

## **BREXIT – request for information from the States of Guernsey**

**August 2016**

*Dear Guernsey International Business Association (GIBA) Members,*

The States has set up a cross-Committee Brexit working party to coordinate engagement with the UK Government on all of the issues set out in this document below. The working party wants to involve external stakeholders such as GIBA and its members in ongoing discussions and consultations. This will help us the States to understand how businesses and certain sectors of our economy might be affected or influenced leading up to, and following, the UK's exit from the EU, and whether there is anything the government can do to support local industry in maintaining its current position of being outside the EU with market access on a case by case basis as third countries.

In order to do this, a set of general questions is set out below to identify the potential threats, opportunities, strengths and weaknesses within industry in light of the UK's decision to leave the EU. These are not intended to be exhaustive and all comments on any aspect of the implications of the UK leaving the EU (including if not covered by these questions) will be welcome.

### **The questions that we would like GIBA's members to consider include the following:**

1. What do you perceive as the potential impacts and threats as a result of Brexit?
2. Do you think Brexit provides any opportunities for Guernsey?
3. What strengths does Guernsey offer compared to the situation in the UK?
4. What countries would you perceive as good long-term trade partners for Guernsey?
5. The UK is likely to enter into Free Trade Agreements (FTAs) when it leaves the EU. These cover various areas of trade in different chapters. Are there any specific chapters in the FTAs that the EU has that are of interest to you and what terms are desirable?
6. The island has a number of Bilateral Investment Treaties (BITs) that provide support for investment in infrastructure in many countries. Are there any countries where a BIT may be desirable for your business?
7. Should Guernsey be exploring opportunities in the World Trade Organisation (WTO)?
8. Are there any barriers to the UK trading relationships that you would remove if possible?
9. The Island's immigration regime is tied to the UK legislation and policies and we are part of the Common Travel Area. What concerns do you have about a change in immigration regime for the UK and what policies would you like to see pursued in respect of immigration of non-UK nationals to Guernsey?
10. Do you have any further observations or comments?

Please send any initial comments to [Ryan.Collis@gov.gg](mailto:Ryan.Collis@gov.gg) by 31 October 2016.

Please also advise if it would be useful to meet to discuss any issues in more detail at this stage. Thank you.

## Background

The UK referendum decision to leave the EU on 23 June 2016 was not a decision about Guernsey or the other Crown Dependencies. Guernsey is not part of the EU and it is not part of the UK - we are a 'third country' for much of our trading relationship with the EU. However under Protocol 3 to the UK's 1972 accession treaty to what was the EEC, Guernsey is part of the EU customs territory.

The UK is our biggest trading partner. We are not immune to the consequences of the UK's decision to leave the EU. The Protocol 3 relationship that we have and which allows for free movement of goods with the EU will fall away when the UK eventually leaves the EU. The economic impact because of the change in trading relationships that our closest trading partner has will also have a knock-on impact on our economy.

## Engagement with the UK

On 29 June 2016, the States of Guernsey formally adopted an approach to ensure that Guernsey's interests are best served as the UK begins to negotiate towards exiting the EU. The States is clear in its objectives - its starting point is to seek the status quo in its current relationships. The States will need to ensure it engages with the UK Government to:

- (i) Ensure the interests of Guernsey residents are taken into account by the UK/EU exit agreement. This includes ensuring that Guernsey residents/persons with EU rights do not suffer any detriment compared to those resident in the UK;
- (ii) Ensure, where possible, the arrangements for free movement of goods described in Protocol 3 are replicated in some way. This may be through extension of the relevant part of any new UK/EU relationship. The States should also ensure that the best interests of Guernsey residents and businesses are served under that new agreement;
- (iii) Ensure there is no detriment to the existing, and historic, constitutional relationship between Guernsey and the UK. Work to mitigate against any risks of unintended consequences; and
- (iv) Seek opportunities for Guernsey in any new UK trading relationship including with the EU and with other countries outside of the EU, including any new free trade agreements and exploring extension of the UK membership of the WTO.

## Overview of impact of UK exit on Guernsey

### Trade in services

Guernsey is a third country to the EU for financial services, with market access achieved on a case by-case basis through the "equivalence" process. This will therefore remain unchanged when the UK leaves the EU. The States will need to consider what the political impact of a UK exit from the EU might be in terms of any new market access negotiations and how the process might differ, in particular in respect of the how the UK might approach its own

negotiations might operate. This will not be clear until the terms of any new UK-EU relationship are negotiated.

The biggest impact on Guernsey's financial services industry will be indirect rather than direct – the effect of UK exit might have on the UK economy in general and the City in particular. The IMF's assessment of the economic impact was published on 13 May 2016<sup>1</sup> and HM Treasury's analysis of the economic impact was published on 23 May 2016.<sup>2</sup>

#### Trade in goods, including agricultural and fisheries products

Guernsey's long-standing official position has been that we are not seeking any change to our formal relationship with the EU as set out in Protocol 3. On this basis at the outset of the UK's withdrawal agreement and new EU relationship it may be possible to be included in the scope of the provisions on trade in goods.

Almost all agricultural exports are to the UK, with a limited amount also exported outside the EU. However some of these goods are 'positional goods' of particular cultural significance to the islands. This underpins the importance for continued free access to the UK market.

#### People

Since the Islands are subject to UK Immigration and Nationality Laws, the States will not be able to negotiate anything directly with the EU relating to movement of persons. However, there will be a number of aspects of the UK exit negotiations which may impact upon us.

The States will need ensure the UK Government is aware of this issues and ensure that the insular authorities are regularly briefed on the progress of negotiations in this area.

These issues may include:

- (i) ensuring that we are consulted prior to any commitments made by the UK as part of the UK exit agreement with respect to the grandfathering of rights of EU (non-UK) citizens in the UK and in the Channel Islands;
- (ii) ensuring that any grandfathering of rights of British citizens in the rest of the EU as part of the UK exit agreement is broad and takes into account "Channel Islanders" as defined in Protocol 3;
- (iii) understanding whether the UK exit agreement will impact the EU (non-UK) diaspora communities in Guernsey, taking account of any acquired rights under insular law; and

---

<sup>1</sup> <http://www.imf.org/external/np/ms/2016/051316.htm>

<sup>2</sup> <https://www.gov.uk/government/publications/hm-treasury-analysis-the-immediate-economic-impact-of-leaving-the-eu>



- (iv) understanding whether the UK exit agreement includes any commitment by the UK regarding non-discrimination between nationals of different EU Member states in any amendments to the immigration regime and how these might apply in the islands.