

---

# **STATES OF JERSEY**



## **BREXIT INFORMATION REPORT**

---

**Presented to the States on 27th June 2016  
by the Minister for External Relations**

---

**STATES GREFFE**



# **REPORT**

## **THE UK EXIT FROM THE EU - WHAT IT MEANS FOR JERSEY AND HOW WE WILL PROTECT JERSEY'S INTERESTS**

**Ministry of External Relations  
27 June 2016**

## **CONTENTS**

**Foreword by the Chief Minister**

**Preface by the Minister for External Relations**

<b>1</b>	<b>INTRODUCTION</b>	<b>5</b>
<b>2</b>	<b>JERSEY, THE UK AND THE EUROPEAN UNION</b>	<b>5</b>
<b>3</b>	<b>IMPLICATIONS FOR JERSEY: WHAT WE HAVE DONE TO DATE</b>	<b>6</b>
<b>4</b>	<b>STABILITY AND CONTINUITY</b>	<b>6</b>
<b>5</b>	<b>WHAT DO WE EXPECT OF THE NEGOTIATION PROCESS?</b>	<b>7</b>
<b>6</b>	<b>THE UK'S FUTURE RELATIONSHIP WITH THE EUROPEAN UNION: THE ALTERNATIVES</b>	<b>8</b>
<b>7</b>	<b>THE ECONOMIC IMPACT FOR JERSEY</b>	<b>9</b>
<b>8</b>	<b>IMMIGRATION AND EMPLOYMENT</b>	<b>11</b>
<b>9</b>	<b>THE JERSEY OBJECTIVE</b>	<b>11</b>
<b>10</b>	<b>WORKING WITH GUERNSEY AND THE ISLE OF MAN</b>	<b>14</b>
<b>11</b>	<b>RESOURCES</b>	<b>14</b>
<b>12</b>	<b>CONCLUSION</b>	<b>14</b>
<b>ANNEX 1</b>	<b>PROTOCOL 3 TO THE UK TREATY OF ACCESSION</b>	<b>16</b>
<b>ANNEX 2</b>	<b>EXPORTS TO THE UK AND EU</b>	<b>18</b>

## **Foreword by the Chief Minister**

Following the recent decision by the people of the United Kingdom to leave the European Union, I have spoken to the Minister of State in the Ministry of Justice seeking to ensure that Jersey's interests in the European Union and with the UK are understood and protected going forward.

Jersey is outside the EU for most purposes, and will remain so. Jersey has a strong, service-based economy which operates in a diverse range of global markets, and the Government of Jersey will continue to support access to key markets, be they in the Middle East, Asia, the Americas, Africa, or indeed Europe.

We have a direct interest in the European Union, not only in the terms of the UK's withdrawal from the EU, but also in the negotiation of a future relationship. This report by the Minister for External Relations sets out what the Government will seek to negotiate to replace Jersey's relationship with the EU. The conclusions are clear: Jersey's interests will be best served by replicating the current arrangements under Jersey's Protocol 3 relationship with the EU, in particular tariff-free trade in goods with the EU. I, and the Government of Jersey as a whole, will strive to achieve this.

The UK remains our principal partner: free trade in goods and services, the free movement of capital and the free movement of people between the Crown Dependencies and the UK will continue.

The Government of Jersey wishes to underline its commitment to the people and businesses of Jersey that it will continue to act clearly and decisively in the interests of Jersey.

Ian Gorst  
Chief Minister  
Government of Jersey

## **Preface by the Minister for External Relations**

This report by the Ministry of External Relations gives the background to Jersey's engagement in recent years with the UK and the EU in the light of the referendum decision on the UK's membership of the EU, and sets out options that the UK is now facing. The report also analyses what is at stake for Jersey, and details what we wish to achieve: we consider that it is firmly in Jersey's interests to seek to carry forward the substance of our current relationship with the EU into the future.

This report is based on recent years of engagement with the UK Government, Parliamentarians, the EU Commission in Brussels and with diplomats and other representatives of EU Member States. The report should contain no major surprises as we have already aired the principal contents of this report in the media.

It is undoubtedly the case that the UK electorate's decision to leave the EU will change the geopolitical face of Europe, and the extent of these changes is difficult to foresee. There will certainly be challenges ahead. But Jersey is in a relatively strong position. The Ministry of External Relations is leading in the protection of Jersey's interests internationally, working in cooperation with Guernsey and the Isle of Man. Most importantly, we will continue to engage intensively with the EU Commission and with ministers of the UK government and their officials, as they negotiate the UK's withdrawal from the EU, and a new relationship with Europe and the global community.

Sir Philip Bailhache  
Minister for External Relations  
Government of Jersey

## **1 INTRODUCTION**

- 1.1 As a result of the UK-EU Referendum on 23<sup>rd</sup> June, the people of the UK have voted to end the country's membership of the European Union. As a result, the UK will invoke Article 50 of the Lisbon Treaty, after which there will be up to two years for the UK and EU to negotiate withdrawal. This two-year period may be extended only if there is agreement between the UK and the other 27 Member States. The UK will also have to negotiate its future relationship with the EU, and this may take longer than two years.
- 1.2 Since the idea of a referendum was first mooted over three years ago, the Government of Jersey's consistent position has been that we are not ourselves seeking any change in our relationship with either the UK or the EU, but that, whatever the result of the UK referendum, we will seek to ensure that our interests are protected.
- 1.3 Now the UK electorate has made its decision, we wish to be clear about what the Government of Jersey is seeking to achieve in any negotiation between the UK and the EU: we believe that Jersey's best interests are served by maintaining broadly the same relationship with the EU and the UK that currently exists. This paper sets out what that relationship comprises, and what we will be seeking to preserve and protect.
- 1.4 The Government of Jersey's objective for the negotiations can be found in section 9 of this paper along with brief notes. The preceding sections offer fuller background and explanation.

## **2 JERSEY, THE UK AND THE EUROPEAN UNION**

- 2.1 As Jersey's formal connection with the EU is through the UK, it is first worth reminding ourselves of the basis of the Jersey/UK relationship. Jersey has had domestic autonomy since 1204, acquired fiscal autonomy through a series of Royal Charters, and is a self-governing, democratic country with the power of self-determination. We are in monetary union with the UK, and enjoy freedom of movement of capital, people and trade. We are neither part of the UK, nor part of the EU (except in a limited way), and Jersey has an international identity which is different from that of the UK.
- 2.2 The formal relationship between Jersey and indeed the Channel Islands and the EU is enshrined in Protocol 3 of the UK's 1972 Accession Treaty (see Annex 1), and is confirmed in what is now Article 355 (5) (c) of the EU Treaties. Under Protocol 3, the Islands are part of the Customs Union and are essentially within the Single Market for the purposes of trade in goods, but are "third countries" (i.e. outside the EU) in all other respects. Jersey and Guernsey are outside the EU VAT area.
- 2.3 Jersey has a close relationship with the EU in many different fields - not simply those covered by the formal relationship under Protocol 3, including certain data, aviation and maritime matters. We also choose to implement selected EU legislation with an international dimension or to apply the standards on which it is based, for example sanctions, asset freezing, anti-money laundering and countering the financing of terrorism.

### **3 IMPLICATIONS FOR JERSEY: WHAT WE HAVE DONE TO DATE**

- 3.1 The Ministry of External Relations, in conjunction with the Channel Islands Brussels Office and Guernsey contributed to the UK coalition government's 'Balance of Competencies' exercise which concluded in December 2014. Evidence was submitted for fourteen of the thirty-two reports, and we thereby ensured that our position and interests were more widely understood in the UK Government.
- 3.2 Since the last UK General Election, when the referendum became a real prospect, Jersey Ministers and officials have met regularly with their UK counterparts - including in the Foreign and Commonwealth Office and in the Ministry of Justice - to keep apprised of developments. They also met key Members of Parliament and other opinion formers in order to explain that our rights under Protocol 3 are important, and would need to be protected in the event of a Brexit. Similar preparations were made in Brussels, and we are now in a stronger position to undertake intensive negotiations than we were when the UK negotiated entry into the European Communities in 1970-71.
- 3.3 We have throughout worked closely with Guernsey and also with the Isle of Man, because all the Crown Dependencies are likely to be treated in the same way, and any future agreement will, in all probability, be the same for all the Crown Dependencies. Also, the ability to work together, reconcile different interests, and present united positions will increase our chances of a successful negotiation.
- 3.4 Over the last few weeks, the Ministry for External Relations engaged publically through the media on Jersey's interests whatever the outcome of the referendum; they also engaged with States Members, and with representatives from the agriculture, finance, fisheries and hospitality industries, the Chamber of Commerce, the Institute of Directors, Jersey Finance and trades union representatives. The responses were widely supportive of the Jersey objective, which is now set out in section 9 of this report.

### **4 STABILITY AND CONTINUITY**

- 4.1 Commentators have predicted that a period of economic and political uncertainty will follow a leave vote. This was the experience in 1970/71, when uncertainty about the impact on the Island from the UK's application to join the European Community led to reluctance by some to make investments and take some business decisions. We will not be immune from similar effects of general uncertainty, particularly in so far as it affects the City of London, where our financial services industry has close links.
- 4.2 On the other hand, there are several reasons for cautious optimism that Jersey will be characterised by relative stability, calm and continuity during this turbulent time, including the following:
  - a) Article 50 of the Treaty provides for a period of up to two years for negotiation of the terms of withdrawal, and during this time Protocol 3 would remain in place. There will be no formal change in Jersey's relationship with the EU for at least that period



- b) More importantly, Jersey is already outside the EU (except for the single market in goods) and that position will not change: we are outside for trade in services with EU countries, and market access to the EU for some of Jersey's financial products and services has been agreed on the basis of the Island's regulatory equivalence
  - c) The movement of personal data between Jersey and the EU is based on a 'third country' agreement which is independent of the UK, and that will not change
  - d) We will remain in the sterling zone, and in the Common Travel Area with the UK, and will maintain our close political and economic relationship with the UK
  - e) The Government has a substantial strategic reserve and is therefore in a position that is envied by many countries, able if necessary to mitigate the economic impact of uncertainty through action to stimulate the economy
  - f) Jersey companies have gained and will in future gain considerable new business in non-EU markets in Africa, the Americas, Asia and the Middle East, where trade will not be affected by Brexit.
- 4.3 Although macroeconomic effects of a Brexit will have an impact on all economies and in unforeseeable ways, the Government is confident that the direct impact upon Jersey will be limited by the factors set out above.

## **5 WHAT DO WE EXPECT OF THE NEGOTIATION PROCESS?**

- 5.1 It is difficult to predict the course of the UK's disengagement from the EU because there is no precedent: although the rules for exit are set out in Article 50 of the Lisbon Treaty, the process itself is untested. The UK government on 29 February published a White Paper on "The process of withdrawing from the European Union", which highlighted the scale of the task of unravelling all the rights and obligations that the UK has acquired over more than 40 years of membership, covering matters as diverse as the common policies on agriculture and fisheries, access to structural funds, and common foreign and security policies.
- 5.2 For a complex negotiation of this nature, we would expect the UK to appoint a team in Whitehall to conduct withdrawal negotiations, and to progress parallel negotiations on the new relationship between the UK and the EU. We would expect sub-groups to be established on specific themes such as goods, services, public procurement and competition. As part of this process, we would expect the UK Government to set up a framework to keep Jersey, Guernsey and the Isle of Man informed, and to consult us on relevant matters in the negotiations.
- 5.3 Sections 7 and 8 of this report provide a brief analysis of particular areas in which we will maintain a close interest during the negotiations.

## 6 THE UK'S FUTURE RELATIONSHIP WITH THE EUROPEAN UNION: THE OPTIONS

6.1 While it is in theory possible that Jersey could seek to negotiate its own relationship with the European Union under entrustment from the UK, in practice this is highly unlikely: there is no precedent for the European Union deciding to negotiate a treaty-like agreement with the dependent territory of a non-Member State. It is therefore more possible that the Crown Dependencies will have the option to accept the UK's future agreement, or part thereof, and have it extended to them. This was the case in 1972, when Protocol 3 to the UK's Accession Treaty was created, and set out the Crown Dependencies' relationship with the EU. So what are the potential options for the UK?

6.2 On 2 March the UK Government published a White Paper on "Alternatives to Membership", and, broadly speaking, the options were:-

6.3 Option 1: The UK joins the European Economic Area (EEA) (the "Norway model")

This would require the UK to accept all the EU *acquis* across the four freedoms (goods, services, capital, people) and to make a contribution to the EU budget (though much less than now) without a seat at the negotiating table.

6.4 Option 2: The UK re-joins the European Free Trade Agreement (EFTA)

This would be of minimal benefit as the EU/EFTA agreement contains little of substance, apart from trade in certain fish and agricultural products.

6.5 Option 3: The UK negotiates a series of agreements (the "Swiss model")

Switzerland has over 120 agreements with the EU – though nothing on financial services (except one agreement on life assurance). The EU has made clear that it regards the Swiss model as wholly unsatisfactory, and accordingly the existing Swiss model will not be on offer to the UK.

6.6 Option 4: The UK joins a customs union with the EU (the "Turkish model")

A customs union eliminates internal tariffs and requires the participating countries to agree on common external tariff, which in this case would be the EU's common external tariff. It would also require the UK to accept large sections of the EU *acquis* relating to manufactured goods and to competition policy. If it followed the Turkish model, it would not cover services.

6.7 Option 5: The UK negotiates a free trade agreement with the EU (the "Canada model")

Many commentators believe this is the most likely option. Most free trade agreements do not provide for "free" trade as such, but rather for better market access than that provided by World Trade Organisation rules. The negotiating process is usually lengthy: negotiations on the EU/Canada free trade agreement started in 2009 and it is still not yet in force.

## 6.8 Option 6: The UK does not conclude any trade agreement with the EU and relies on WTO rules

WTO rules set limits on the maximum tariffs that countries can apply to trade in goods. The WTO operates on the basis of the 'most favoured nation' principle i.e. the benefit offered to one trading partner must be offered to all other WTO members (unless there is another preferential arrangement such as a free trade agreement).

6.9 Jersey is giving consideration to asking the UK to extend its WTO membership to the Island. We would not have the same access to the EU market as we do now, but WTO membership would mean our exporters would face lower tariffs than would be the case if we were not WTO members.

## 7 THE ECONOMIC IMPACT FOR JERSEY

7.1 Jersey has a strong, knowledge-based service economy which gains substantial amounts of global business that does not derive from the EU. Jersey will continue to seek profitable business from Africa, the Americas, Asia and the Middle East, diverse markets where trade will remain unaffected by Brexit.

7.2 It is worth restating that the largest impact on Jersey's economy following the vote to leave the European Union is likely to be the economic health of the UK and the City of London in particular, and the effect on trade and investment, and also on interest and exchange rates. However, for the reasons set out in section 4 above, the Government is confident that Jersey should be characterised by relative stability and continuity.

7.3 The following is a summary of considerations that have been taken into account in devising the Government's proposed approach to our negotiations following the leave vote. The analysis of the size - in both absolute and relative terms - of the UK and non-UK EU markets for the different segments of the Jersey economy can be found at Annex 2. The summary analysis is made sector by sector.

### a) Financial Services

The largest sector of our economy relates to financial and associated services. As already mentioned, Jersey is outside the EU for trade in services and that will not change: Jersey will remain a third country. The majority of Jersey financial services business that has exposure to the EU should not be directly affected by restrictions on market access to the EU - unless any such restrictions were applied equally to all third countries. Although the funds sector and capital markets business for example could be directly affected by future restrictions placed on access to EU markets, however, our position of confidence in these sectors remains, because the fundamentals behind Jersey's success as an international finance centre are unchanged by Brexit. Jersey's international appeal is founded on:

- Political, economic and fiscal stability – reflected in Jersey's Standard and Poor's rating of AA

- The protection of the constitutional relationship with the UK based on 800 years of custom and usage
- The confidentiality accorded to legitimate business rooted in the same legal principles as the UK
- The “zero/10” tax structure for corporates
- The ability to respond quickly and flexibly to market needs through the enactment of modern legislation developed through a close and good government/industry working relationship
- The quality of services provided, reflecting the size and range of the skills base built up over the past fifty years, plus the proximity to the City of London and other European financial centres
- The reputation built up through compliance with international standards, and the fact that the international community has accepted Jersey as a cooperative jurisdiction.

b) Tourism

There is unlikely to be much if any negative impact on the tourism industry as the conditions that allow for tourism from the EU to Jersey – e.g. Island operators of air and shipping operators continuing to meet relevant EU standards - should remain in place.

c) Agriculture

The vast majority of agricultural produce that is exported from the Island is destined for the UK. On the reasonable assumption that the UK market will remain open for Jersey produce, the agricultural industry would be relatively unaffected if the UK’s withdrawal from the EU made exporting to the EU more difficult or costly. Recent growth in exports has been predominantly to countries outside of the EU, and so this business would also be largely unaffected.

d) Fisheries

The majority of fisheries produce exported from the Island is sold in France and, in the event of a Brexit, may be subject to tariffs, unless or until a new arrangement with the EU is put in place.

e) Goods

Exports of manufactured goods from the Island are small. As regards imports of goods into the Channel Islands (including food, textiles, building materials and fuel), almost all come via the UK. The loss of Protocol 3 will therefore have minimal direct effect on the Jersey in terms of imports, since we will have free trade in goods with the UK

f) Other services

The continued development of the digital economy will reflect the position of financial services, in that many of the global attractions of Jersey as an international finance centre apply equally to other services.

7.4 We have also considered the impact on immigration and employment.

## **8 IMMIGRATION AND EMPLOYMENT**

8.1 Since Jersey is, like the other British Islands, subject to UK Immigration and Nationality Laws, we will need to be closely involved in the progress of negotiations in this area. We will seek to ensure that we are consulted with respect to, for example, the grandfathering of rights of EU (non-UK) citizens in the UK and the British Islands.

8.2 The Common Travel Area, which comprises the UK, Ireland and the Crown Dependencies, pre-dates UK accession to the EU and we expect that the UK will remain committed to the maintenance of the Common Travel Area with Jersey and the Crown Dependencies.

8.3 The majority of people who are licensed to come into Jersey to work with immediate access to qualified housing are in the financial services industry and come from within and outside the EU, predominantly, the United Kingdom. The majority of migrants who are registered are working in the tourism, hospitality, retail, agriculture and fisheries sectors, come from within the EU, although the financial services industry also employs a large number of registered staff.

8.4 The UK may decide to apply restrictions on immigration and, on the assumption that the Common Travel Area will remain in some form, these restrictions would be expected to apply equally to immigration into Jersey and to have an effect on all sectors of the economy that recruit overseas workers. Consideration is being given as to what measures will be needed to meet industry requirements, particularly in the agricultural and hospitality sectors. We shall continue to work closely with the Home Office and UK Border Force, with whom we have a strong relationship, to seek to ensure that the needs of the Jersey economy and labour market are met.

## **9 THE JERSEY OBJECTIVE**

9.1 Taking all these current considerations into account, the Government believes that Jersey's best interests lie in preserving the substance of the current relationship with the EU as set out in Protocol 3 of the UK Treaty of Accession, and of Jersey's relationship with the United Kingdom. This is considered to be the Jersey objective.

9.2 Jersey's current relationship with the EU and the UK includes:

a) free trade in goods with the UK and EU Member States, including agricultural products (that is, trade unrestricted by tariffs or quantitative measures, while accepting the need to meet certain standards, such as those relating to specific products or the environment)

b) our non-EU (“third country”) status for trade in services with EU Member States, including existing third country equivalence rules and treatment for access to EU markets for financial services

c) *de facto* monetary union with the UK, which enables us to move capital freely between Jersey and the UK, and between Jersey and EU Member States via the UK

d) the Common Travel Area and the free movement of people between Jersey and the British Isles and Ireland

e) provisions for the employment and housing of those who come to Jersey to work

f) constitutional autonomy, including our ability to set our own fiscal policy

The following are brief notes on each of the points:-

**a) Free trade in goods with the UK and EU Member States**

When the UK leaves the EU, tariff-free reciprocal trade in goods with the UK will continue under long-standing customary practices, and under rights and arrangements set out in Royal Charters.

Trade in agricultural products is covered for the time being by Protocol 3 (and Regulation 706/73) until the UK formally leaves the EU in at least two years’ time. This provides for quota and tariff free access to the whole of the EU market – and reciprocal access by EU to Jersey markets

However, on Brexit, tariff-free reciprocal trade in goods ceases with the remaining twenty-seven countries in the EU, unless another, favourable trade agreement with the EU has been brought into force. Oysters and fish are Jersey’s main exports by value to these remaining EU countries (mainly France), along with some potato and dairy exports. In the absence of a favourable and new trade arrangement with the EU, the EU would apply import tariffs to these products.

Our negotiating objective is therefore free trade in goods with the remaining EU Member States.

**b) “Third country” status for trade in services with EU Member States, including equivalence rules and treatment for access to EU markets for financial services**

Jersey is outside the EU (i.e. is a “third country”) for trade in services, and so the current market access arrangements would continue where Jersey negotiates access as a third country in areas of economic importance in

financial services, such as Alternative Investment Fund Managers Directive (AIFMD), the future Markets in Financial Instruments Directive (MiFID), and the developing Capital Markets Union (CMU).

Our next negotiating objective is therefore to preserve the status quo as a third country under equivalence rules for trade in services with the remaining EU Member States.

**c) Current de facto monetary union with the UK enabling free movement of capital with the UK and with EU Member States via the UK**

Tariff-free reciprocal movement of capital will be maintained between Jersey and the UK post Brexit, in the context of our unchanged monetary union with the UK.

Our next negotiating objective is therefore to preserve the status quo as a third country to the EU.

**d) Part of the Common Travel Area and the free movement of people between Jersey and the British Isles and Ireland**

On Brexit, the obligation under Article 4 of Protocol 3 not to discriminate between EU citizens of different nationalities ceases. On the other hand, the automatic right of British citizens resident in Jersey to move to and establish in the EU also ceases, and this (absent a negotiated agreement) would put all British Jersey residents in the same position as the Jersey citizens with no substantial link to the UK who currently do not have automatic rights to work and establish in EU countries.

The Common Travel Area with Britain and Ireland predates the EU Treaties and would, absent any agreed changes, persist. Our objective is the continuation of free movement of people between Jersey and the British Isles and Ireland, and to secure no less favourable a deal on movement of persons in the EU for British nationals resident in Jersey as for British nationals generally.

**e) Current provisions for the employment and housing of those who come to Jersey to work**

On Brexit, and absent a new agreement, EU nationals arriving in Jersey would not have the automatic right to move to Jersey. However, Jersey's current housing and work controls already manage access to employment and housing in the context of freedom of movement within the EU, and those same controls would persist. The UK might allow the current rights of EU citizens resident in the UK to continue beyond the UK's departure from the EU. If such rights were safeguarded, then EU citizens currently in the UK would be free to travel to Jersey, but Jersey would still control laws on access to housing and to work.

The Government of Jersey would, like the UK, have to decide on safeguarding the rights of EU citizens already in Jersey at the point of Brexit.

**f) Constitutional autonomy, including our ability to set our own fiscal policy**

The Common Policy for External Relations for Jersey sets the broad framework for international dealings: as previously mentioned, Jersey has had domestic autonomy since 1204, and acquired fiscal autonomy through a series of Royal Charters, and is a self-governing, democratic country with the power of self-determination. The framework agreement for developing the international identity of Jersey signed by the United Kingdom and Jersey on 1st May 2007, states in particular that Jersey has an international identity which is different from that of the United Kingdom, and that the United Kingdom supports the principle of Jersey further developing its international identity.

Our objective is therefore the continuation of present fiscal and other elements of constitutional autonomy.

## **10 WORKING WITH GUERNSEY AND THE ISLE OF MAN**

10.1 The Government of Jersey is committed to working with the Governments of Guernsey and the Isle of Man to ensure a favourable outcome to the negotiations and to securing the interests of Jersey. Meetings have been and will continue to be held at ministerial and official level to ensure as close alignment as possible in the forthcoming negotiations.

## **11 RESOURCES**

11.1 The Government is also committed to resourcing the Ministry of External Relations and the other involved government departments in order to be effective during the negotiations. The implications across government for the additional work will be further assessed as the pattern for negotiations becomes clearer. Ministers and officials experienced in EU matters to date are well placed to contribute to the negotiations, aided by, the sharing of information across the Crown Dependencies.

11.2 Although there is no consensus on the future economic effects of the UK decision to leave the EU, the Government will, as in the recent past, consider making investments in the Jersey economy in the event of a local economic downturn. The Government will, if necessary, consider the use of the economic and productivity growth drawdown provision as set out in the Medium Term Financial Plan.

## **12 CONCLUSION**

12.1 The Government presents this information paper in order to set out to the people and businesses of Jersey its approach in the light the UK decision to



leave the EU, and underlines its commitment to act clearly and decisively in the interest of the future of Jersey.

**Minister for External Relations**  
**27 June 2016**

## **ANNEX 1**

### **PROTOCOL 3 to the UK Act of Accession**

#### **Article 1**

1. The Community rules on customs matters and quantitative restrictions, in particular those of the Act of Accession, shall apply to the Channel Islands and the Isle of Man under the same conditions as they apply to the United Kingdom. In particular, customs duties and charges having equivalent effect between those territories and the Community, as originally constituted and between those territories and the new Member States, shall be progressively reduced in accordance with the timetable laid down in Articles 32 and 36 of the Act of Accession. The Common Customs Tariff and the ECSC unified tariff shall be progressively applied in accordance with the timetable laid down in Articles 39 and 59 of the Act of Accession, and account being taken of Articles 109, 110 and 119 of that Act.

2. In respect of agricultural products and products processed there from which are the subject of a special trade regime, the levies and other import measures laid down in Community rules and applicable by the United Kingdom shall be applied to third countries.

Such provisions of Community rules, in particular those of the Act of Accession, as are necessary to allow free movement and observance of normal conditions of competition in trade in these products shall also be applicable.

The Council, acting by a qualified majority on a proposal from the Commission, shall determine the conditions under which the provisions referred to in the preceding subparagraphs shall be applicable to these territories.

#### **Article 2**

The rights enjoyed by Channel Islanders or Manxmen in the United Kingdom shall not be affected by the Act of Accession. However, such persons shall not benefit from the Community provisions relating to the free movement of persons and services.

#### **Article 3**

The provision of the Euratom Treaty applicable to persons or undertakings within the meaning of Article 196 of that Treaty shall apply to those persons or undertakings when they are established in the aforementioned territories.

#### **Article 4**

The authorities of these territories shall apply the same treatment to all natural and legal persons of the Community.

#### **Article 5**

If, during the application of the arrangements defined in this Protocol, difficulties appear on either side in relations between the Community and these territories, the Commission shall without delay propose to the Council such safeguard measures as it believes necessary, specifying their terms and conditions of application. The Council shall act by qualified majority within one month.

#### **Article 6**

In this protocol, Channel Islander or Manxman shall mean any citizen of the United

Kingdom and Colonies who holds that citizenship by virtue of the fact that he, a parent or grandparent was born, adopted, naturalised or registered in the Island in question; but such a person shall not for this purpose be regarded as a Channel Islander or Manxman if he, a parent or grandparent was born, adopted, or naturalised or registered in the United Kingdom. Nor shall he be so regarded if he has at any time been ordinarily resident in the United Kingdom for five years. The administrative arrangements necessary to identify those persons will be notified to the Commission.

---

## **Informal Notes**

*These notes, which do not form part of Protocol 3, are simply a guide:-*

1. Jersey's relationship with the European Union, as set out above, means that the Island is neither a member state nor an associate member of the European Union. Jersey is also not part of the UK.
2. Under Protocol 3, Jersey is part of the customs territory of the Union. It follows that there is free movement of industrial and agricultural goods in trade between the Island and the Union.
3. Jersey neither contributes to, nor receives anything from, the funds of the European Union. Article 4 of Protocol 3 requires the Jersey Authorities to apply the same treatment to all natural and legal persons of the Union. Apart from the above, other Union rules do not apply. However, the Government of Jersey Government may choose to enact legislation that is similar to or based on EU legislation, and does so when it is in Jersey's interests.
4. The Island's relationship with the Union allows it to trade with countries in the European Economic Area in a fashion generally similar to its trade with the Union itself.

## **ANNEX 2**

### **EXPORTS TO THE UK AND EU (ex UK): BASELINE ECONOMIC DATA**

#### **1. INTRODUCTION**

As Annex 2 focuses only on exports to the UK and other EU countries, it is worth putting this in context and restating that Jersey has a strong, largely service-based economy which operates profitably in a range of global markets. The Government of Jersey will continue to support access to key markets for Jersey, be they in the Middle East, Asia, the Americas, Africa, or Europe. That said, this Annex provides specific, baseline data with respect to the UK and EU. The purpose is to give an idea of the exposure of the different exporting sectors of the Jersey economy to the UK and EU<sup>1</sup> markets.

The available data for the four sectors that rely most on exports for their income - financial services, tourism, agriculture and fisheries – are presented individually below. The statistics are collated from existing data originally collected for a variety of purposes, using different methodologies.

### **THE EXPORTING SECTORS OF THE JERSEY ECONOMY**

#### **2. FINANCIAL SERVICES**

- 2.1 The financial services industry is by far the largest exporting sector of the Jersey economy, representing nearly all export income and producing around 44% of the Islands GVA (equivalent to £1.72bn), employing nearly 13,000 people, and generating the majority of revenue for the government.
- 2.2 The data presented here is taken from Capital Economics' "Jersey's Value to Britain" published in 2013, which used 2011 data. Although the data are now five years old, it is not thought that since 2011 there has been radical change in the relative amount of business that Jersey does with the EU compared with the UK.
- 2.3 Figures here are divided into five sectors of the financial services industry: banking; trust and private wealth; corporate and institutional asset vehicles; fund administration and management; plus accounting, legal and other professional services.

---

<sup>1</sup> Throughout this Annex any reference to EU excludes the UK.

*Figures extracted from Jersey's Value to Britain 2013*

All figures £ billion	EU	UK	ROW (inc. Jersey)	Total
Banking <sup>2</sup>	27.625 (14%)	48.197 (24%)	128.146 (62%)	203.968
Trusts & private wealth <sup>3</sup>	40.693bn (10%)	174.016 (44%)	176.484 (46%)	391.193
Corporate & institutional asset vehicles <sup>4</sup>	121.131 (27%)	149.237 (33%)	178.649 (40%)	499.017
Funds administration & management <sup>5</sup>	32.843 (17%)	77.500 (40%)	83.247 (33%)	193.590
Accounting, legal and other professional services <sup>6</sup>	17.578 (8%)	101.076 (47%)	94.655 (45%)	213.309

2.4 As shown above, 17% of funds business is conducted in the EU. The corporate & Institutional asset vehicles sector relies most heavily (27%) on business from the EU.

### 3. TOURISM

3.1 Goods and services purchased and consumed in Jersey by tourists are considered exports. After financial services, tourism is the second largest exporting sector of the Island economy. Official statistics do not measure the size of the tourism sector relative the rest of the economy, however it is estimated that tourists' on-island spend is worth £232m<sup>7</sup> which amounts to around 5-6% of GVA.

<sup>2</sup> Total liabilities: customer deposits, interbank deposits, and other liabilities.

<sup>3</sup> Indicative estimates of the value of assets settled by private individuals in Jersey trusts or similar vehicles by residence of settlor.

<sup>4</sup> Indicative estimates of the value of assets settled by corporate or institutional clients in Jersey trusts or similar vehicles by residence of settlor.

<sup>5</sup> Indicative estimate of the net value of funds' assets by location of 'ultimate investor'

<sup>6</sup> The value of assets advised on by the professional services firms responding to the survey, by location of 'ultimate client'.

<sup>7</sup> Data collected by Island Ark for Visit Jersey.

3.2 Jersey's tourism sector is unlikely to be severely and negatively affected by a Brexit:

- For air and shipping links to be maintained, Island operators must continue to meet the relevant EU standards to operate routes to and from EU destinations
- Jersey airport is officially assessed by the Commission as meeting EU security standards as a third country
- The UK is already outside Schengen and its exit from the EU would not further restrict foreign visitors' access to Jersey.

3.3 There appears to be no reason for any of the above to change if the UK were to leave the EU.

#### 4. AGRICULTURE

4.1 In 2014, agriculture represented 1% of the Jersey economy by GVA<sup>8</sup> which represents a total income of £40m. Most of this income is derived from exporting produce, with the vast majority destined for the UK. There is also some limited export of live cattle to the EU (predominantly to the UK) and this is seen as a potential growth market for some livestock producers. However, if our farmers were restricted in their ability to export to the EU, but remained able to export to the UK and other countries around the world, the impact on the agricultural sector would be limited.

##### *Key figures*

- In 2014 and 2015 a large majority of the total value of Jersey's agricultural sector came from potato production (around £30m) and almost all this produce is exported to the UK.
- According to the available data, Jersey Dairy exports are worth approximately £3.4m per annum with 71% going to the UK and 29% to the Far East.
- Exports of bulbs and flowers were worth £1.35m in 2015 and are mostly exported to the UK. Most of that which doesn't go to the UK is exported outside of the EU.
- The export value of non-potato vegetable production in 2015 was £2.5m, almost all to the UK.

#### 5. FISHERIES

5.1 Fisheries represents around 0.25% of GVA. It is estimated that about 80% of all fisheries products produced or landed in Jersey are exported to France,

---

<sup>8</sup> Jersey Dairy exports are included here for simplicity, but are recorded under manufacturing in *Measuring Jersey's Economy 2014*. Similarly, fishing is included under agriculture in the official statistics, but is shown separately here.

which would give an approximate export value of £6.5m.<sup>9</sup> So, although the impact to the overall economy would be small, the impact on this culturally important activity – if fisherman were consequently unable to sell their produce to France, because high tariffs made it unprofitable - could be high. However, this assumes that no favourable trade agreement has been negotiated before Brexit.

- 5.2 The right of Jersey fisherman to fish in French waters is protected by the Bay of Granville agreement between the UK and France. This international treaty is not related to the UK's membership of the EU and would remain in force if the UK left the EU.

-----

---

<sup>9</sup> This based on 2013 data.