

Background Appendix 3  
**Country Report (Turks and Caicos  
Islands)**

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*Political history*

The Turks and Caicos Islands are a UK dependent territory and lie at the extreme southern end of the Bahamas Bank. The Queen is head of state and appoints the Governor (John Kelly since 1996), he in turn appoints the chief minister (Derek Taylor since 1995). The Governor and the Chief Minister for the Executive Branch along with the cabinet which is the Executive Council, consists of three ex officio members and five appointed by the governor from among the members of the Legislative Council. There are no elections to the Executive Branch. The Legislative Branch is unicameral with 19 seats of which 13 are popularly elected, members serving 3 year terms. Bermudans of British descent occupied the Turks islands, Grand Turk, Salt Cay and then South Caicos from 1678 onwards. The Caicos islands were settled by the British loyalists that fled North America in the 1780s during the war of independence - these islands had higher rainfall and more ground water reserves than the Turks on the other side of the passage. The settlers came with their slaves via Florida and southern British colonies to the Bahamas and from there migrated south to cultivate cotton and sugar. Soil degradation, insects and hurricanes resulted in the plantations being abandoned in 30 years or so and the slaves left on the islands led a subsistence existence. After the US war of independence the influence of the loyalists ceased and Caicos islands were forgotten, but the Bermudans continued to dominate in Turks (see salt industry below). In 1848 in a dispute over salt dues the islands broke away from The Bahamas to become a dependency of Jamaica. When Jamaica gained independence in 1962 the islands came under the authority of the governor of Bahamas until it gained independence in 1973, at which point they became a dependent territory with internal self-administration.

The 1976 constitution established the Executive and Legislative camera after the Westminster Model and was based on the 1974 recommendations put together by the Earl of Oxford and Asquith who had been appointed the Constitutional Commissioner the previous year. However, 9 months after he wrote his report, serious civil unrest broke out with the introduction of party politics and Black Radicalism to the islands. Led by J A G S McCartney, a small group of men, disgruntled with a declining economy and the rising number of expatriates, blockaded themselves in a nightclub and shots were fired. The incident provoked an inquiry into Police behaviour and McCartney went on to form the PDM. The business community that set up the Progressive National Party quickly countered this move. In 1976 the PDM won the elections and planned to negotiate independence if they won the elections again in 1980. However, McCartney was killed in a plane accident, there was widespread corruption in the party and little education amongst its members and they lost the election to the PNP.

The population of the islands is split between the inhabitants of Grand Turk and South Caicos that are descended from the Bermudans and until recently mainly salt workers. The inhabitants of North Caicos and Providenciales are the descendents of Loyalists who fled the US and are generally farmers and fishermen. There is a pronounced degree of parochialism and a social divide between the two groups. Turks and Caicos is close to Haiti and there are believed to be up to 6,000 illegal Haitians and Dominicans living in Providenciales (about equal to the legal population).

In 1985 Saunders and 2 other ministers were arrested in Miami on drugs charges and later that year violence flared up in Grand Turk as political tension mounted. In

response a QC was sent from London to investigate and in June 1986 London imposed direct rule. The QC's report found widespread corruption and political patronage. To an extent this corruption stems from the small population of the island where impartiality is hard to instil in the civil service due to familial links. The Public Works Department (PDW) was found to be rife with corruption - not least because it employed nearly half the islands' workforce. Much of the employment in the tourist industry goes to foreigners due to the poor education standards in local, and with the exception of fishing the PWD provides one of the only other sources of employment. This situation makes the government the provider of employment and largesse. Many government workers admitted that the political affiliation of those awarded contracts was important and often a deciding factor.

#### *Economic history*

The first industry on the islands after the arrival of the Bermudans was salt which was exploited from lagoons on a seasonal basis; this exploitation was then further developed with the use of pond systems. Plantations systems failed quickly on the islands due to adverse climatic and ecological conditions. Post WWII the US army had 3 bases on the islands, but left at the request of the islands in 1970s, this, together with the collapse of the salt trade, took many job opportunities from the islands. Since the mid 1960s the islands have been dependent upon tourism, off-shore banking and fishing however, employment alternatives remain a problem on the islands. Exports number \$6.8 million (1993) this represents lobster, dried and fresh conch and conch shells, Imports \$42.8 million of food and beverages, tobacco, clothing, manufactures and construction materials. Unemployment stands at 12% (labour force is 4,800 (est in 1990). Literacy stands at 98%, life expectancy is 75 years, and infant mortality stands at 12.5 deaths/1,000 live births. The islands are heavily dependent upon aid. There is some evidence in the literature that there is very poor access to credit (possibly linked to the low boat ownership on some parts of the islands?)

#### *Development of industry*

Fishing has been important to the islands for several hundred years and fishing has consisted in the harvest of a number of species. Whales were important for a short while in the mid-19th century and the turn of the century. Sponges were the most important export earner at the turn of the century, but blight and the increased use of synthetic materials at the end of WWII ended this. Turtle shell suffered a similar problem - with the use of plastics superceding it in importance. There are few viable fin-fish resources to be exploited on the islands (as is common with much of the Caribbean Basin), but conch and lobster now make up the principle catches. Lobster took off in importance as canning and freezing technology advanced in the 1940s, conch has always been important for local consumption.

In the 1950s, as the salt trade weakened trade with Haiti slowed down (concurrent with economic collapse there) and residents moved out of the islands in search of work, so foreign fishermen moved in to fish. Jamaicans entered the fishery in 1958 (introducing traps into the lobster fishery), Haitians and Dominicans have also, at various times, been important contributors to fishing effort in the islands. In fact, with limited agricultural on the islands, fish and salt have traditionally been traded for produce: frozen food from the US and fresh fruit, rum, tobacco and sugar cane from Haiti. The impact of foreigners on the fishery has been discussed at various points in the islands history: in 1972 a residency law was passed that set a specific time limit of

residency for the issue of licenses. Haitians and Dominicans are frequently employed on boats in response to the perceived lack of young, fit fishermen locally.

Salt was very important to the islands for many years, in the end, scales of production on the island led to it losing out to other islands. The Grand Banks fishing industry was one of the primary reasons for the industry taking off, but the discovery of cheap mineral salt in the late 19th century signalled the start of the decline.

In 1966 Providenciales became a tourist centre and since then has expanded enormously: in 1995 the number of tourists to arrive on the islands was 78,957 (compared to the approximately 14,000 residents) and income earned from tourism was put at 71 million US\$ in 1993.

Offshore banking is essential to the economic and social growth and development of the islands (Financial Times). There are no taxes on income, capital, capital gains, turnover, royalties, gifts or inheritance nor are there withholding taxes on dividends and interest.

#### *References and sources of information*

All the above has been distilled from information found in the following

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