

# French overseas territories and the euro

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*The many institutional changes that have occurred in recent years or are underway in the French overseas territories have altered the dividing line, which initially was simple, between the French regime and the European regime: the French overseas “departments” (DOM) corresponded to the “outermost regions” (OR) and the French overseas “territories” (TOM) to the “overseas countries and territories” (OCT). The landscape then became more complex, with the emergence of disparities between national and European legal classifications.*

*The euro has thus become the currency of overseas communities outside the territorial scope of the Treaty on the Functioning of the European Union (TFEU). This has required the adoption of a series of mechanisms for ensuring the application of the rules necessary for the functioning of Economic and Monetary Union (EMU). However, the Lisbon Treaty, which came into force in 2009, brought in greater coherence, which points to a relative simplification of the monetary regime of French overseas territories.*

*In the first part of this article, we examine the regime of the French overseas territories with respect to French and European law and the problems raised by the disparities between these two legal frameworks. We then explain the solution provided by the Treaty of Lisbon. In the second part, we analyse the regime of French overseas territories from a monetary and payments perspective and their possible developments.*

Keywords: overseas, euro, DOM, COM, OR, OCT, monetary regime, CFP franc

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## I | The legal framework of French overseas territories

### I | I Under French law

The former two notions of Overseas Departments (DOM) and Overseas Territories (TOM), which have marked for more than fifty years the French overseas institutional landscape, appeared in 1946. First, Martinique, Guadeloupe, French Guyana and Réunion went from being colonies to DOMs under the Departmentalization Act of 19 March 1946. Then, the Constitution of 1946 created a new status for the other territories. Thus, French Polynesia (or French settlements in Oceania), New Caledonia, Comoros, Wallis and Futuna, New Hebrides (now Vanuatu, which acquired independence in 1980) became TOMs vested with more extensive prerogatives than the DOMs with a view to their possible autonomy or independence.

After a long period of stability as regards the notions of DOM and TOM, which were kept in the 1958 Constitution, the legal framework of the French Overseas Departments and Territories has undergone many changes since the late 1990s. The new status of New Caledonia in 1998 and the revision of the Constitution in 2003 altered the legal landscape. The distinction usually made between DOM and TOM, which had become obsolete given the specificities of the different territories, has given way to a more complex institutional architecture. Since the 2003 revision of the Constitution, a distinction is made between: Overseas Departments and Regions (DOM/ROM); Overseas Communities (COM); New Caledonia, which does not belong to either of these two categories but is a *sui generis* community; and the French Southern and Antarctic Territories (TAAF) and Clipperton, which do not have a defined constitutional status but only a legal status.

#### The overseas departments and regions (DOM/ROM)

The DOM/ROM are governed by Article 73 of the Constitution in accordance with the so-called principle of legislative identity (application of metropolitan law) even if local adjustments are possible.<sup>1</sup>

There are five DOM/ROM: Guadeloupe, French Guyana, Martinique, Réunion and Mayotte, which became the 101st French department and the fifth DOM/ROM on 31 March 2011.<sup>2</sup>

<sup>1</sup> Article 73 paragraph 1 of the Constitution: "In the overseas departments and regions, the laws and regulations apply as of right. They may be adjusted according to the particular characteristics and constraints of these communities".

<sup>2</sup> The departmentalization of Mayotte was approved by local referendum on 29 March 2009, and then gave rise to the organic law of 3 August 2009, completed by an organic law and an ordinary law adopted on 23 November 2010.

Guadeloupe and Réunion are both departments and regions. As regards Martinique and French Guyana, the Act of 27 July 2011, in application of Article 73 paragraph 7 of the Constitution, merged the region and the department into a single community (the “territorial community of Martinique” and “territorial community of Guyana”)<sup>3</sup> so that the same assembly shall exercise the powers conferred on the overseas departments and regions. Mayotte is also a single community (the “department of Mayotte”).

### The overseas communities (COM)

The COMs are governed by Article 74 of the Constitution according to which the COM “have a status that takes account of the specific interests of each within the Republic.” This status is defined by an organic law which sets “the conditions under which the laws and regulations applicable thereto, the competences of the community, etc.”<sup>4</sup> In other words, it is not the Constitution but the organic law that decides between the aforementioned principle of legislative identity and that of legislative exception (non-application of metropolitan law unless expressly provided for).<sup>5</sup>

There are five COMs: Saint Barthélemy, Saint Martin, Saint Pierre and Miquelon, Wallis and Futuna and French Polynesia. The first three are governed by the principle of legislative identity,<sup>6</sup> the last two by that of legislative exception.<sup>7</sup>

### New Caledonia

Contrary to the aforementioned communities, the regime of New Caledonia is not presented in Title XII of the Constitution (“Territorial communities”), but in a separate title (Title XIII “Transitory provisions relating to New Caledonia”), created by the constitutional revision of 20 July 1998 following the Nouméa Accord of 5 May 1998. New Caledonia is therefore a *sui generis* community. Title XIII of the Constitution expressly refers to the Nouméa Accord, which contains the principle of a gradual transfer of powers from the State to New Caledonia. A referendum is

3 See the new article L7111-1 of the Local Authorities General Code introduced by Article 2 of the Act of 27 July 2011: “Guyana is a local authority of the Republic governed by Article 73 of the Constitution which shall exercise the powers assigned to an overseas department and an overseas region (...)”. See also Article L7111-2: “The local government of Guyana replaces the department of Guyana and the region of Guyana (...)”. Similar changes were made with regard to Martinique.

4 This study does not cover the precise breakdown of powers between the State and each of the COM, in particular with regard to the autonomy that some of them enjoy to pass so-called “country laws”.

5 The distinction made here between legislative identity and legislative exception is a simplification of a more complex situation in reality: as each COM has its own regime, there is consequently a large diversity of intermediate situations between legislative identity and exception. In addition, Article 74 also provides for the status of autonomy (which is the case of French Polynesia).

6 Local Authorities General Code: articles LO 6213-1 for Saint Barthélemy, LO 6313-1 for Saint Martin and LO 6413-1 for Saint Pierre and Miquelon.

7 Article 4 of Act No.61-814 of 29 July 1961 as amended for Wallis and Futuna and Article 7 of the organic law No. 2004-192 of 27 February 2004 for New Caledonia.

scheduled to take place between 2014 and 2018 on “the attainment of full sovereignty” of this territory (Article 77 of the Constitution).

## The French Southern and Antarctic Territories (TAAF) and Clipperton

The TAAF and Clipperton are referred to in Article 72-3 of the Constitution, which states that their legislative regime and their specific organization are determined by law, in this case the Act of 6 August 1955 “on the status of the French Southern and Antarctic Territories and Clipperton Island”. The status of the TAAF is governed by the principle of legislative exception, that of Clipperton by the principle of legislative identity.<sup>8</sup>

## I | 2 Under European law

The territorial scope of the European treaties is set out in Article 52 of the Treaty on European Union (TEU), which refers for details to article 355 of the Treaty on the Functioning of the European Union (TFEU). As regards overseas territories, Article 355.1 TFEU distinguishes two categories of territory: the outermost regions (OR) (Régions Ultrapériphériques - RUP), where the treaties apply, and the overseas countries and territories (OCT) (Pays et Territoires d’outre-mer – PTOM), in which they do not apply.

### The territories where the European treaties apply: the outermost regions (OR)

At 1 January 2012, there were eight ORs. France counts five (Guadeloupe, Guyana, Martinique, Réunion and Saint Martin), Portugal two (the Azores and Madeira) and Spain one (Canary Islands).

Even though the European treaties apply in the ORs, the Council may adopt specific measures to take account of their “structural social and economic situation, which is compounded by their remoteness, insularity, small size, difficult topography and climate, economic dependence vis-à-vis a few products, the permanence and combination of which severely restrain their development”(Article 349 TFEU).

As the ORs are part of the European Union territory, EU legislation applies there and they are eligible for European structural funds such as the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

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<sup>8</sup> Article 9 of the Act of 6 August 1955, completed by the Act of 21 February 2007, states that “Clipperton Island is under the direct authority of the Government. The Minister for Overseas Territories is responsible for the administration of the island. He exercises all the powers conferred onto the administrative authorities by the laws and regulations. He may delegate the exercise of these powers. The laws and regulations apply as of right on the island”.

## The territories where the European treaties do not apply: the overseas countries and territories (OCT)

At 1 January 2012, there were 22 OCTs.<sup>9</sup> France counts seven (New Caledonia, French Polynesia, Wallis and Futuna, TAAF, Mayotte, Saint Pierre and Miquelon, Saint Barthélemy).<sup>10</sup> The Netherlands have two (Aruba and the Netherlands Antilles, the latter including Bonaire, Curacao, Saba, Sint Eustatius and Sint Maarten),<sup>11</sup> Denmark one (Greenland); the United Kingdom has thirteen (Cayman Islands, Anguilla, Falkland Islands, South Georgia and South Sandwich Islands, Montserrat, Pitcairn, St. Helena, British Antarctic Territory, British Indian Ocean Territory, Turks and Caicos Islands, British Virgin Islands, Bermuda).

The OCTs are only subject to Part IV of the TFEU, which simply provides for “the association with the Community of the non-European countries and territories which have special relations with Denmark, France, the Netherlands and the United Kingdom” (Article 198 TFEU). As the OCTs are not part of the territory of the Union, European law does not apply and they are not eligible for European Structural Funds such as the ERDF and the ESF. They may, however, benefit from the European Development Fund (EDF)<sup>12</sup> and the investment facility managed by the European Investment Bank (EIB) and set up by the decision on the association of OCT.<sup>13</sup> This facility, which fosters investment in particular in the private sector, infrastructures and the financial sector, is financed by the resources of EU Member States. It operates as a revolving fund (loan repayments are reinvested in new operations), but also consists of grants and technical assistance services.

OCT nationals are nationals of an EU Member State. In this respect, they enjoy European citizenship<sup>14</sup> and may therefore participate in elections of their country's representatives at the European Parliament and travel/reside freely throughout the EU territory.<sup>15</sup>

<sup>9</sup> The OCTs are listed in Appendix II of the TFEU.

<sup>10</sup> As mentioned below (Section 2[2]), Saint Barthélemy changed status from OR to OCT on 1 January 2012.

<sup>11</sup> For the record, the island is divided into two parts: the French side (Saint Martin, which has the status of OR) and the Dutch side (Sint Maarten, which has the status of OCT).

<sup>12</sup> The amount of aid allocated to all OCT under the 10th EDF (2008-2013) totals EUR 286 million.

<sup>13</sup> Decision 2001/822/EC of 27 November 2001 on the association of the overseas countries and territories with the European Community (“Overseas Association Decision”).

<sup>14</sup> Article 9 of the Treaty on European Union: “Every person holding the nationality of a Member State shall be a citizen of the Union”.

<sup>15</sup> This study does not cover the detailed application of the Schengen Agreement to French overseas territories.

### 1 | 3 The divergence between the French and European classifications: emergence, consequences and resorption

The changes in the status of overseas territories in French law (described above) have led to a divergence between the French and European classifications. This discrepancy raises questions as to the functioning of Economic and Monetary Union, questions to which the Lisbon Treaty<sup>16</sup> provides a concrete answer.

#### The divergence between the French and European classifications

Before the entry into force of the Lisbon Treaty, Article 299.2 of the Treaty on the European Community on ORs concerned “French overseas departments” without further specification. The Treaty just referred to French law. As stated by the European Court of Justice (CJEC) in 1978 in its “Hansen” ruling, the definition of the scope of the DOMs was within the remit of Member States.<sup>17</sup> Thus, a Member State could, by changing the regime of its overseas entities, impact the Community classification (for example, the breakup of a DOM led to the creation of new ORs). Conversely, as OCTs were referred to in Appendix II of the Treaty, their list was fixed.

If a territory was granted greater autonomy (shift from DOM to TOM at the time), the change in the national regime could only be taken into account at the European level by revising the appendix of the Treaty to add the territory concerned to the list of OCTs. This procedure was extremely complex as it required amending the Treaty and having it ratified by all Member States. It was applied in 1984 (Treaty on Greenland signed between the Community and Denmark on 13 March 1984) to have Greenland change status from OR to OCT in order to align its European status with its national status, which itself had been amended in 1979.

However, this procedure was not followed to take account in the Treaty of the new status of Saint Pierre and Miquelon in 1976 (shift from TOM to DOM). It is only in 1980, by an act of secondary legislation,<sup>18</sup> that the European Community acknowledged this change in status.<sup>19</sup> The divergence between French law and the Treaty ended in 1985 when Saint Pierre and Miquelon became a special-status territorial unit (close to the TOM status and in line with its European status as OCT, which had remained unchanged in the interval). The archipelago became a COM in the constitutional revision of 2003.

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<sup>16</sup> Signed on 13 December 2007, the Treaty of Lisbon came into force on 1 December 2009.

<sup>17</sup> CJEC, 10 October 1978, Case 148/77: “The status of the French overseas departments within the Community is primarily defined by reference to the French Constitution” (§10 of the judgment).

<sup>18</sup> Council Decision of 1980 on the association of OCT.

<sup>19</sup> By deliberately omitting Saint Pierre and Miquelon in the list of territories concerned.

**Table 1 French overseas territories: legal status and monetary regime**

Territories	Status under French law	Status under European law	
Réunion	DOM/ROM	OR	Euro (intervention zone of the IEDOM)
Guadeloupe	DOM/ROM	OR	
Martinique	DOM/ROM (single community)	OR	
Guyana	DOM/ROM (single community)	OR	
Mayotte *	DOM/ROM (single community)	OCT (OR in 2014 ?)	
Saint Pierre and Miquelon	COM	OCT	
Saint Martin	COM	OR	
Saint Barthélemy *	COM	OCT (1 January 2012)	
Wallis and Futuna	COM	OCT	CFP franc (intervention zone of the IEOM)
French Polynesia	COM	OCT	
New Caledonia	sui generis community	OCT	

\* *Mayotte changed status from COM to DOM/ROM on 31 March 2011 and Saint Barthélemy changed status from OR to OCT on 1 January 2012.*

More recently, this discrepancy between the two legal systems occurred once again with the Organic Law of 21 February 2007, which separated Saint Martin and Saint Barthélemy from Guadeloupe (of which they were previously districts). Saint Martin and Saint Barthélemy are now two new COMs, governed by Article 74 of the French Constitution. At the time they changed status in French law, they were still referred to in Article 355 TFEU as OR, like other French DOM/ROM. In the case of Saint Barthélemy, this discrepancy came to an end on 1 January 2012, as its status changed from that of OR to that of OCT (see below Section 2|2).

### The issues raised by this discrepancy for the applicability of EU rules, in particular those necessary for the functioning of Economic and Monetary Union (EMU)

As mentioned above with the examples of Saint Pierre and Miquelon, Saint Martin and Saint Barthélemy, changing the status of a territory under national law does not automatically imply a change in its status under European law. The resulting divergence poses a problem: a territory that has changed status from DOM/ROM to COM enjoys more autonomy under French law, but must continue to apply all EU rules as long as it retains the status of an OR. It cannot therefore fully exercise, at the local level, the newly acquired powers that fall within the remit of the European Union (exclusive powers, in particular customs, trade policy, etc.).

How should the change in status of a territory be interpreted from the perspective of EMU?

Indeed, the euro cannot be the currency of a territory without all the rules necessary for the functioning of EMU applying.

Depending on the legal regime of the territory concerned under French law, we must ask ourselves whether or not these rules automatically apply. Similarly, depending on its legal regime under European law, European rules essential to the functioning of EMU apply or not (direct application or national transposition).

- The change in status from that of COM to that of DOM/ROM (the case of Mayotte in March 2011), does not pose any problem in terms of the applicability of EMU rules if the community concerned also acquires a new European status since, in this case, European law, either direct or transposed, applies automatically at the local level. Otherwise, as long as the community concerned retains the status of OCT, any directly applicable European law (i.e. that does not require transposition) does not apply automatically.

In the case of Mayotte, the change in status from that of OCT to that of OR is expected by 2014 (see below Section 2|1).

- The change in status from that of DOM/ROM to that of COM implies in particular setting up a series of mechanisms for maintaining the euro and using it in the same conditions as in the euro area. As regards directly applicable European law, even in the absence of a revision of the Treaty, a community that changes status from DOM/ROM to COM but is still listed as an OR, must, in this last respect, apply European law since it is within the territorial scope of the Treaty and could retain the euro as its currency.

As regards the European rules relating to EMU which need to be transposed into national law (directives), in general these only cover areas where the State does not transfer powers to the COM (monetary law, banking law, etc.). The fact remains that it is necessary to ensure that these rules are fully applied in these territories.

Finally, it appears that the discrepancy between the French and European statuses, as well as the absence of automatic coincidence between these two statuses, raise, as regards the application of the rules underpinning EMU, more procedural questions than substantial ones.

### **The Lisbon Treaty allows for a better alignment of national and European statuses**

Since the Lisbon Treaty came into force on 1 December 2009, a change in status under national law can be more easily reflected in European law. The new Article 355.6 TFEU provides that “The European Council may, on the initiative of the Member State concerned, adopt a decision amending the status, with regard to the Union, of a Danish, French or



Netherlands country or territory referred to in paragraphs 1 and 2 [for France, DOM/ROM, COM and New Caledonia]. The European Council shall act unanimously after consulting the Commission". In other words, since the entry into force of the Lisbon Treaty, the Treaty may be revised in a simplified manner on the precise aspect of its territorial scope overseas. As we shall see in the second part of the study, this has already been done.

## 2| French overseas monetary and payments regimes

The analysis of French overseas monetary and payments regimes shows that, for lack of simplicity, pragmatic solutions have been implemented on a case by case basis, to take account of the multifaceted nature of French overseas entities.

### 2|1 The DOM/ROM

The DOM/ROM fall within the territorial scope of the TEU and the TFEU; they are part of Economic and Monetary Union and the euro is therefore their currency. Primary legislation (treaties) and secondary legislation (legal acts adopted by the European institutions for the implementation of the treaties) apply fully under the control of the Commission and the European Court of Justice.

Directly applicable European texts apply automatically in the DOM/ROM, as in metropolitan France. Among these are, for example, the Council Regulation on the introduction of the euro (974/98/EC), the ECB Regulation concerning the balance sheet of the monetary and financial institutions sector (ECB/2008/32), the ECB Regulation on the powers of the ECB to impose sanctions (ECB/1999/4), the ECB Regulation on the application of minimum reserves (ECB/2003/9)...

As regards European texts that are not directly applicable, because the law applicable in the DOM/ROM is the same as in metropolitan France under the principle of legislative identity, no specific procedure is needed for these texts to be applied locally: the measures adopted to transpose these texts into French law apply as such in the DOM/ROM.

Significantly, the *Monetary and Financial Code* (MFC), in its Book VII on overseas does not need to provide any details regarding the application of the rules necessary for the functioning of EMU. It merely specifies, in its Article L711-1, that the banknotes and coins with legal tender in metropolitan France are legal tender in the DOM/ROM.

Consequently, credit institutions established in the DOM/ROM, like those established in metropolitan France, have access to Eurosystem monetary policy operations and payment systems and are subject to the same obligations (minimum reserves, statistical reporting, etc.).

The only real specificity of the DOM/ROM in the monetary field therefore lies rather in the role of the Institut d'Émission des Départements d'Outre-Mer (IEDOM), the central bank for French overseas departments. It is indeed the IEDOM "acting in the name, on behalf and under the authority of the Banque de France" (Article L711-2 of the MFC) that carries out locally the tasks entrusted to the Banque de France in metropolitan France by articles L122-1 and L141-1 to L141-5 (see Box 1). In order to introduce the euro in the DOM (at the time), it was necessary to amend the statutes of the IEDOM, in particular its governance rules (the Banque de France acquiring the majority on the Supervisory Board), following the opinions of the European Central Bank (ECB) and the decision of the EU Council<sup>20</sup> to make these statutes "consistent with the tasks assigned to the European System of Central Banks by the Treaty".<sup>21 22</sup> An agreement signed between the Banque de France and the IEDOM sets out the practical arrangements for cooperation between the two institutions.

Mayotte became the 101st French department and the fifth DOM/ROM on 31 March 2011.<sup>23</sup> In line with this change in status under French law, Mayotte also wishes to go from being an OCT to an OR.

This project is already laid down in a declaration annexed to the Treaty of Lisbon.<sup>24</sup> To do this, the European Council must adopt a decision on the basis of the aforementioned Article 355.6 TFEU in order to align in a simplified manner the European system with the French system. Becoming an OR will enable Mayotte to be eligible for European Structural Funds such as the ERDF and the ESF. However, in return, it implies that Mayotte will be required to apply all of the *acquis communautaire*, in particular in the following fields: environment, free movement of goods and services, health, safety, and transport. The objective is that Mayotte becomes an OR by 2014 in order to qualify for the next session of the European Structural Funds (2014-2020).

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20 Opinion ECB/1998/64 of 30 December 1998; opinion ECB/99/20 of 17 February 2000; Council decision 1999/96/EC of 31 December 1998.

21 Recital 5 of the Council decision.

22 See Order No. 2000-347 of 19 April 2000 amending Order No. 59-74 of 7 January 1959 on the reform of issuance arrangements in the DOM and Decree No. 545 of 20 June 2000 amending the statutes of the IEDOM.

23 The departmentalisation of Mayotte implies gradually updating the regulatory framework according to a multiple-step roadmap by 2014.

24 Declaration annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon: "The High Contracting Parties agree that the European Council, pursuant to Article 355(6), will take a decision leading to the modification of the status of Mayotte with regard to the Union in order to make this territory an outermost region within the meaning of Article 355(1) and Article 349, when the French authorities notify the European Council and the Commission that the evolution currently under way in the internal status of the island so allows". See also the report of the National Assembly No. 2301 of 10 February 2010 ("Information Report filed by the Committee on European Affairs on the future of relations between the EU and overseas countries and territories and presented by Ms Annick Girardin and Mr Hervé Gaymard, MPs").

**Box I****The Institut d'Émission des Départements d'Outre-Mer (IEDOM)**

The IEDOM, set up in 1959, is a national public institution with legal personality and financial autonomy. It is charged, in the communities within its remit, with conducting transactions relating to the tasks of the European System of Central Banks (ESCB) by acting “in the name, on behalf and under the authority of the Banque de France” (see Articles L711-2 and R711-1 of the MFC). It also carries out other tasks (see Article L711-3).

**Governance (Article L711-5 of the MFC)**

The IEDOM is administered by a Supervisory Board composed of seven members: the Governor of the Banque de France or his representative, the chair; three representatives of the Banque de France; a staff representative and two representatives of the State without a voting right (one appointed by the Minister for the Economy and the other by the Minister for Overseas Territories). The Director General of the IEDOM is appointed by the Governor of the Banque de France. In addition, an economic consultative committee is charged with examining issues related to the economy and economic development. It is composed of twelve members: the Governor of the Banque de France or his representative, the chair; a representative of the Banque de France, eight qualified experts, two State representatives.

**Tasks**

The tasks of the IEDOM can be grouped into three categories:

- central banking: putting banknotes into circulation and ensuring their maintenance; rating companies for the mobilization of credit claims as collateral in Eurosystem refinancing operations; overseeing payment systems and means of payment; ensuring a relay with national authorities (Autorité de contrôle prudentiel, Autorité des marchés financiers) and European ones (ECB);
- public service missions entrusted to it by law: putting coins into circulation; managing Treasury accounts; ensuring the secretariat of household debt commissions; managing interbank files (the overseas accounts register - FICOM, the central cheque register - FCC, the National Register of Household Credit Repayment Incidents - FICP); informing the public (data protection, financial inclusion); managing the Observatory of banking fees;
- general interest missions for the benefit of public and private players: economic and financial observatory; business credit mediation; management of corporate information, production of information for the banking community.

## 2|2 The COM using the euro

Three of the overseas communities governed by Article 74 of the Constitution, which do not belong to the European Union, nevertheless have the euro as their currency: Saint Pierre and Miquelon (since the creation of the single currency), Saint Barthélemy and Saint Martin (as a result of their former attachment to a DOM - Guadeloupe - until 2007). These three cases clearly illustrate the discrepancy between French and European institutional classifications and the non-coincidence between these classifications and the monetary regime.

### Saint Pierre and Miquelon

On 31 December 1998, the EU Council adopted, after consulting the ECB,<sup>25</sup> Decision No. 1999/95/EC concerning the monetary arrangements in the French territorial communities of Saint Pierre and Miquelon and Mayotte. Under the terms of this decision, "France shall ensure that those parts of Community law which are or will be necessary for the functioning of Economic and Monetary Union are applied in Saint Pierre and Miquelon and Mayotte".

As an OCT, Saint Pierre and Miquelon did not fall within the territorial scope of the Treaty. The provisions necessary for EMU therefore did not apply there. However, to change over from the franc to the euro, it was necessary to find a mechanism for ensuring that EU rules could be applied locally:

- As regards directly applicable European rules adopted by the ECB (regulations and decisions), the Governor of the Banque de France makes them applicable in Saint Pierre and Miquelon, so that "they have identical effects to those produced in metropolitan France" (Article L711-15 MFC). On the basis of this article, the Governor of the Banque de France adopted a number of decisions to make ECB regulations and decisions<sup>26</sup> applicable in the archipelago.
- As regards the other European rules (regulations and decisions of other institutions, as well as directives to be transposed), Article L711-16 MFC provides a similar mechanism to the previous one: these European texts are made applicable in Saint Pierre and Miquelon by government regulations.

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<sup>25</sup> The ECB, in its opinion of 30 December 1998 (OJEC 7 May 1999 - 1999/C 127/06) had expressed reservations, in particular on the legal basis of the decision. On this point, see also Zilioli and Selmayr (1999): *The external relations of the euro area: legal aspects*, *Common Market Law Review*, No. 36, 1999.

<sup>26</sup> Examples: decision of 6/9/2011, JORF 23/9/2011 p. 106; decision of 16/12/2008, JORF 27/12/2008 p. 132; decision of 23/01/2008, JORF 7/02/2008 p. 83; decision of 26/09/2007, JORF 19/10/2007 p. 116; decision of 22/01/2007, JORF 31/01/2007 p. 83.

In addition, credit institutions in Saint Pierre and Miquelon have access to Eurosystem refinancing and the Target2 payment system. They are also subject to the same requirements as credit institutions in metropolitan France.

Although Mayotte is now a DOM/ROM, the same mechanism will continue to be applied to it as long as its European status has not been changed (change of status from that of OCT to that of OR expected by 2014).

### Saint Barthélemy and Saint Martin

Until 2007, the islands of Saint Barthélemy and Saint Martin were linked to Guadeloupe. Because they were part of a DOM, their currency was the euro, right from the start. The Organic Law of 21 February 2007 containing institutional and statutory provisions on overseas territories turned these two islands into COMs, governed by Article 74 of the Constitution.

Logically, European law could not continue to be applied automatically. The same mechanism for extending European law as that used in the case of Saint Pierre and Miquelon and Mayotte was therefore adopted (aforementioned Articles L711-15 and L711-16). Changing the status of Saint Barthélemy and Saint Martin required a number of technical adjustments of the MFC.<sup>27</sup>

Subsequently, the Lisbon Treaty nevertheless maintained the discrepancy between the French and European classifications by explicitly referring, in Article 355 TFEU, to Saint Barthélemy and Saint Martin as ORs while these two islands had changed status under French law to become COMs.

As regards Saint Barthélemy, however, this divergence came to an end on 1 January 2012, when the island changed status from an OR to an OCT. This change in status was motivated by the fact that Saint Barthélemy, despite being eligible for European funds, hardly benefited from them in practice because of its relatively high per capita income, even though its status as an OR meant that it was to apply EU rules, which were considered by local authorities as a handicap for an area situated in the heart of the US economic zone. Saint Barthélemy therefore asked to use the facility provided by Article 355.6 TFEU to move from being an OR to an OCT,<sup>28</sup> request relayed by France to the European Union.<sup>29</sup> Following the opinion of the European Commission of 18 October 2010, the European Council adopted on 29 October 2010, a decision “amending the status with regard to the European Union of the island of Saint Barthélemy”.<sup>30</sup> With regard

<sup>27</sup> Widening of the geographical scope of the legal tender of the euro (addition of “Saint Barthélemy” and “Saint Martin” in Article L711-1 of the monetary regime), and the geographical jurisdiction of the IEDOM (amendment of Article L711-8).

<sup>28</sup> Decision No. 2009-060 of the local council of the community of Saint Barthélemy of 18 October 2009.

<sup>29</sup> Letter from the Presidency of the French Republic to the European Council of 30 June 2010.

<sup>30</sup> OJEU L325 of 9 December 2010.

to the legal requirements for maintaining the euro, the European Council decision took note of France's commitment "to conclude the agreements necessary to ensure that the interests of the Union are preserved when this change takes place", in particular "as regards monetary matters, as France intends to retain the euro as the sole currency on Saint Barthélemy and it must be ensured that the application of the law of the Union in the essential fields of the good functioning of economic and monetary union is maintained". It is therefore an agreement on the basis of Article 219.3 TFEU between the EU and France, acting on behalf of Saint Barthélemy, that, after consultation of the ECB, was concluded and approved by Council Decision of 12 July 2011.<sup>31</sup> In order to ensure that the directly applicable European law is automatically applied in Saint Barthélemy, the mechanism chosen is simpler than that used in the case of Mayotte and Saint Pierre and Miquelon (aforementioned Article L711-15 MFC): pursuant to Article 5 of the monetary agreement "those European Union acts adopted in the fields of the agreement, including those of the ECB, that are directly applicable in the Member States, shall apply automatically and under the same conditions in Saint Barthélemy".

31 OJEU L 189 of 20/07/2011. The monetary agreement is annexed to this decision.

## Box 2

### French overseas and payments

#### Members or not of the SEPA area (Single Euro Payments Area)

*Guadeloupe, Martinique, Réunion and Guyana have been part of SEPA since the start of the SEPA project (2002), as DOM (at the time) and in the same respect as metropolitan France. The same holds true for Saint Barthélemy and Saint Martin, at the time linked to Guadeloupe.*

*Mayotte and Saint Pierre and Miquelon have been part of SEPA since June 2009. In order to admit them, it was necessary to implement a formal, relatively long, procedure with the EPC (European Payments Council, the governance body of the SEPA project made up of representatives of the major European commercial banks). This procedure, initiated by the IEDOM with the support of the Banque de France and the French Treasury, consisted in demonstrating to the EPC that Mayotte and Saint Pierre and Miquelon were comparable to metropolitan France for the fields concerned by SEPA and met the criteria set by the EPC in particular on:*

- *the existence of close economic ties and strong legal relations with the European Union;*

- equal treatment compared to other participants in SEPA (e.g. applicability of Regulation 1781/2006 on information on the payer, transposition of Directive 2007/64/EC on payment services, of Regulation 2560/2001 on cross-border payments in euro, etc.);
- compliance with various operational criteria: use of the euro for making payments on the territory concerned; volume of cross-border payments; use of the Target 2 system.

The Pacific communities (New Caledonia, French Polynesia and Wallis and Futuna) are not part of SEPA. The question of their integration into SEPA may nevertheless be raised. It should be noted that unlike Mayotte and Saint Pierre and Miquelon, the Pacific communities do not have the euro as their currency and, therefore, the admission process would not be easy to complete given some of the criteria set out by the EPC. The Comité français d'organisation et de normalisation bancaires (CFONB) is currently examining the solutions for replacing national payment standards by "SEPA" ones by 2014.

#### **Applicability of directive 2007/64/EC of 13 November 2007 on payment services in the internal market (Payment Services Directive, or PSD)**

The Executive Order transposing the PSD<sup>1</sup> is automatically applicable in the five DOM/ROM (Guadeloupe, Guyana, Martinique, Réunion, Mayotte), and Saint Pierre and Miquelon under the principle of legislative identity. However, as Mayotte and Saint Pierre and Miquelon are OCTs in European law, the rules applicable to them are slightly different:

- transactions between two payment service providers (PSP) established in metropolitan France, Guadeloupe, Martinique, Guyana, Réunion, Saint Barthélemy, Saint Martin, Mayotte and Saint Pierre and Miquelon are considered as national transactions;
- transactions between a PSP established in Guadeloupe, Martinique, Guyana, Réunion and Saint Martin and a PSP established in another EU Member State are considered as intra-European transactions;
- transactions between a PSP established in Mayotte, Saint Pierre and Miquelon and Saint Barthélemy and a PSP established in another EU Member State are considered as transactions with a third country.

The transposition of the PSD was extended to New Caledonia, French Polynesia and Wallis and Futuna by Executive Order No. 2010-11 of 7 January 2010, after a few adjustments in order to take into account payment transactions denominated in CFP francs. In particular, all provisions relating to the "European passport" for payment institutions were excluded. The relations between these areas and other EU Member States are treated as relations with a third country.

<sup>1</sup> Order N° 2009-866 of 15 July 2009

### **Applicability of Regulation No. 1781/2006 of 15 November 2006 on information on the payer accompanying transfers of funds**

*This regulation, which applied from the outset to the DOM/ROM (including, at the time, Saint Barthélemy and Saint Martin), was extended to Saint Pierre and Miquelon, Mayotte, New Caledonia, French Polynesia and Wallis and Futuna by Order No. 2009-102 of 30 January 2009 in order to ensure the traceability of fund transfers over the whole territory of the French Republic.*

*Transfers of funds between these communities and the rest of France are treated as intra-EU transfers. Thus, financial institutions located in these areas are not required, as is the case for transfers to third countries, to provide comprehensive information on the payer, but enjoy an equivalence regime whereby they provide simplified information, as is the case for transfers within the European Union.*

*However, transfers of funds between these communities and other EU Member States are treated as transfers with a third country.*

### **Applicability of European Regulation No. 924/2009 of 16 September 2009 on cross-border payments in the Union**

*This regulation, which provides for equality of charges between payments within a Member State and corresponding cross-border payments up to EUR 50,000, applies only to the French overseas territories that are part of the EU. It therefore applies to PSP located in Guadeloupe, Martinique, French Guyana, Réunion and Saint Martin that carry out intra-EU transactions with a provider established in another EU Member State. It should continue to apply to Saint Barthélemy under the monetary agreement of 12 July 2011.*

*However, this text is not applicable to Saint Pierre and Miquelon, Mayotte and the Pacific communities, which are not part of the EU.*

NB: The authors would like to thank Eric Fontmarty-Larivière and Viet-Linh Nguyen (Payment Systems and Market Infrastructures Directorate) for their contributions to this box.

## **2|3 The Pacific communities**

### **The Pacific franc**

The three Pacific communities do not have the same constitutional status (see Section 1|1): French Polynesia and Wallis and Futuna are both COM (article 74 of the Constitution), while New Caledonia is a sui generis community. However, these three communities have a common currency: the CFP franc.<sup>32</sup> The CFP franc, created in 1945, was tied to the French

32 See article L712-1 of the MFC: "Banknotes and coins denominated in CFP francs are legal tender in New Caledonia, French Polynesia and Wallis and Futuna".



franc from 1949 to 1998 (CFP 1,000 were worth FF 55 at 31 December 1998). The sustainability of this special monetary regime after the changeover to the euro was established by Protocol No. 18 on France annexed to the TEU and the TFEU, which provides that: “France will keep the privilege of monetary emissions in its overseas territories under the terms established by its national laws, and will be solely entitled to determine the parity of the CFP franc”.<sup>33</sup> The decree of 16 December 1998, completed by the ministerial order of 31 December 1998, clarified the rules for determining the parity of the CFP franc with the euro from 1 January 1999: CFP 1,000 = EUR 8.38.<sup>34</sup>

The Institut d’Émission d’Outre-Mer (IEOM) is the central bank of issue for these communities (see Box 3). Unlike the IEDOM, which acts “in the name, on behalf and under the authority of the Banque de France,” the IEOM “implements, in conjunction with the Banque de France, the monetary policy of the State in New Caledonia, French Polynesia and Wallis and Futuna”.<sup>35</sup> Monetary policy in these three communities is therefore defined at the national level, as opposed to communities which use the euro, for which monetary policy is defined at the Eurosystem level.

<sup>33</sup> Provision also set out in article L712-2 of the MFC.

<sup>34</sup> As regards the monetary history of French Pacific communities, see the information report of the National Assembly No. 2270 of 27 January 2010, in particular Appendix II.

<sup>35</sup> Article L712-4 §2 of the MFC.

### Box 3

#### **The Institut d’Émission d’Outre-Mer (IEOM)**

*Set up in 1966, the IEOM is a national public institution with legal personality and financial autonomy (see Articles L712-4 and R712-2 of MFC). It “implements, in conjunction with the Banque de France, the monetary policy of the State in New Caledonia, French Polynesia and Wallis and Futuna”. In addition, it “defines the instruments necessary for its implementation” (see Article L712-4).*

#### **Governance (art. R712-11 of the MFC)**

*The IEOM is headed by a supervisory board, chaired by the Governor of the Banque de France or his representative. It is composed of the Director General of the Treasury or his representative, a representative of the Minister for the Economy, two representatives of the Minister for Overseas Territories, a representative of the Banque de France, three persons representing New Caledonia, French Polynesia and Wallis and Futuna and a staff representative. The Director General of the IEOM is appointed by the Governor of the Banque de France. The operations of the IEOM are supervised by a board of censors, made up of the government commissioner of the French Development Agency*

(AFD) and a representative of the Banque de France. The censors attend meetings of the supervisory board (Article R712-16).

### Tasks

In addition to the implementation of monetary policy and the definition of monetary policy instruments, the tasks of the IEOM may, like those of the IEDOM, be grouped into three categories:

- *central banking: putting banknotes and coins into circulation and ensuring their maintenance (the IEOM issues its own banknotes and coins denominated in CFP francs); rating companies for the mobilisation of eligible instruments to the IEOM discount window; overseeing payment systems and means of payment; ensuring a relay with national authorities (Autorité de contrôle prudentiel, Autorité des marchés financiers);*
- *public service missions entrusted to it by law: managing Treasury accounts; ensuring the secretariat of household debt commissions<sup>1</sup>; managing interbank files (FICOM, FCC, FICP); informing the public (data protection, financial inclusion); Observatory of banking fees. In addition, the IEOM draws up the balance of payments of New Caledonia and French Polynesia, a task for which there is no equivalent at the IEDOM;*
- *general interest missions for the benefit of public and private players: economic and financial observatory; business credit mediation; management of corporate information; production of information for the banking community.*

<sup>1</sup> The national framework for processing cases of household debt was extended, in principle, to the Pacific communities in 2004 (see Order No. 2004-824 of 19 August 2004 “on the processing of household debt of natural persons in Mayotte, New Caledonia, French Polynesia and Wallis and Futuna”). The implementing decree was adopted in 2007 for New Caledonia (Decree No. 2007-43 of 10 January 2007 “on the processing of household debt of natural persons in Mayotte and New Caledonia”, which set the entry into force of the framework at 1 April 2007). The framework for the processing of household debt should be extended to French Polynesia in the course of 2012, following the adoption by the Assembly of French Polynesia, in December 2011, of a “country law” creating a household debt commission.

## Discussions concerning the possible introduction of the euro

The issue of the introduction of the euro in the French Pacific communities has been widely examined and is more or less regularly brought up in discussions. As recalled in the Report of the National Assembly No. 2270 of January 2010,<sup>36</sup> the idea of the possible introduction of the euro in French Pacific communities was launched by an exchange of letters in 2003 between Mr Gaston Flosse, President of French Polynesia, and Mr Jacques Chirac, President of the French Republic. They then agreed on the need for prior technical work to assess the consequences of the introduction of the euro.

<sup>36</sup> Information report filed by the European Affairs Committee on the possible introduction of the euro in the French Pacific communities and presented by Mr Hervé Gaymard, MP.

A series of preliminary analyses were carried out in 2003-2004 on the legal and economic aspects of such a project.<sup>37</sup> Various academic studies were conducted,<sup>38</sup> while some bodies took an official stance<sup>39</sup> and contacts between the Pacific communities and the European Commission were established.<sup>40</sup>

The French government's position, expressed in 2005 and reaffirmed on several occasions since then,<sup>41</sup> can be summarized in three points:

- discussions on the changeover to the euro may continue;
- but the euro changeover is only possible simultaneously in the three communities;
- their formal agreement is necessary.

Even though economic circles in the three communities have declared themselves in favour of the euro changeover, no political agreement has so far been reached.

Assuming that the three communities finally agree to request a changeover to the euro and that this request receives the support from the French government, the institutional process would be relatively long and complex.

First, the introduction of the euro in the Pacific communities would set a precedent. Unlike other cases where the euro has been introduced in non-EU countries – countries that were previously using an EU currency replaced by the euro (franc for Monaco, lira for San Marino and the Vatican) or a community that was already using the euro but changed status (Saint Barthélemy) – in this case, the communities have their own currency (the CFP franc).

Second, the legal basis of such an introduction would have to be defined. As in the case of Saint Barthélemy, Monaco, San Marino and the Vatican, the euro could probably be introduced on the basis of Article 219-3 TFEU. This procedure would require the signing of a monetary agreement between,

37 Report on the introduction of the euro in the French Pacific communities – legal and economic aspects, *High Commission of the Republic in New Caledonia*, November 2004.

38 *French Polynesia and the euro*, Vincent Dropsy (2007): *Monetary transition in New Caledonia: euro versus independence?*, Gaël Lagadec; *New Caledonia: between emancipation, changeover to the euro and the search for new resources*, Gaël Lagadec, *Région et Développement* No. 31-2010.

39 *Opinion of the Economic, Social and Cultural Council of French Polynesia of 15 November 2005 on the replacement of the CFP franc by the euro in French Polynesia*; *resolution of the Assembly of French Polynesia of 19 January 2006 on the introduction of the euro in French Polynesia*; *opinion of the Economic and Social Council of New Caledonia of 7 March 2010*; see also the Green Paper on future relations between the EU and the overseas countries and territories, 06/25/2008 COM (2008) 383 final.

40 *Visit of a delegation of the European Commission in Polynesia in August 2005; exchanges in October 2009 between the European Commission and the Economic and Social Council of New Caledonia*, as reproduced in "Rapport et vœu No. 02/2010", March 2010.

41 In particular, in the framework of meetings of the Nouméa Accord Signatories Committee.

on the one hand, France, acting for the benefit of its Pacific communities, and, on the other, the European Union.

Pursuant to Article 219.3 TFEU, the procedure would include the following steps:

- request made by France to the European Union;
- recommendation by the Commission to the Council for the adoption, by the latter, of a decision on the opening of negotiations of a monetary agreement;
- ECB opinion on the draft Council decision;
- adoption by the Council (unanimously) of the decision that formally authorizes the European Commission to open negotiations with France and that sets the conditions;
- negotiation of the agreement between France, for the benefit of the Pacific communities, and the European Commission; the ECB would be involved in the negotiations;
- ECB opinion on the draft monetary agreement;
- Council decision (unanimous) approving the monetary agreement;
- publication in the Official Journal of the European Union (OJEU) and ratification in France.

As regards the acceptability, by the European Union, of the introduction of the euro in the Pacific communities, there are no predefined criteria; Article 219 TFEU simply sets the practical details. However, it is clear that the Commission and the ECB would be particularly attentive to the possibilities and conditions for effective implementation in the three communities concerned of the set of rules necessary for the functioning of EMU including, of course, the European banking and financial legislation (licensing and activity of credit institutions, investment services, payment services, settlement finality in payment and securities settlement systems, financial collateral arrangements, etc.).

Finally, the statutes of the IEOM should be amended, as were those of the IEDOM for the introduction of the euro, to allow the IEOM to act "in the name, on behalf and under the authority of the Banque de France".

## Box 4

**The French overseas territories**

With a highly diverse population of close to 2.7 million inhabitants, the French overseas territories are made up of thirteen communities across two hemispheres and three oceans, covering about 120,000 km<sup>2</sup> (22% of the surface of metropolitan France) with an Exclusive Economic Zone (EEZ)<sup>1</sup> of over 10 million km<sup>2</sup>.

**Atlantic Ocean****Guyana**

Situated in the North-East of South America, 7,000 km from Paris, Guyana is bordered by Brazil and Suriname. With a surface of 84,000 km<sup>2</sup> – i.e. 16% of that of metropolitan France – it is the largest French overseas department. The Amazon rainforest covers 94% of the territory, which boasts a rich biodiversity. Guyana, demographically the youngest region of France, counts 232,000 inhabitants. The population occupies only 4% of the total area of the department.

**Guadeloupe**

Situated in the Caribbean Sea, 6,700 km from Paris and 2,000 km off the coast of America, Guadeloupe covers 1,700 km<sup>2</sup>. It is composed of two main islands: Grande Terre and Basse Terre. A narrow stretch of sea called the Rivière Salée separates the two islands. Three other inhabited islands, also called dependencies, make up the archipelago: Marie-Galante, les Saintes and la Désirade. Guadeloupe counts 404,000 inhabitants.

**Martinique<sup>1</sup>**

Situated in the heart of the West Indies, 200 km from Guadeloupe and 7,000 km from Paris, Martinique is bordered on the east by the Atlantic Ocean and on the west by the Caribbean Sea. It covers a total surface of 1,128 km<sup>2</sup>. With 400,000 inhabitants, the island displays a relatively high population density (354 inhabitants per km<sup>2</sup>). Martinique has a tropical climate, hot and humid, conducive to the diversity of its vegetation.

**Saint Barthélemy**

Situated in the Atlantic Ocean, 230 km north-west of Guadeloupe and 6,500 km from Paris, close to the US Virgin Islands, Saint Barthélemy is one of the Sous-le-Vent islands in the Lesser Antilles and includes many islets. The territory, which covers a total area of 21 km<sup>2</sup>, is mainly made up of dry hills of volcanic origin and thorny vegetation. The population is estimated at 8,700 inhabitants. It has a tropical maritime climate.

**Saint Martin**

Situated 260 km north-west of Guadeloupe and 25 km from Saint Barthélemy, Saint Martin covers an area of 90 km<sup>2</sup>. The island is divided into two parts: the French side, Saint Martin, with a population of approximately 36,700 inhabitants over an area

<sup>1</sup> The exclusive economic zone is the maritime area, 200 nautical miles wide, on which the coastal State has sovereign rights for the purpose of exploring and exploiting, conserving and managing the natural resources (Article 56 of the United Nations Convention on the Law of the Sea 1982).

of 55 km<sup>2</sup> and the Dutch side, Sint Maarten, with a population estimated at 37,500 inhabitants over an area of 35 km<sup>2</sup>. Two islands, connected by two narrow coastal strips, make up the main territory: Grande-Terre in the east, and Terres-Basses in the west, plus the islets Tintamarre and Pinel. Like all islands in the West Indies, Saint Martin is of volcanic origin and subject to cyclones.

### **Saint Pierre and Miquelon**

Situated in the North Atlantic Ocean, 25 km south-west of Newfoundland in Canada and 4,600 km from Paris, Saint Pierre and Miquelon is an archipelago of eight islands, only two of which are inhabited: Saint Pierre (26 km<sup>2</sup>) and Miquelon-Langlade (216 km<sup>2</sup>). The island Saint Pierre is home to close to 90% of the population, estimated at 6,200 inhabitants. The archipelago has a cold oceanic climate.

## **Indian Ocean**

### **Réunion**

Situated in the south-west of the Indian Ocean, 9,200 km from Paris, Réunion is geographically part, together with the islands of Mauritius and Rodrigues, of the Mascarene Islands. The territory, a geologically young formation of volcanic origin, is characterized by steep mountainous terrain subject to severe erosion. With a population of 833,500 inhabitants, Réunion only covers 2,520 km<sup>2</sup>. In addition to its humid tropical climate and a varied biodiversity, the island also boasts one of the most active volcanoes in the world, the Piton de la Fournaise, in the south-east.

### **Mayotte**

Situated 1,500 km north-west of Réunion and 8,000 km from Paris, halfway between Madagascar and Africa, Mayotte is a small archipelago composed of two main islands, Grande Terre (365 km<sup>2</sup>) and Petite Terre (10 km<sup>2</sup>), plus thirty islets dotted about a 1,200 km<sup>2</sup> lagoon reputed to be one of the largest and most beautiful in the world. This is why Mayotte is also known by the name of “Lagoon island” or “Perfume island” (vanilla and ylang-ylang are traditionally cultivated in Mayotte). With a population estimated at 186,500 inhabitants, Mayotte is the second largest French overseas community in terms of population density (511 inhabitants per km<sup>2</sup>).

### **French Southern and Antarctic Territories (TAAF)**

The TAAF, an overseas community created in 1955, comprise five districts. Three are situated in the south of the Indian Ocean: the Crozet archipelago, the Kerguelen archipelago and the islands of Saint Paul and Amsterdam; a fourth one is situated in the tropics, in the Mozambique Channel: Scattered Islands (Glorioso, Juan de Nova, Europa, Bassas da India and Tromelin). Lastly, Adélie Land is a portion of the Antarctic continent. The TAAF consist of 7,829 km<sup>2</sup> of land areas, 431,562 km<sup>2</sup> of maritime areas and 2.39 million km<sup>2</sup> of exclusive economic zones. They do not count any permanent inhabitants and do not, therefore, have any native population. Every year, about 250 people – mostly scientists, soldiers and meteorologists – come to work there, for four to twelve months. The TAAF are under the authority of a prefect

– based in Réunion – who is both State representative and head of the community. He is represented in each district by a district manager.

## Pacific Ocean

### New Caledonia

Situated in the South Pacific, 1,500 km east of Australia, 1,800 km north of New Zealand and 16,700 km from Paris, New Caledonia covers a total area of 18,600 km<sup>2</sup>. It is composed of a main island, Grande Terre, plus the Isle of Pines, the Belep archipelago and the Loyalty Islands (Lifou, Maré, Tiga and a number of secondary islets). New Caledonia is renowned for its rich fauna and flora, its minerals (nickel) and its lagoons, listed as a UNESCO world heritage site in 2008. The entire archipelago counts 245,580 inhabitants, unevenly distributed: the town of Noumea - on Grande Terre - for example, counts more than 2,100 inhabitants per km<sup>2</sup> while the Loyalty Islands have lost nearly 3,500 inhabitants in fifteen years (roughly 17,500 inhabitants today).

### French Polynesia

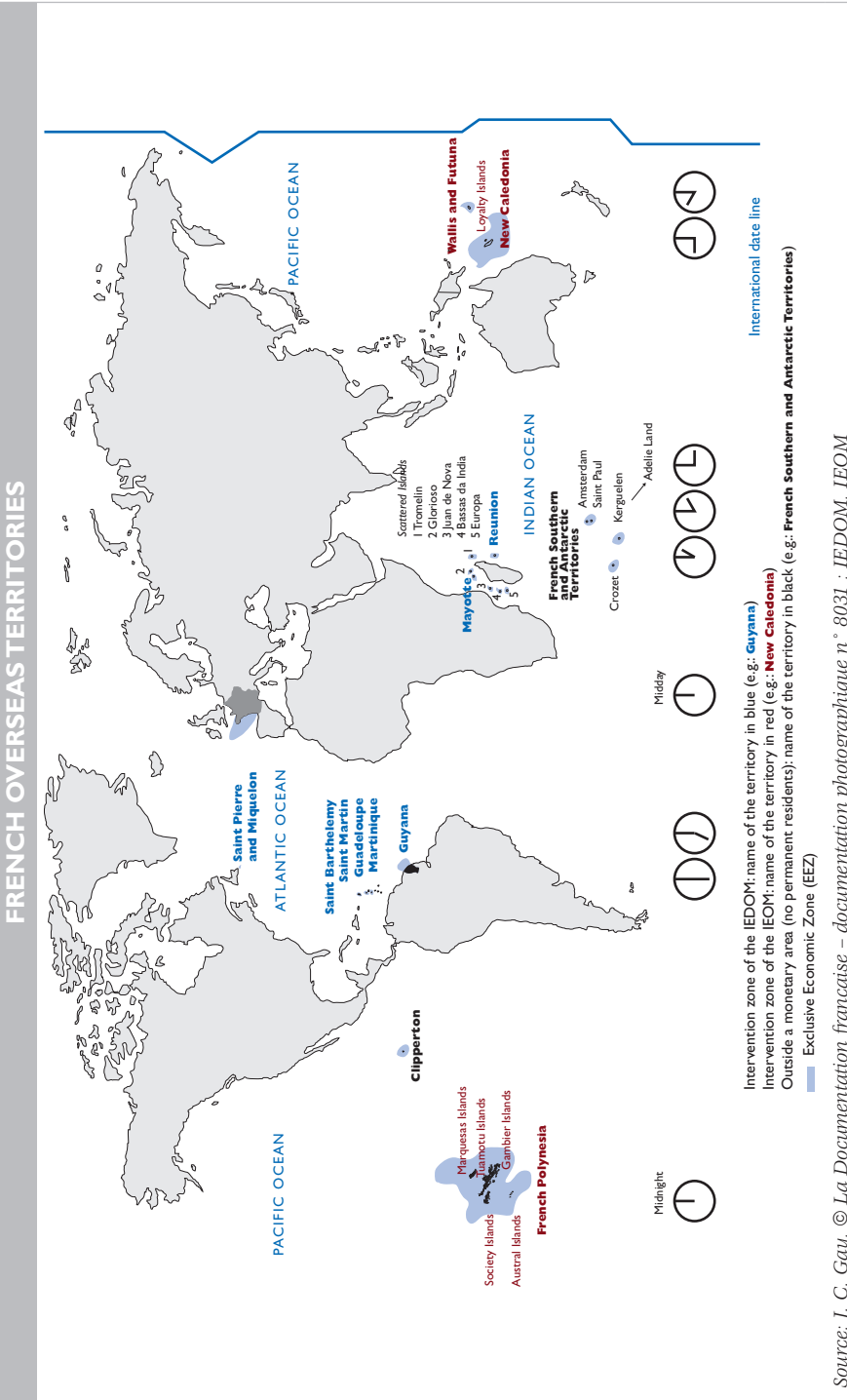
Situated in the South Pacific Ocean, 6,000 km east of Australia and 18,000 km from Paris, French Polynesia comprises an exclusive economic zone (maritime areas) of nearly 5.5 million km<sup>2</sup>, i.e. an area as large as Europe. It consists of five archipelagos with a total of 118 islands and atolls (76 of which are inhabited): the Society Islands, the Tuamotu Islands, the Marquesas Islands, the Gambier Islands and the Austral Islands. The land area of these islands is 3,600 km<sup>2</sup>, with 267,000 inhabitants. The Island of Tahiti, one of the Society Islands, is the economic and administrative center of French Polynesia.

### Wallis and Futuna

Wallis and Futuna is situated in the South Pacific between New Caledonia (2,100 km from Nouméa) and French Polynesia (2,800 km from Tahiti). It is the French territory the furthest away from metropolitan France, 22,000 km from Paris. Wallis and Futuna consists of two islands: Wallis (78 km<sup>2</sup>), a flat island bordered by a lagoon dotted with islets, Futuna (46 km<sup>2</sup>), a mountainous island characterized by rugged terrain and frequent seismic activity. The two islands are at a distance of 230 km from one another. Their total population is estimated at 12,800 inhabitants. The archipelago has a tropical maritime climate, hot and rainy.

### Clipperton

Situated in the Pacific Ocean west of Mexico, 12,000 km from Paris, Clipperton Island is the most isolated atoll in the world (the nearest land is 950 km away). It consists of 2 km<sup>2</sup> of land area and 440,000 km<sup>2</sup> of maritime areas. It was occupied by a Mexican garrison between 1905 and 1917 and the US Army during World War II. The island is uninhabited but has been visited by a dozen scientific expeditions since 1990. Clipperton Island, which is part of the public domain of the State, is under the direct authority of the government and administered by the Minister for Overseas Territories. With the Ministerial Order of 3 February 2008, the administration of Clipperton was handed over to the High Commissioner of the Republic in French Polynesia.



Source: J. C. Gay, © La Documentation française - documentation photographique n° 8031 ; IEDOM, IEOM