

- If association were to become a real possibility, Canada would have to determine whether there would be a requirement for a military presence in the area. A permanent Canadian military presence would be the subject of criticism in the United Nations.
- The fiscal system in the islands would have to be altered radically, since the Turks and Caicos Islands are a tax haven. The Canadian Government could not allow one part of its territory to enjoy tax haven status if only because other provinces might demand similar benefits. The removal of the tax haven status would injure certain interests in the islands and might conceivably give rise to claims for compensation.

EXEMPT S. 15(1)

Attached a copy of the statement of the Canadian Government's position read in the House by the Secretary of State for External Affairs. Mr. Sharp's statement has continued to reflect the Government's thinking on the matter.

In the years following Mr. Sharp's statement the question of association between Canada and the Turks and Caicos Islands has been kept alive, largely by the Turks and Caicos Canadian Association and the activities in the Islands of then Development Minister, Liam Maguire. In 1977, a resolution was passed by the Legislative Council of the Turks and Caicos Islands expressing "deep interest in encouraging much closer relations between our two countries". This resulted in a reply from the Secretary of State for External Affairs to the effect that "the Canadian Government... does not believe that association would be of greater mutual benefit than the friendly relations which now exist". In 1978, in an open letter published by the Turks and Caicos Canadian Association, Mr. Maguire again expressed an interest in a close association with Canada. This time, however, the idea was qualified by the statement that "we would like to go steady before we announced the engagement and certainly before we get married".

In 1978, in response to the interest of the Turks and Caicos Canadian Association and various Members of Parliament, a review was conducted by the Department of External Affairs of the Government's policy. The reasons for maintaining the policy enunciated by Mr. Sharp in 1974 were found to remain valid. During a visit to the Turks and Caicos Islands in January, 1980, the Canadian High Commissioner in Kingston found Mr. Maguire disowning the form of political relationship suggested in 1974.