually all of their economic activity is geared towards the EU (see European Commission 1998: 30). Moreover, the French OCTs can make their own customs

regulations protecting sensitive sectors, and French authorities issue a separate currency for them (see below). For comparison purposes, the four French overseas *départements*, which are not OCTs, cannot make their own customs rules, must apply European customs arrangements to imports, and are given support from the Structural Fund rather than the EDF (European Commission 1998: 18).

While the French Pacific collectivities thus enjoy the right to make their own protective customs regimes even against European imports, the reality is that their economies are dependent on France and on Europe particularly given the longstanding habits and tastes of the inhabitants, and this, together with strong vested local interests, acts as a strong brake on the exercise of this privilege. This means that duties and import taxes are more likely to be directed against regional imports, for example from Australia, New Zealand, and the neighbouring Pacific states, than against European imports (see below). The net result is that the economies of the French Pacific collectivities remain inexorably linked to France and Europe, which impedes their integration within their own region even given the dramatically higher costs associated with trade with Europe, such as high freight costs.

Thus, in 2011, exports from New Caledonia, the largest economy of the French Pacific entities, went principally to the EU (of which over half went to France), Japan, Australia and Taiwan, while imports came primarily from the EU (of which half came from France), Singapore, Australia, Japan, New Zealand and the US. Its trade with the regional Pacific Island countries was so negligible that it did not warrant a line report in official statistics (ISEE website accessed 16 February 2012). Australia holds only 10% of market share in New Caledonia (after France, China and Singapore) and in 2010-11, Australian exports there totalled only \$A 348 million, and imports \$A 174 million (Country Brief, Department of Foreign Affairs and Trade website accessed 16 February 2012).

The special customs provisions and connections with Europe's markets act against the French OCTs' integration into their surrounding region, whose independent countries receive no special entry provisions. The three French entities have been invited to join the two regional South Pacific trading agreements, the PACER (Pacific Agreement on Closer Economic Relations) and the PICTA (Pacific Island Countries Trade Agreement). New Caledonia has been looking at the PACER, and although it has officially indicated its willingness to enter into negotiations for its eventual participation, it is unlikely to move quickly to do so largely because of the benefits of its linkages with Europe. For an indication of the protectionist approach in New Caledonia towards its region, see a contribution by the then head of its Regional Cooperation and

External Relations unit, Laurent Sémavoine (2008: 241). In any case, the French entities cannot negotiate without the permission of Paris and a French representative is invariably present at such negotiations.

The ambiguities of OCT status for the fledgling participation of the French Pacific entities within their own region have led to some misunderstandings. In the early 2000s, senior New Caledonian leaders privately argued that New Caledonia would provide a door for Pacific economies (including the large Australian and New Zealand economies) to provide products and services to European markets. In practice, this is not the case, as the EU maintains local content rules and rules of origin which preclude processing of essentially foreign imports in an OCT, for example, New Caledonia, for subsequent preferential entry to its markets (Communications, senior New Caledonian and EU officials, 2004).

6.4 Development benefits

The French Pacific collectivities as OCTs benefit from aid flows and projects under the EDF. These benefits are not as favourable to them as are the Structural Funds available to EU member states. As noted, the EDF applies not only to OCTs but also to ACPs. Because New Caledonia and French Polynesia enjoy a higher standard of living than many other OCTs and ACPs, they do not receive as much as others (Faberon and Ziller 2007: 274), and this has been a motivation for France to change the treatment of the OCTs, to bring them more under non-OCT intra-EU programs (Communication French officials 2012).

Nonetheless, the OCTs have had access to considerable support. In the Ninth EDF (2000-2007), New Caledonia received Euros 30.2 million, mainly for a new aquarium, roadworks, and professional training; French Polynesia Euros 20.6 million, for water sanitation; and Wallis and Futuna, Euros 16.8 million, for a fishing port, a commercial port and a primary school (Europa website accessed 8 November 2011). Under the current, 10th EDF (2008-2013), projected expenditure in New Caledonia is Euros 19.81 million, French Polynesia Euros 19.79 million; and Wallis and Futuna Euros 16.5 million (Europa website accessed 8 November 2011).

However, these financial allocations are rarely fully spent, largely owing to time-consuming bureaucratic processes which do not fit well with the long distances between the Pacific and Brussels and the micro-scale of the French OCTs, a problem shared by the ACP Pacific countries (see below). Thus, as much as Euros 13.8 million of New Caledonia's Euros 30.2 million allocation for 2000-2007 consisted of unspent funds from the previous period (1.6

billion cfp converted 25 November 2008, ISEE website, <http://www.isee.nc/tec/ecofinances/telechargements/16-1-aideseurop.pdf>, accessed 25 November 2008); and for Wallis and Futuna, Euros 5.2 million (630 million cfp converted 25 November 2008) were carried over from the previous period. French advisers suggest that about 20 per cent of the current 10th EDF allocations consist of leftover commitments from the Ninth EDF (Communication, January 2012).

The OCTs also are eligible, as are the ACP countries, for funding under the STABEX and SYSMIN systems for supporting agricultural exports and financing mining products respectively. New Caledonia in particular has received training and mining rehabilitation funding from SYSMIN. They also have access to the European Investment Bank. However, given their level of economic development, French Polynesia and New Caledonia do not generally qualify over other OCTs (Faberon and Ziller: 274).

As time passes, the OCTs are increasingly being granted access to mainstream EU programs funded by the EU budget (ie outside the EDF funding arrangement) such as education, training, competitiveness and innovation framework and cultural and audiovisual programs (see Custos: 110). This kind of change carries political consequences, with an implicit strengthening of the recognition of these territories as part of the EU member states they are linked to. When coupled with the idea of the OCTs as strategic outposts for Europe, this means that even New Caledonia, whose future status is yet to be determined, is recognised, prematurely, by the EU as part of the EU “family”.

6.5 Currency: the Euro

France negotiated special exemptions for its Pacific collectivities in the 1992 Maastricht Treaty on European Union, via a special Protocol on France under which France retains the “privilege of monetary emissions” in its territories and is solely entitled to determine the parity of the Cfp, or French Pacific franc, there (Protocol on France, 1992 Treaty). The local Cfp is linked to the value of the Euro but retains its own name and species (which is the same for all the French Pacific collectivities).

From 2002 when France adopted the Euro, France indicated that it would like its three Pacific collectivities to adopt the Euro instead of the Cfp, but only if all three collectivities agreed to do so (comment by French High Commissioner in *Nouvelles Calédoniennes* 4 December 2004). Wallis and Futuna signalled it would agree if the other two collectivities did

so. French Polynesia voted in 2006 to introduce the Euro (for background on this issue see Muller 2011: 349-52). However, the issue is sensitive for New Caledonia whose pro-independence leaders see a formal shift to the Euro symbolically as a retrograde step in the country's emancipation. Moreover, they refer to the Noumea Accord provision for the currency as one of five sovereign responsibilities reserved for consideration only after 2014 (Néaoutyine 2006: 78; Maclellan 2005b: 413; Noumea Accord Article 3.3).

Therefore it is unlikely that the Euro will be introduced as the currency of the Pacific entities before 2018, if then. There are other obstacles emerging. The 2011-12 Eurozone crisis may well have added to reservations in New Caledonia and the other French Pacific collectivities about making an overt switch to the Euro. As New Caledonia's rich nickel industry develops, and as its status beyond 2018 becomes the focus of discussion, New Caledonia may prefer a currency which it can devalue rather than to remain linked to the Euro.

6.7 Political benefits, rights and responsibilities

Importantly too, the OCTs have a range of non-citizenship related individual rights, including recourse to the European Courts, Parliament and Ombudsman, introducing a new area of influence over what happens in their territory (European Commission 1998: 30; Custos 2011: 109, fn. 102). New Caledonians have already appealed to such EU institutions. Pro-French interests took to the European Court of Human Rights an appeal against the Noumea Accord's provision for a restricted electorate in certain local elections. The measure was fundamental to securing pro-independence and other local support for the Accord, and provided that only long-term residents could vote in provincial elections. The appellants claimed that this measure interfered with their right to "one citizen, one vote" under the French Constitution. In the event, in January 2005, the Court, while noting that the ten-year residence requirement seemed disproportionate to the goal pursued, recognised the validity of the statutory requirement taking into account "local requirements" which justified it (European Court of Human Rights 2005: para. 65). Thus the Court's judgement supported the restricted electorate provision, and denied the claims of the appellants that it was discriminatory.

Perhaps not always recognised by the EU however is that the Europeanisation of the OCTs means not only promoting EU values and standards within the regions in which they reside, but also applying these standards within their own territories. Steven Blockmans has examined the role of the OCTs in conforming with, and indeed, projecting, the EU common foreign and security policy and concluded that whatever the legalities, the OCTs as part of

Member state territory have an obligation to work within EU strategic interests (Blockmans 2011). Muller has noted in detail how far the French collectivities fall short of European, and even French, standards of environment compliance (Muller 2011: 358), a situation obvious to any visitor to New Caledonia's capital Noumea, where billows of sulphurous smoke regularly emanate from the Dombia nickel plant on the outskirts of the city.

European standards would be expected by those in the region to apply also in the more complex area of governance. This means, at least in the Pacific where there is a deadline for the independence referendum in New Caledonia, that Europe has, more than ever before, a stake in outcomes which are consistent with European standards of human rights and governance.

Overall, the special arrangements secured for the French OTCs have had the effect of bringing the Pacific OTCs more closely within the EU umbrella, perhaps at the expense of their regional linkages, and notwithstanding the unsettled nature of the long-term future international and political status of the French OCTs, particularly New Caledonia. On the other hand, the political association with Europe provides a potential new pressure point to which the residents of the French Pacific collectivities can have recourse if they are dissatisfied, not only on local autonomy-related issues but also on issues of interest to the wider Pacific region such as the application of EU norms there. The application of European human right and governance standards in the region carries the potential for dissonance within the region.

7. Other elements of EU relations with independent island countries

The EU has residential diplomatic representation in Australia and New Zealand, a regional delegation office in Fiji and a delegation office in Papua New Guinea, technical offices in East Timor, Samoa and Kiribati, and offices in Solomon Islands and Vanuatu. It also has an office for the French OCTs in Noumea. The EU participates in post-Pacific Islands Forum dialogue discussions immediately after PIF summit meetings. It also conducts occasional consultations with PIF countries, as in 2008 when during the French EU Presidency rotation, it initiated a meeting with PIF leaders in Brussels (France-Oceanic Summit, Flash d'Océanie 2008). The European Investment Bank has an office in Sydney.

The EU launched a strategy for the Pacific in 2006 (Commission 2006). It noted that its support for regional governments dated from the 1975 Lomé Convention, revised in 2000 as the Cotonou Agreement, and had; totalled Euros 1.8 billion (just over \$A 3 billion) to 2006. It described itself as the second largest aid contributor to the region, but tended to include in its

calculations the separate aid contributions by some of its members (France, United Kingdom and Portugal) (Commission 2006: 25, 26). Its assistance focused on governance, regionalism and sustainable development of natural resources, elements that corresponded to the Pacific Islands Forum priorities of economic growth, sustainable development, good governance and security. These objectives, reflecting PIF language, also complement Australian objectives in the region. The strategy noted France's regional presence in its three OCTs and its military presence, along with the desirability of promoting integration of these entities (as well as Britain's Pitcairn) into the region (Commission 2006: 4, 5).

The Tenth EDF 2008-2013 allocated to Pacific programs an overall envelope of Euros 293 million (\$A 441 million converted 2 March 2010, or just under \$A 90 million a year) with a possible 25% increase if countries demonstrate clear commitments to good governance (European Commission 2007: Preface, 7). This covers regional and bilateral (i.e. EU/individual Pacific island states) programs. The regional program allocates Euros 95 million over the five-year period (\$A 157 million converted 9 March 2010), within the broad objectives of the Forum's Pacific Plan focused on sustainable energy and preservation and exploitation of natural resources. Of this amount Euros 45 million (\$A 67.4 million) has been earmarked for regional economic integration, Euros 40 million (\$A 60 million) for sustainable management of natural resources and the environment, and Euros 10 million (\$A 15 million) for non-state actors and the Forum (EU website [www.http//ec.europa.eu/development/geographical/regionscountries/eupacific_en.cfm](http://ec.europa.eu/development/geographical/regionscountries/eupacific_en.cfm) accessed 6 April 2009).

Until 2009, only very little of this funding had been channelled through the SPC, the principal technical organisation of the region. The EU does not contribute to the core budget of the SPC. It does provide funding for programs, and therefore the annual amounts fluctuate widely depending on the timing and pace of expenditure in the programs it supports. It averaged contributions of just under EUR 5 million (\$A 7.4 million) per annum in the five years to 2007 (SPC 2009). In 2007, the EU contributed Euros 1.8 million (\$US 2.8 million or \$A3.1 million), or 5.16% of SPC income (SPC 2007 Income by Source, SPC Annual Report 2007, Part 2 Annual Accounts). France contributed \$US 7.1 million that year, or 12.97% of total SPC income.

But by 2010, the situation had reversed with Europe contributing 11.17 % of total SPC income, or \$US 9.4 million, and France 4.4% or \$US 3.7 million (SPC Annual Report 2010 Part II: 46-47). As has been noted, France itself funds 20% of EU EDF funds. The trend suggests a French policy objective of channelling more of its support through the EU prism than in the past.

By 2011, the SPC itself was claiming that the EU was expected to become the second largest contributor to SPC programs after Australia, having allocated 23% of the SPC's projected funding for 2011 (SPC Annual Report 2010 Part 1: 9).

Here again, as for the OCTs, it is important to remember that EU funding is limited by the capacity of the bureaucratic processes in Brussels to deliver, in a timely way, appropriately tailored projects to the small island Pacific states. The capacity for these small states to provide the necessary documentation is also an issue, as is the propensity for the Europeans to prefer regionwide program approaches, often not suited to the diverse needs of the Pacific states. Together, these factors account for the regular underspending of generous European allocations in the past. There was a 36% underspend for the 6th EDF 1985-90 and 49% for the 7th 1990-95, which led to an emphasis in the 9th EDF 2000-07 on redressing this situation (Mrgudovic 2008: 332). By 2011, the EU website claimed that it had reduced project implementation time from five to four years, and that for the first time the 10th EDF (2008-13) started with all resources from past EDFs already committed to programmes (Aid Funding, Developing Efficiency, entry dated 31 December 2010, Europa website accessed 22 November 2011). However, as already noted, an estimated 20% of these funds are committed to implementing programs that are unspent sums from the previous EDF.

The extent to which these resources might be affected by the shift in treatment of the OCTs away from the EDF and into other EU programs, and by the 2011 Euro crisis, remains to be seen. Negotiations for the 11th EDF and the budget from 2014 onwards began in 2012.

8. Conclusion

In summary, the EU presence in the South Pacific, through the OCT and early ACP arrangements, grew out of French initiatives and the particularities of French decolonisation in the postwar period. In shaping the way the EU is now present in the South Pacific, France has delivered some tangible benefits to the region, both through practical EU engagement with the French Pacific OCTs and with the independent island countries, and EU diplomatic, aid and trade links, albeit at a modest level. Perhaps the most important contribution the EU brings to the region is its emphasis on values and governance that can complement stated PIF policy objectives, but which can create dissonance to the extent that these values are not yet fully integrated into the region.

But regardless of the seeming compatibility of these engagements with these broader regional objectives, the fact is that with France's active encouragement, the EU is according increasingly advantageous treatment to the French OCTs at the same time as it is reducing the privileges it accords to independent Pacific island countries. With an Overseas Association Decision yet to be finalised, EU public documents indicate that it sees the (relatively wealthy) OCTs increasingly as strategic outposts and as part of the EU family rather than as first and foremost members of the Pacific community, despite rhetoric about wanting them to be regionally integrated. In its recent development cooperation and economic policy shifts, France has sought to ensure that the French Pacific OCTs have access to a share of EU programs and funding commensurate with their status as part of France and with France's funding of EU programs, by having them increasingly funded under mainstream EU programs and less under OCT arrangements. As shown, the overall effect is to isolate the French OCTs from the region and constrain the capacity of the French entities to participate fully in regional trading initiatives such as PACER and PICTA. So far, unsurprisingly, as shown in their trade patterns, the economies of the French Pacific entities have remained more closely aligned to Europe than to their own region.

Meanwhile, the Pacific island countries themselves have received reduced access to EU markets. From 1991, at the same time as the French OCTs were granted free access to European markets, the independent Pacific island countries faced continued European import controls and governance conditions. The shift from treating the independent island countries as ACP program beneficiaries towards becoming full EPA partners seems inconsistent with regional PACER and PICTA arrangements, and has had only very limited trade liberalising effect confined principally to PNG and Fiji, with history showing that it can be withdrawn at any time to sanction behaviour deemed unacceptable. EU aid, owing to bureaucratic and other factors, is having only limited effect. Thus, the EU's evolving approach to the region, and increasing differentiation between the OCTs and the independent island countries, have thrown up the potential for dissonance and work against the greater engagement of the French Pacific entities in the region.

A consequence of French policy leadership within the EU has been the increased enmeshment by the EU in France's geopolitical objective of retaining sovereignty in the French Pacific entities, which was one of the most divisive issues in the region during the 1980s and 1990s. Within the French Pacific entities themselves, because aspects of EU policy touch upon sensitive local nerves relating to autonomy issues, this has already engendered unease about the EU, and at times outright rejection of it, by many longstanding residents of the French entities.

Independent island governments for their part are biding their time, but remain watchful for the resolution of New Caledonia's future status as pledged under the Noumea Accord (see for example the annual UN General Assembly resolutions they sponsor on New Caledonia, most recently UNGA Resolution A/Res/66/87; and relevant PIF communiqués, for example PIF Communiqué 2010 where Leaders note that implementing the Noumea Accord process will resolve a number of issues relating to New Caledonia's international standing). In governance terms, the engagement of the EU means that it too now has a stake in due implementation of the Noumea Accord in New Caledonia by 2018, and democratic outcomes in French Polynesia. Moreover, indigenous and pro-independence leaders, as well as pro-France leaders, in the French entities now have recourse to EU arbitrators, such as the Ombudsman and the Court of Human Rights, as the Noumea Accord process comes to its conclusion. Having established strict standards for example in Fiji where the EU has instituted sanctions from time to time, the EU can be expected to apply the same democratic rigour in relation to France's behaviour in its own collectivities, as the Noumea Accord referendum approaches in New Caledonia, and as recent statutory reforms are implemented to deal with instabilities in French Polynesia. While it is too early to assess regional reactions specifically to changes in the EU's evolving approach to the region, the experience of the recent past shows that such issues can be politically divisive and threaten the stability of the region.

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