



Economic and International Affairs Scrutiny Panel

Quarterly Hearing

Witness: The Minister for External Relations

Thursday, 23rd July 2020

Panel:

Deputy K.F. Morel of St. Lawrence (Chair)

Deputy D. Johnson of St. Mary (Vice-Chair)

Deputy K.G. Pamplin of St. Saviour

Witnesses:

Senator I.J. Gorst, The Minister for External Relations

Ms. C. O'Brien, Deputy Comptroller of Revenue

Ms. K. Nutt, Group Director, External Relations

Mr. J. Silverston, Director of Financial Services

[14:34]

Deputy K.F. Morel of St. Lawrence (Chair):

Good afternoon, and welcome to this quarterly hearing with the Minister for External Relations and the Economic and International Affairs Scrutiny Panel. We will get started just by going through names for the record. I am Deputy Kirsten Morel, chair of the panel.

Deputy D. Johnson of St. Mary (Vice-Chair):

Deputy David Johnson, vice-chair of the panel.

Deputy K.G. Pamplin of St. Saviour:

Deputy Kevin Pamplin, a member of the panel.

The Minister for External Relations:

I am Ian Gorst, Minister for External Relations. I am joined by 3 officials this afternoon. They will introduce themselves.

Deputy Comptroller of Revenue:

Hello, I am Cora O'Brien, deputy comptroller of revenue.

Group Director, External Relations:

Hello, Kate Nutt, group director, External Relations.

Director of Financial Services:

Hell, James Silverston, director of Financial Services.

Deputy K.F. Morel:

Thank you. We will press straight on. Minister, as I always like to start with general catch-ups, can we start by asking which are the key areas that you and the department will be concentrating on for the rest of this year?

The Minister for External Relations:

There are quite a few in the various bits of External Relations and Financial Services. It will not surprise you that Brexit and the negotiations currently going on in Brussels - although they have come to an end now until next month - together with the ongoing negotiations for free trade agreements around the globe that the U.K. (United Kingdom) is undertaking, so engaging with those processes. Those officials in global markets are hoping to conclude D.T.A.s (double tax agreement) with Kenya and Nigeria and open B.I.T.s (bilateral investment treaty) negotiations with Ghana and Rwanda. Financial Services will be continuing to prepare for the MONEYVAL assessment but they also of course will be pushing forward pensions protection, consumer lending protection, continuing to engage across a wide variety of interest groups around winding-up provisions. Then the other pieces of legislation, which we have to bring into effect, as has been lodged or debated in recent States sittings. Ongoing of course will be the continual engagement programmes for meetings with U.K.-European parliamentarians and ambassadors both in London and Brussels, as well as general engagement with institutions in Brussels.

Deputy K.F. Morel:

Thank you. You mentioned legislation but with regard to upcoming legislation, what do you foresee making its way to the States Assembly in the coming 6 months?

The Minister for External Relations:

We are hoping, but we cannot be certain, that there will not need to be any more overarching Brexit - it is not Brexit anymore because Brexit has happened - but legislation giving effect to the potential no further negotiated outcome issues. But there are pieces of financial services legislation coming through the sausage machine. Some of those underlying regulations to bring into force; the registry law will be starting work for the Resolution Authority, although that probably will not get to the States by the end of the year. It might be, from our perspective, a regulatory or legislation light part of the year. Of course the States Assembly has been overwhelmed with legislation in the early part of the year. There are also the mandatory reporting bits of legislation, which I know you have set up a separate briefing for August. We hope that we will be able to continue with that process through the States as well.

The Deputy of St. Mary:

Moving on to O.E.C.D. (Organisation for Economic Co-operation and Development) matters. Can you please provide us with an update on negotiations around the base erosion profit shifting initiative pillars 1 and 2?

The Minister for External Relations:

I can give you a high level. There has been a little bit of public excitement in that area, which is always surprising when it comes to tax matters. We had the public statement from the U.S.A. (United States of America) saying that they were disengaging from this process when it comes to taxing digital companies. That was both surprising and not surprising. Not surprising in that one of the reasons that the world's countries want to deal with digital companies is because the current corporate tax regime does not find a way of taxing them appropriately. Yet, a lot of those companies are American companies or with headquarters in America and therefore the U.S.A. can sometimes see that as an attack upon America itself. So it is not surprising that they might have wished to withdraw from that element of the conversation because when France and the U.K., and other European countries, said they were going to introduce their own digital tax regimes, America responded by saying it was going to introduce sanctions if they did so. Of course it has moved on slightly since then and the O.E.C.D. and Pascal Saint-Amans, who heads up the tax initiatives there at the O.E.C.D., has said that he believed that a framework or blueprint can continue to be developed. There had been, before COVID, expected to be some resolution leading to a meeting in Berlin in July. Of course that was postponed. But officials are engaging and continuing to engage in that process. The O.E.C.D. is hoping that that blueprint will be agreed by October to have a meeting in Berlin in October. But with these things, it either falls apart or you get nearer to a perceived finishing line, that is when the real arguments start. So, we see that from our engagement there is no overall consensus about where this should or should not be involved, where there should be focus on pillar 2. I just remind members of the panel, I know you all are aware of this but those listening might not be. Pillar 1 is a global initiative to try and find a better way of taxing digital

companies and pillar 2 is, in its broadest terms, the idea that in order to do that well you have to have a global corporate tax rate. We of course, in Jersey, believe strongly in tax sovereignty and they are points that we are making. But we are strongly engaged and we continue to engage. I will ask Cora to say a little bit about that engagement because nothing is yet resolved. But we should be mindful that if there is not agreement running up to October we know from a recent publication coming out of Brussels that they will pick up the gauntlet or the mantle, whichever you want to think of it as, and try and develop a European approach to these 2 matters. Whether they can do that with the backing of the U.S. or they would run the gauntlet of the U.S. sanctioning them is too early to say. I will just mute my microphone and then I will ask Cora to speak please.

Deputy Comptroller of Revenue:

Just following on what the Minister said, a little bit of detail on the discussions. At the minute there are extensive sessions being held with the O.E.C.D. on a draft report that they are in the process of preparing. We hope to see a full version of this draft report later on in August. At the minute we are receiving extracts from that report and being asked to review it. If there are different views those are going back to plenary discussions, which are being held remotely. We are having roughly 3 to 4 video conferences a week.

The Deputy of St. Mary:

Can I just interrupt there to clarify? Are we talking about pillar 1 or pillar 2 in this?

[14:45]

Deputy Comptroller of Revenue:

This is the pillar 2 report. As you will recall, there is close to 140 jurisdictions in the inclusive framework so, as you can imagine, those discussions are getting very detailed. As the Minister said, sometimes it is when you get into the weeds of the detail on these and you see the text of the proposals, countries have very different views. We are right in the middle of the process at the minute and we have not seen the overall design of it. We are just continuing to engage with what we get and review it and have those high-level discussions with industry, et cetera, just monitoring and keeping a very close eye on it. We will be in a better position to judge the overall design of it when we get sight of the full report and see how it all fits together.

The Deputy of St. Mary:

Thanks for that. As you say, that is in relation to pillar 2. Just going back, if I may, to pillar 1. Are you in a position, Minister, or either of you, to indicate what impact the U.S.'s withdrawal from those discussions will have on negotiations and Jersey's interest in them?

The Minister for External Relations:

I apologise that I did not hear your question. Could you please repeat it?

The Deputy of St. Mary:

Cora has just explained where we are on pillar 2. Reverting to pillar 1, and the U.S.'s withdrawal, are you in a position to indicate what impact that withdrawal will have on negotiations generally and, in particular, Jersey's interest in them? Or is it too early?

The Minister for External Relations:

It is too early. We would expect the blueprint, if it is going to be called that, to include some recommendations on pillar 1 because there are some countries who very clearly only accept pillar 2 if pillar 1 is also agreed. Of course there are some who take the opposing view to that. But despite the U.S.'s statement, the O.E.C.D. have clearly indicated in a statement that they made that the U.S. continues to engage in discussions at all levels.

Deputy K.F. Morel:

We will move on now, if you do not mind, to Brexit and the ongoing saga; over 4 years now. Minister, has any work been undertaken on analysing the inflationary effect that tariffs may create in the event of a no-deal Brexit; still using that terminology? If so, what do you think the impact of tariffs would be?

The Minister for External Relations:

As you are aware, recently there was a ... I am not sure if it was an independent report or a governmental report from the U.K. suggesting that there would be an inflationary impact of any tariffs. We have instructed or commissioned work through the economy directorate that the chief economist is doing upon the impact of tariffs in Jersey and we expect to have that shortly. Once that has been produced we will share it with the panel.

Deputy K.F. Morel:

Have you engaged with the U.K. to ensure that Jersey will be as little affected by such tariffs as possible?

The Minister for External Relations:

Of course we took a view, which I think is a most appropriate view, that the important relationship was between, when it comes to transmission of goods and people, Jersey and the United Kingdom, and the other Crown Dependencies took the same view, so that there would be no tariffs between them and us. Now that is good for the majority of our trading but there is the likelihood, if there is no customs agreement with the E.U. (European Union), and we still do not have any certainty at all

on that, that there would be the need to introduce tariffs. We continue to make the point that for us access to markets into Europe, particularly for fishing, is critical to us whether there are tariffs or not, because the tariffs is one issue, and as you rightly say, we would expect it to be inflationary that would affect that economic growth. But there are also non-tariff barriers which we are concerned about that we work with our colleagues in France to understand their view and how freely open their borders would be.

Deputy K.F. Morel:

You mention France but continuing along the tariff side, do you think it could be possible that Jersey should explore the idea of building new supply chains in order to mitigate the effects of inflation and if so, which jurisdictions would you engage with?

The Minister for External Relations:

It is a good question but I would not really see it as a question simply relating to Brexit. I think one of the issues or the learning points from the COVID-19 pandemic is that we, as a Government and probably therefore as an Island, need to think more strategically about our future. We can sometimes be a little bit introverted rather than thinking about strategic matters like supply chains. I have thought for a long time that thinking about supply chains from France, we already have the ferry connections, so that is not the challenge. There is a challenge about language, about labelling, and generally about being comfortable with a supply chain that comes from the south rather than the north. I think there are some strategic issues - you are right to say that Brexit also brings them to the fore - that we really should be dealing with. They would help in the inflationary matters because if you got a supply chain to the south that then will open opportunities for businesses from the south, like supermarkets, to seriously be able to operate here in Jersey in a way they have not before.

Deputy K.F. Morel:

May I ask what work you are doing to explore these sorts of possibilities or opportunities within the department?

The Minister for External Relations:

Of course we are not doing it within the department because that is not an External Relations job but I know that there are conversations ongoing in the economy directorate. The Council of Ministers had a discussion on matters like this or I raised them, should I say, at Council of Ministers earlier this week.

Deputy K.F. Morel:

Moving on from supply chains, have there been many discussions - I am sure there have been some - with the U.K. regarding future trade deals; whether it is with America, Japan and so on? What discussions have you had?

The Minister for External Relations:

There have been a number of discussions at very high levels with U.K. Ministers and only yesterday I had a virtual meeting with my Crown Dependency colleagues, Gavin and Howard, with the Minister of State, the Department for International Trade. As you know, Greg Hands is a new Minister there. He replaced Conor Burns, someone who we had developed a good positive relationship with. To some extent, although the officials continue to be the same on both sides of that conversation, we are having to restate our position at a ministerial level. They are very constrained from a timing perspective, particularly with the continuity agreement that they are seeking to deliver with Japan. But we strongly make the point that although it is a continuity agreement, so we would benefit from the E.U. agreement on goods with Japan, we should therefore benefit also in this continuity agreement. We also make the case strongly that we should be appropriately considered and consulted and have input into services of financial services chapters. It may be because of the time constraints that in regard to the Japanese deal that the financial services chapter needs to be dealt with in slower time. But we made a very, very strong case that that could not be the case for the other deals and certainly not for the U.S. deal, which they had hoped of course to complete prior to the November elections, but now I think they have already indicated publicly that that will not be the case and they expect that negotiation to go on into early next year.

Deputy K.F. Morel:

That is right; I think it is today, possibly yesterday. They were reporting that there is essentially no chance of a U.K./U.S. free trade deal being agreed before the end of the year. With that being the case, do you think Jersey will in any way be negatively affected by such a failure to negotiate the trade deal?

The Minister for External Relations:

No, I do not because it is a new deal and we exist now without that free trade arrangement with the U.S. I think that there is opportunity for us and that opportunity is probably more around services than it is about goods because we will have to be very careful that there are not any tie-ins with goods that we would find unacceptable, which is not something that I think would be the case with services. Albeit the Minister yesterday reaffirmed the public commitment that they have made that they do not wish to see any diminution in standards when it comes to food standards but we have said before, Jersey Ministers are committed to ensuring that that is not the case in Jersey.

Deputy K.F. Morel:

That is good to hear. Sticking with trade deals, this week in the House of Commons the U.K. Trade Bill was debated and various amendments were defeated. One of those would have made it difficult or even outlawed investor state dispute settlements as part of trade deals. What will you do as Minister to ensure that Jersey is not forced to adopt such methods of this resolution?

The Minister for External Relations:

We will have the ability to make the decision, whether we are included or not, and those issues will be part of that decision.

Deputy K.F. Morel:

A second amendment would have required the U.K. to assess each new trade agreement's impact on citizen's rights, with particular regard to gender, age, race, class, and economic well-being. In assessing whether to sign Jersey up to future trade agreements is this an approach that you will take?

The Minister for External Relations:

It is not an approach that we have considered nor is it one that we have used in the past when we have been signing tax arrangements, as you know. So it is not something that I have given any thought to. If the U.K. Parliament have decided not to, that is obviously a decision for them. But it is something that we could consider if we thought appropriate.

Deputy K.F. Morel:

Do you think it is worth taking into account the effect on citizens' well-being of trade deals before signing up to it?

The Minister for External Relations:

It is always worth taking into effect citizens' well-being and the idea of well-being is very broad and is not just about economics. I think that is right for us. Of course importantly is our constitutional autonomy. That is right at the forefront of all of our decision-making. In that respect, you could say we already do of course but we do not have a formalised matrix that we necessarily go through.

Deputy K.F. Morel:

The concept of sustainable well-being now forms part of the Public Finances Law and so in that sense it would be perhaps translating something which has been made law from the Treasurer, in respect of the Treasury perspective, into your dealings in External Relations, is that something you could envisage?

The Minister for External Relations:

If you take it as a very broad base, as you are explaining it, then it is part of our consideration. Then the question is: how do we formalise it to be part of that well-being piece of work? There are officials in S.P.P.P. (Strategic Policy, Planning and Performance), which are basically policy people.

[15:00]

Let us refer to them like that. There are people doing that work and so we can connect into that.

Deputy K.F. Morel:

I am going to hand over to Deputy Pamplin so just bear with us for a second as we try to ensure there is no feedback.

Deputy K.G. Pamplin:

Minister, I am going to move on to the Channel Islands Political Oversight Board. Just some quickfire questions to begin with. Is it correct that the last time the political oversight board met was over a telephone conference in December and has there been a meeting since then?

The Minister for External Relations:

As you well know, I am not politically responsible for the Channel Islands Oversight Board. I am not sure whether you asked the Chief Minister that half an hour ago. I have not been involved in all of those board meetings for various reasons. But I do recall some virtual or telephone call meetings but I do not have the details in front of me. It does not sound unreasonable.

Deputy K.G. Pamplin:

You are quite right, the board is chaired by the Jersey Chief Minister and his Guernsey counterpart. But with your insight at the meetings that you had, the first one in 2018 and the last one on record that I could see in December, what involvement has the group had, if any, on the Brexit and trade relations with the U.K. could you tell us about?

The Minister for External Relations:

It is interesting because from my perspective the Channel Islands board is really dealing with what we might call domestic matters, so health and justice matters. The matters that fall within my purview of Brexit, of relationships with Westminster and Ministers, international tax matters, international financial services matters, which is all correlated, we have had lots of joint meetings and conversations with my colleagues on those matters, so they sit slightly outside. So the last time we have had a meeting together on those matters was yesterday and the day before. So I think I have had 2 meetings on matters like that with the Chief Ministers of the Isle of Man and Guernsey this

week. That is not unusual. Probably been slightly less during COVID, to be fair, but as these other matters continue to need to be dealt with they are taking place on that sort of basis.

Deputy K.G. Pamplin:

So it is fair to say that your regular meetings have continued with your Guernsey counterparts despite the irregular meetings of the political oversight group that you mentioned? Yes, you are right, it does not have the obvious policy that you look after but you have attended those meetings. Just trying to establish in the public's eyes the purpose of that and include where the Islands have gone in very different directions in terms of the handling of COVID, how you have seen that with the relations between the 2 Islands and anything you can touch upon that.

The Minister for External Relations:

It is tricky when we compare ourselves to our fellow Crown Dependencies because for the bits of government that I am politically responsible for we have continued to work very closely together and we will continue to need to. My personal relationships with the leaders of those Governments have continued to be very close. We have continued to be aligned in the policy aims that we are trying to deliver. The Chief Minister, and I have from time to time joined him, has had a weekly call with the Ministry of Justice in the U.K. and the fellow Crown Dependency Chief Ministers dealing and discussing COVID matters. So when I say I have had 2 meetings this week, what I really mean is 3 because I have just remembered that third one, that telephone conversation I had on Wednesday. So it was 2 yesterday and one the day before. The difference of approach of COVID, is it fair to say - I do not want to judge this - that the general approach has been similar. It is just as the virus has been controlled and suppressed the other 2 Islands have then openly said they were going for an elimination strategy and Jersey, as you well know, based on the advice of the medical officer of health and the deputy medical officer of health have not used that term. You will recall, I think it was the medical officer of health said that our policy was it in everything but name, in a public press conference. That was quoted when we had our debate in the States Assembly. Whether our communication approaches have been different, I leave that for others to comment on.

Deputy K.G. Pamplin:

I suppose the final point on that, it does not help when politicians of either Island get involved in those because your responsibility is obviously the relations, albeit if it is with Guernsey or the U.K., or wherever, that must put you in an awkward conversation with your counterparts when you are having to respond maybe to comments that come through other politicians, through the media, unwittingly or not.

The Minister for External Relations:

It does not put me in a difficult position. I am a little bit long in the tooth. I am able to find humour in those sorts of comments, as I do with my colleagues and as I did yesterday when I spoke to the Chief Minister of the Isle of Man in the Isle of Man. I said I was expecting him to be in Guernsey but he was not and they understood why a Jerseyman, like me, would not be stepping foot after what happened in the Guernsey court last week on the Island; I would have to take very clear advice before I did. It really has not interfered, from my perspective, in the really good close working that we do and my officials do with our fellow Crown Dependencies and it certainly has not on a personal level.

Deputy K.G. Pamplin:

So I am going to move on to human rights sanctions now. Given that Jersey has agreed to support U.K. sanctions linked to human rights abusers, to what extent do you believe the Government of Jersey should court jurisdictions with dubious human rights records for business?

The Minister for External Relations:

Of course there are 2 things there. One is that we have in place legislation to deal with sanctions, be they E.U., U.N. (United Nations) or now U.K. sanctions, as it seeks to take its place as an independent state in that regard. We have always followed those sanctions and asset freezing approaches and this is a new element to that where human rights are also taken into consideration. Of course the other issue is a broader issue and as we have discussed many times in our conversations with the panel, we support the U.K.'s approach to those issues as well. We have got to remember that Jersey is only a small place. As a matter of international law, the U.K. is responsible for Jersey in foreign affairs. Yet at the same time we do do promotional work, we do have relationships with other countries around the globe but we support the U.K.'s approach.

Deputy K.G. Pamplin:

On that growing international situation, do you anticipate the U.K. will announce further sanctions, such as on Chinese nationals, from what you are hearing and talking to?

The Minister for External Relations:

I do not do that directly. My officials speak directly with officials in the relevant government department in the U.K. They have very good relations. They are normally well upstream of new sanctions and they come and brief me when they are in the pipeline before I have to make those decisions. Of course there is the anecdotal suggestions that you are referring to. They have not been brought to me yet officially. But it would not surprise me if in due course we saw added names to that sanctions list.

Deputy K.G. Pamplin:

How effective will the sanctions be in deterring human rights abuse? We note that many of the 47 individuals, the 2 organisations named in the first listing are already subject to U.S. sanctions.

The Minister for External Relations:

That is a wider question about whether asset freezing works or not. Some of course would argue that it does not but I strongly believe that in a co-ordinated approach it can. That is why if one country issues a sanction and there is good evidence behind why that sanction is being issued, it is always helpful and more effective if the other bodies that are producers of sanctions, so the U.N. and the E.U. and now the U.K., follow suit with those sanctions because it makes them more effective, not less effective. Of course we do not want Jersey to be used in any inappropriate ways for people to be able to avoid those asset freezing sanctions. So it strengthens the effect of those sanctions even further?

Deputy K.G. Pamplin:

On that, do you think the sanctions could damage the U.K. and therefore Jersey's trading relationships with Saudi Arabia, the U.A.E. (United Arab Emirates), China and so on, other places you mentioned?

The Minister for External Relations:

I think it is always about having good evidence for the need for the sanction in the individual person or company's position. With that good evidence I think comes respect.

Deputy K.G. Pamplin:

Final one from me. If Israel does move to annex the West Bank, would the Government of Jersey raise any concerns regarding this illegal act via the U.K. Government?

The Minister for External Relations:

It is not really how it works. I can only - and I cannot recall them now - think of a couple of instances where ... I am just trying to think now. So it normally would be that the United Kingdom, as the sovereign state, makes its decision and has those conversations, and as I said, if actions of a foreign state result in the issuing of sanctions from the U.N. or the E.U. and now the U.K., then we would follow those. I think that we have to accept, sitting here in Jersey, that that would have the greatest effect on the actions of a foreign state rather than, we as a small non-sovereign state, taking action.

Deputy K.G. Pamplin:

I might have a follow-up question for that but I am mindful of time so I will hand back to the chair, so bear with us as we do that.

Deputy K.F. Morel:

Moving on to the global market strategy. Would you mind providing us with an overview, an update of how things are progressing since we last spoke to you?

The Minister for External Relations:

Can you remind me, Chair, when you last spoke to me about in a quarterly hearing? I assume it is 3 months ago, something like that.

Deputy K.F. Morel:

During this COVID period.

The Minister for External Relations:

Of course the majority of the work not only of a global market strategy but also of the London office, the European, I do not know if the word is "directorate".

[15:15]

It is a very grand title for 2½ people. The other officers have been virtual. They have continued to have virtual meetings or via old-fashioned letter or email, and I have done and had any number of those. I suppose one of the areas that we focused on is the returning of assets in Kenya through the F.R.A.C.C.K. (Framework for the Return of Assets from Corruption and Crime in Kenya) agreement and we have tried to push that and reach agreement there so that they could use those returned assets for the fight against COVID-19. I have had 2 virtual meetings with senior Kenyan Ministers and officials together with the U.K. ambassador and the Swiss ambassador on the ground in Kenya. We are hoping to reach a conclusion there about that repatriation of funds as well. I have had conversations with the Rwanda high commissioner post, the cancellation or deferment of C.H.O.G.M. (Commonwealth Heads of Government Meeting) and the business forum there. We have the webinar. I think that is the majority of it. I have missed something, which is quite important. Right at the start of COVID the officials in both global markets and the European directorate supported Jersey Government's work by speaking to their contacts to see whether other countries could help us with P.P.E. (personal protective equipment) and various COVID hardware requirements.

Deputy K.F. Morel:

They went well? They did not go well? How did they go?

The Minister for External Relations:

They went well. Even where there was not able to be help provided or it did not work it built a stronger relationship with different officials in those countries. The other thing of course was the support for Islanders who found themselves stuck around the world and the consular work. You will be aware, that British consuls around the globe were absolutely snowed under with work and in some cases our officials were able to make sure that Jersey residents had their questions answered and were able to return. I think they offered advice and support to over 700 individuals based in 50 countries. I think we probably covered that a few months ago, right at the start of COVID.

Deputy K.F. Morel:

Sticking with COVID. What impact has COVID had on the overall global market strategy? Obviously it has diverted you in the last few months but as far as building relations in order to increase trade, how has COVID affected it? Obviously you can't meet face-to-face, you cannot travel anywhere to meet people.

The Minister for External Relations:

No, that is right. As you well know, diplomacy is built upon relationships and we are all having to learn how to form relationships through a computer screen, which is slightly off-putting because, I do not know about you, Chair, but I was just saying to my officials, staring at oneself on the computer screen just confirms all the worst fears about how one looks. But having to build a rapport and build a relationship across a computer screen is not straightforward and it is not easy. Having said that, sometimes I think I might have come away from meetings feeling they might not have gone as well as they would have done in person and the other party is then passed a message along saying that they thought it was a really positive good meeting. Perhaps I am a little bit harsher on the use of technology than others are. One thing that maybe it has done, which is an unintended consequence, is people seem to have been quite willing to take meetings in a way that sometimes it might be more difficult to get a meeting in person in somebody's busy diary.

Deputy K.F. Morel:

That make sense, not having to travel to meetings means they can speak with one country, 2 minutes later another country no problem. You mentioned C.H.O.G.M., and just for the record that is the Commonwealth Heads of Government Meeting, as you said it was due to take place in Rwanda this year and it has had to be cancelled. Jersey was going to play a role in the business forum, I think you referred to that. Could you explain what you have been doing to try and ensure that that cancellation does not affect Jersey's interest overly negatively. Obviously it was going to be a bit of a showcase for the Island.

The Minister for External Relations:

Everybody is in the same boat in that respect. It does not negatively affect us in that regard but we will continue working on it for next June, I think. So it has just been changed to June. As I said, I spoke with the high commissioner probably a fortnight ago. We have of course continued or my Assistant Minister, Constable of St. Ouen, has continued the virtual engagement with the Commonwealth Investment and Enterprise Council in their various forums that they have been undertaking throughout this period as well; one of which was a presentation by Rwanda to Commonwealth Investment and Enterprise Council members.

Deputy K.F. Morel:

One last question from me before handing to the Deputy of St. Mary. The U.S. is obviously one of our priority targets from a global market strategy perspective but what we are seeing in the U.S. at the moment, in terms of democracy and the deterioration of democracy, is quite troubling including recently federal forces being sent into cities. Should this deterioration continue, could there come a point at which you will reassess the country as a target for Jersey's business development?

The Minister for External Relations:

Let us remember the U.S.A. is, and they would say that they are, the world's greatest democracy. We have a strong democracy in Jersey but people still pick at it and criticise it in various elements as it seeks to modernise and reform. The interplay between state and the federal government I think probably always surprises all of us just where power lies about who can call in the National Guard, et cetera. We also have to remember that they are ... I was going to say they are right at the start of an election campaign for November but of course they are not because their election campaigns start many, many months in advance of the actual election. We know who one candidate is, we assume the sitting President will continue to stand again. So some of the things that we see may not be the way that we might handle things in Europe, but America is a great global democracy.

Deputy K.F. Morel:

Just picking up on the point about America, and I agree it is a democracy currently at the moment, but when countries label themselves democracies does not always mean that they are. I think particularly of the German Democratic Republic, which was very far from being a democracy but felt it could put it in its title.

The Minister for External Relations:

We might argue there, there is too much democracy in America. Their state prosecutor is democratically elected, all sorts of positions are subject to the democratic vote that we would feel uncomfortable with. But that is part of their democracy.

Deputy K.F. Morel:

Absolutely. I am just again going to hand over to the Deputy of St. Mary so there will be a short break as I try to move everything across without incurring any feedback.

The Deputy of St. Mary:

If I can make one comment alongside the last one about democracy in America, it never fails to surprise me that the appointment of the Supreme Court is in the gift of the President and it does seem to rather conflict with our own doctrine of separation of powers, but that is for another day and maybe in the States Chamber.

The Minister for External Relations:

Interestingly though, that goes to the point that democracy is right at the heart of some of those positions that we would find terribly tricky to manage in the way that they do. We would be here all day, Deputy, if we were to argue which was the best approach. Whether there should be more democracy here or less there.

The Deputy of St. Mary:

I was not asking you to argue. I just could not resist making the point. Relating to that answer, I have one or 2 standalone questions. First, leaving the MONEYVAL assessment to one side for the moment, what are the main areas that you are currently working on to ensure Jersey maintains compliance with international finance regulations?

The Minister for External Relations:

It is, in effect, the preparation for the MONEYVAL assessment so we cannot really leave it aside. The N.R.A. (national risk assessment) was updated this morning, is due to be published in September, and that will help frame the changes that we need to bring forward, if any, in 2021 and 2022; any legislative changes, any changes at the J.F.S.C. (Jersey Financial Services Commission) or the way we prosecute financial crime, how we manage our risk-based approach to C.F.T. (combating the financing of terrorism) and A.M.L. (anti-money laundering) issues. So that really is the top of the agenda for financial services international standards issues.

The Deputy of St. Mary:

I appreciate that MONEYVAL assessment is on the horizon or perhaps on a further horizon than it was at one stage. I am just trying to ascertain whether there were any other regulations you were pursuing other than those required by MONEYVAL. From what you say, probably not.

The Minister for External Relations:

It depends how you think about the engagement with the Code of Conduct Group in Brussels because that will continue. We will expect them to produce another tax good governance report in

October and we will need to then, if there is any action needing to be taken in light of that, we will do so as well. That is a regional standard setter I suppose rather than international. We have touched on the stuff with the O.E.C.D. so we will keep engaged with that. So there are other bits of work, which we touched on earlier, with the Resolution Authority and the depositor compensation scheme, which keep us aligned with international standards; if that is what you are really driving it.

The Deputy of St. Mary:

It was more of a general question. Moving on to the health of the finance industry at the moment; what sort of feedback have you had from the industry regards its performance during and after the COVID crisis? I am thinking in terms of has the industry been impacted negatively by COVID and do you have concerns for the immediate future, say in the next couple of years?

The Minister for External Relations:

Generally speaking, and it is a generalisation because as you will know from your experience, the financial services industry, we use 3 words to describe it but it is itself very diverse. There are differing structures in that industry so generally speaking it has been resilient. It has been quite easy to send its staff home.

[15:30]

With fibre they have been able to operate successfully from home. But those bits of the sector which are more domestically and on-Island focused have struggled. That is why we extended the co-payroll scheme to local law firms, for example, was one of those reasons. But you might have seen the business tendency survey that was published this morning, which is not surprisingly extremely negative right across the economy. That includes financial services but I suppose the most positive thing I can say is that it was the least negative of all sectors of the economy. That is why Ministers are on the verge of a decision to extend the co-payroll scheme so that it can be stepped down over the coming months, so that we can continue to support the wider economy. I have not had time yet to look in depth or get feedback from J.F.L. (Jersey Finance Limited) about that business tendency survey this morning about financial services but it is very much a split picture. I think 50 per cent were expecting a continued worsening situation but there was a good proportion who were expecting to increase profitability and to increase employment prospects. But generally speaking, it was reflecting the general negativity right across the economy. Of course some of that is probably premised on the expectation of a severe recession in the United Kingdom and across Europe.

The Deputy of St. Mary:

During the crisis, parallels have been drawn with the situation in 2007/8 regarding the crash there. Have lessons learned during that period been helpful in informing our responses during this crisis?

The Minister for External Relations:

That is a very good question because I think ... is it fair to say that with each crisis you learn the lessons of that crisis but no 2 crises are the same? That is certainly the case with a health pandemic, which we are in the middle of. We still do not know how that will affect us in the coming and winter months, and we need to be very clear about that. We are not at the end of it. We potentially are still just in the middle of it. The crisis that you refer to of course was a financial services crisis primarily, which then affected the rest of the economy. This is the other way around. This is the rest of the economy which will, by knock-on effect, potentially affect financial services even though, as I say, it has been largely resilient until this point. The lessons learned then were really about more regulation. Then you come down to a fundamental question: does more regulation help you through a crisis? I am not sure whether that is correct or not. So banks have to strengthen their balance sheet and increase their capital requirements, lots of regulation were put on them. So you could say then banks are not going to fail. But that does not take account of the fact that lots of other real businesses in the rest of the economy still needed to borrow and might have borrowed from non-banking sources. They did not have the protection that those who borrowed from banks might have. So it is too early to say.

The Deputy of St. Mary:

Thank you for your response on that general question. Can we move on now to the particular question of Hong Kong? Now that Hong Kong citizens can apply for visas and passports to live and work in the U.K., do you envisage this will have any effect on immigration to Jersey?

The Minister for External Relations:

I do not think we do, other than potentially in a positive way. Hong Kong citizens are entrepreneurial and business-minded. As I understand it, the category of passport holder that the U.K. would be offering a safe harbour to are people that we would welcome in Jersey because they are entrepreneurial in outlook, they are Islanders, as we are, and understand what that means. But equally, of course, we have our domestic regulation about housing and work provision. So Islanders do not need to be concerned if they are, about being swamped with Hong Kong citizens who have this passport because the normal rules about housing and work will apply.

The Deputy of St. Mary:

I did ask the question in hopefully a positive way. I was really just seeing whether the department had received any enquiries from Hong Kong residents or perhaps particularly businesses to transfer here as a result of their prospective future.

The Minister for External Relations:

Of course for a while there have been some concerns about the 2 systems one country and its sustainability in the medium and longer term. There of course have been contacts from people who have had those concerns looking to see where their future lies.

The Deputy of St. Mary:

With regard to Jersey-owned entities currently operating in Hong Kong; is advice given by the Government in terms of the way they should operate, given security concerns as to what is happening in Hong Kong at the moment?

The Minister for External Relations:

It is to follow Foreign Office advice. But the information that I hear from their Jersey arms is that business is still being written in Hong Kong.

The Deputy of St. Mary:

Just going back to an earlier question. Even though it is a double-edged sword as to whether Jersey would entertain residents of Hong Kong taking up residence here, are you aware of any increased enquiry as to transfer of Hong Kong's clientele to here on the basis that Jersey could perhaps more safely operate client funds or client entities from here rather than in that part of the world?

The Minister for External Relations:

I think people who have got the structures around the world are often thinking about where the long-term place is to anchor those structures and we, of course, market ourselves as being E.U.-wide listed, being co-operative with the European Union, but being autonomous in domestic and fiscal matters offering stability and we will continue to do that. So it is not a surprise to us if individuals, when thinking about where to structure their funding or their M. and A. (mergers and acquisitions) or their fund or their trust, do not see that Jersey becomes a more and more attractive place.

The Deputy of St. Mary:

At the moment you see no definite increase in level of enquiry on that front?

The Minister for External Relations:

I think that is really a question that you would need to ask to individual officers and perhaps it plays into the business tendency survey because some firms very much do see an increase in enquiries and potential for good, strong growth during this period but others do not.

The Deputy of St. Mary:

The final question I have relates to client data that flows via Hong Kong. Do you have any concerns as to Jersey's protection over that?

The Minister for External Relations:

Each individual firm of course has to comply in Jersey with G.D.P.R. (General Data Protection Regulation) and that is even more important during times of difficulty like has been the case in Hong Kong and the new national security law to ensure that that data is sufficiently and appropriately protected. When it comes to things like C.R.S. (common reporting standard) there is a global framework that we have to comply with and other countries have to show that they can meet that standard.

Deputy K.F. Morel:

Minister, one question. You mentioned a couple of times the Resolution Authority. I was just wondering, and I apologise if you have mentioned it before, I am not aware of that and was wondering if you could elucidate.

The Minister for External Relations:

In a nutshell, it ties into really the question of the Deputy of St. Mary about what lessons have been learned from the financial crisis. It allows for the resolution of banks to be done in a co-ordinated way to protect depositors holdings in those institutions. I am mindful we are coming towards the end and James has not said anything yet, so he might like to add a little bit of detail to that very broad-brush description.

Director of Financial Services:

Yes, as the Minister said it is better to ensure that in the event of bank failure there is an orderly wind down of the bank's assets. We are taking this forward as a matter of priority. It is important, as we need to meet international standards. It is likely that we will be recruiting for a chair fairly shortly but that is something that is ongoing. There will need to be some legislation. We would like to set up a separate body to introduce the authority. The body will be hosted by but not part of the Jersey Financial Services Commission. Does that give you a bit more of a feel for it?

Deputy K.F. Morel:

Am I right in thinking this would be another independent authority in Jersey; one of the 20 or 30 we already have?

Director of Financial Services:

It will be an independent authority. It will be hosted though within the J.F.S.C. and there is a question about whether we integrate it with the depositor compensation as well.

Deputy K.F. Morel:

You said it would be forthcoming but do you have a sense of timeline on that?

Director of Financial Services:

We want to get it in fairly quickly. The first stage will be to recruit a chair so they can help influence how it is developed. So we intend to be advertising for a chair within the next month or 2. At the same time we will be developing legislation, working with our J.F.S.C. colleagues to ensure that that works. But we would ideally wait for the chair to be appointed in order that we may have exact details of how it will work and value their input on that. You will expect to see discussion with us the second half of this year.

Deputy K.F. Morel:

Thank you. Minister, just to wind up now with a few questions about your visits. For a Minister for External Relations I am sure travel was one of the perks of being appointed but sadly that has been taken from you. Obviously you have mentioned some recent meetings but can you tell us about any upcoming visits that you would have had before they go ahead virtually?

The Minister for External Relations:

I am not sure that “perks” is the right word. Those who have had to travel and then go into days of meetings fresh - I will use that word carefully - off a flight, no, it is not really a perk. But I enjoy my job so I am not grumbling. A number of events that were due to be taking place, some might now be going virtual.

[15:45]

There was the World Government Summit in Dubai I think in September/October. That is now going to be virtual. The Expo, which was also going to be in Dubai and we were hopefully co-ordinating Jersey events with the Expo and that the Expo has now been deferred. There is the World Bank I.M.F. (International Monetary Foundation) meetings in Washington, October/November. We think that they will be either cancelled or they will go virtually. We do not know yet what the British-Irish Council will do later in the year but we have already had one cancellation. It might be that next time round that then becomes a virtual meeting. But that is far from certain. I would expect, dependent on us keeping the virus suppressed and dependent on the U.K. infection rate remaining low, to be able to do some London days come September. They are pencilled into the diary. But they are, like everybody’s travel, far from certain.

Deputy K.F. Morel:

One virtual visit was with the U.A.E., and you sent out communications talking about you had used the visit to explore growth opportunities between the U.A.E. and Jersey. Are you able to elaborate

on what those growth opportunities are? Where do you see Jersey and the U.A.E's relationship flourishing?

The Minister for External Relations:

I think it will continue to flourish in the financial services sector. But one of the things that we have been keen to do in External Relations and global markets is try to get Island businesses to think a bit more strategically. It really falls off the back of your idea about supply lines. So as we should be looking elsewhere for supply lines it is a good thing for Jersey businesses to be thinking about where they can sell their products and services to. So we hope to work more with Jersey Business and Digital Jersey and create links there. We talked about that matchmaking business-to-business connection that is taking place as well. It is trying to broaden the opportunities for businesses outside of services.

Deputy K.F. Morel:

In the most recent States sitting I think it was you, as Minister, faced some questions about the development and its relationship with U.A.E. How do you intend to engage States Members in the fuller sense with their understanding of the relationship that you are building with the U.A.E.?

The Minister for External Relations:

It is a good question. We have not really given it much thought but you challenge us and I think having a conversation with States Members about global markets again and how we are dealing with the issues that were obviously of a concern to Members in the States Assembly, and having that discussion is something you are appropriately challenging us on and we will take it away and set something up to do that.

Deputy K.F. Morel:

Thank you. Minister, thank you for your time. We are 12 minutes early but we have come to the end of our questions. No, we do have an extra question from Deputy Pamplin.

Deputy K.G. Pamplin:

There is always one question in me. Minister, you recently held a meeting, I read on the London office website, with Simon Jupp, the Conservative M.P. (Member of Parliament) for East Devon and vice-chair also of the All-Party Parliamentary Channel Islands Group. Just give us a flavour of what that meeting was? Always good, I would imagine, to have meetings with a member of that group but equally another Member of Parliament. Obviously I would imagine he has been talking passionately about the links between regional airlines and especially with the Crown Dependencies. So anything you can talk to us about that?

The Minister for External Relations:

I am not sure that this is quite the occasion to do this but he did wish to be reminded to you and he sent his best regards. But the thrust of our conversation: we obviously touched on Brexit, we touched on future trade deals, and we touched on regional connectivity, as you indicated we might have done, and the Blue Islands connection. He asked about the Jersey Government support to Blue Islands and we talked a bit about that. We talked about the opportunities that he saw for tourists in due course to travel between Jersey and Exeter.

Deputy K.G. Pamplin:

Great stuff. I just thought I would give the opportunity and if you speak to him again, send him my best wishes as well. That is it from me. I will hand you back to the chair to finish things up and thank you.

Deputy K.F. Morel:

Thank you. Nothing further from me, to be honest with you, except a bit of feedback. We did so well throughout the session but thank you, Minister, and we will see you, I am sure, before 3 months are up for various discussions. Thank you and enjoy the rest of your day.

The Minister for External Relations:

Thank you very much indeed. Thank you, all.

[15:51]