



Isle of Man
Government

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Isle of Man Government International Relations Framework Document

Cabinet Office

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Isle of Man Government International Relations Framework Document

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Foreword

To explain to an international audience what the Isle of Man is, and how and why the Isle of Man Government engages in international relations is to address a number of contradictions.

- The Isle of Man is not an independent or sovereign state; it is a Dependency of the British Crown... however, it has its own government, parliament, legal system, and distinct cultural and national identity.
- The Isle of Man is autonomous; it makes its own laws, which are proposed by its executive (Council of Ministers), enacted by its parliament (Tynwald) and enforced by its judiciary (Deemsters, High Bailiff & Deputy High Bailiff)...but those Ministers are appointed by a Lieutenant Governor (who is appointed by Her Majesty The Queen). Those laws are subject to Royal Assent and the judgments of the courts can be appealed in the UK's Supreme Court.
- The Isle of Man sits outside the EU...but through a protocol attached to the UK's Act of Accession to the EU, the Island is part of the Customs Territory of the EU and can trade freely in agricultural and manufactured goods throughout Europe.
- The UK is responsible for the Island's international representation, defence and good government...and yet the Isle of Man Government is itself responsible for ensuring that it meets prevailing international standards and it has built its own network of relationships with politicians and officials in the UK, the EU and beyond.



The situation may seem complex, but successive Manx Governments have recognised the benefits of maintaining the Island's links to the UK as a Crown Dependency, whilst developing its autonomy and international identity.

This Framework explains how the Isle of Man's international relations, and the constitutional relationship with the UK which underpins them, have evolved over time to where we are today, and also describes how we aim to develop these relationships in the future. It is intended for an external audience, but also, I hope, will support Isle of Man politicians and officials in answering what can sometimes be very complex questions, in a clear way.

The Isle of Man's continued success will depend on it maintaining its autonomy, political stability and pragmatism, whilst remaining dynamic and responsive. To achieve this will require a continued focus on our promotion and engagement with international partners.

Hon. Allan Bell
MHK

1 – BACKGROUND AND PURPOSE

The way we conduct our international relations has changed significantly in recent years. We have taken important steps in representing ourselves in our external affairs, and direct engagement with external partners has proved to be to our benefit. We have engaged with UK Government Ministers and their officials, built a network of contacts across Westminster, negotiated and signed more than sixty model tax information sharing agreements under entrustment from the UK, and participated in various regulatory and advisory bodies. In 2011, we opened a representative office in Brussels, and have since then been working to raise our profile and build relationships in the European Union (EU).



This gradual evolution of the Island's international identity has been achieved through informal means, without the benefits of statehood and the accompanying diplomatic privileges which come with it. In terms of our external relations, adopting a structured – and more importantly – focused approach allows us to achieve our objectives and build on our successes.

This International Relations Framework document is intended to provide the context to our international engagement and rationale for this work going forward.

The Department of Economic Development's Vision 2020 sets out the Government's intention to maximise economic potential and sets clear objectives to meet that vision. This document complements that commercial vision.

The Isle of Man's international development policy is separate to our wider international relations work. The International Development Committee of the Council of Ministers is responsible for funding aid projects in the world's less developed countries and provides donations to international emergency/disaster appeals. However, this support demonstrates the Island's commitment to being a responsible jurisdiction which is able to contribute to the global fight against poverty in the developing world.

This Framework will support the work of Isle of Man Government across a number of areas, directing the work of the Cabinet Office Crown and External Relations Division in supporting other Government Departments in fulfilling their objectives.

This International Relations Framework will mature along with the relationships that we seek to create and nurture.

2 – CONTEXT

2a – Who we are

The Isle of Man is an internally self-governing and self-financing Dependency of the British Crown. We have our own parliament (Tynwald), our own government and our own laws. Her Majesty The Queen, as 'Lord of Mann', is our head of state but our Island is not, and never has been, part of the United Kingdom. The Queen is personally represented on the Island by the Lieutenant Governor. He is appointed by the Crown for a five-year term.



**Isle of Man
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The Island has used its legislative and fiscal freedom to build a strong, stable economy for the benefit of the Manx people, ending centuries of relative poverty, seasonal unemployment and emigration. We

have achieved great success – with 30 years of continuous economic growth.

Whilst maintaining a separate political identity and internal autonomy, all external matters affecting the Isle of Man were historically handled by the UK. Several decades of constitutional evolution has seen the transfer of considerable powers from the Lieutenant Governor to Tynwald and to the Council of Ministers. The most recent statement of government in relation to its international relations was made in 2000. Government policy, supported by Tynwald, is essentially to remain as a Crown Dependency, seeking to develop the Island's autonomy and opportunities for self-representation in the international arena.

The Isle of Man Government's policy is to be both economically competitive and internationally responsible in supporting the interests of our people. In order to do this, the Government is committed to further strengthening our international reputation, and building and nurturing relationships with other countries.

The Isle of Man Government's Agenda for Change identifies three main policy priorities which are –

- to grow the economy;
- to balance the budget; and
- to protect the vulnerable.

Without demand from a large domestic market/population, successive Isle of Man Governments have recognised that the best way for the Isle of Man to grow its economy is to attract international business and investment, in order to create jobs and stimulate growth.

The Isle of Man has continuously maintained economic growth, led by the international financial services industry. Business is attracted by the competitive tax regime, professional expertise, supportive government, world class telecoms infrastructure and sound financial

regulation. Growth areas have included e-commerce, international shipping and aircraft registries, and space and satellite business, while traditional sectors like tourism and agriculture, on which the Island's economy was traditionally based, are still important.



The Isle of Man is small, has an open economy and is very susceptible to external influences. In particular, relationships with our close neighbour the United Kingdom and also the European Union (EU), can have a significant influence on our economic and social priorities and responses. Therefore protecting and developing our international relations are critical.

Whilst we have become more internationally focused, the underlying constitutional status of the Island and our relationships with the UK and the EU have remained unaltered.

2b – Our relationship with the UK

The Isle of Man's relationship with the UK is not set out in statute and neither is there a formal written constitution for either jurisdiction.

The British Crown, acting on the advice of the Privy Council, retains ultimate responsibility for the Isle of Man's external relations, defence, and good government. Official communications between the Island and the United Kingdom Government are through the Ministry of Justice in the United Kingdom and so the Lord Chancellor has particular responsibility for advising on Island affairs.

In addition to the Lieutenant Governor, the British Crown also appoints two Deemsters (Judges), the Attorney General and Solicitor General and gives Royal Assent to insular legislation.

The Isle of Man is not represented politically in the UK nor does it receive or contribute any funds to the UK other than making an annual contribution to the United Kingdom in recognition of the defence and other common services provided on its behalf.

As previously outlined, Tynwald has stated that it would not wish to alter the constitutional status of the Island; rather that it would wish to develop the Island's autonomy within this context, and seek to develop ways in which the Island might represent itself on the international stage.

2c – Our relationship with the EU

The relationship between the Isle of Man and the EU is set out in Protocol 3 to the 1972 UK Act of Accession by which the UK became a member of the EU. At that time, the Isle of Man chose not to join but instead negotiated Protocol 3. Under this relationship, the Island is not a member state of the EU.



The Protocol allows the Island to be part of the EU customs area which permits the free movement of industrial and agricultural goods in trade between the Island and the Union.

Apart from the requirements of the Protocol, in particular, that the Isle of Man will apply the same treatment to all natural and legal persons of the EU, the other Union rules do not apply. The Island's relationship with the Union allows it to trade with countries in the European Economic Area similar to its trade with the Union itself.

A change to Protocol 3 would require the unanimous approval of all Member States of the EU, including, of course, the UK.

The relationship the Isle of Man has with the EU through Protocol 3 has proved to be generally beneficial and, for now, this Framework proceeds on the basis of this relationship remaining unaltered.

3 – HOW THIS CONTEXT HAS EVOLVED

The Isle of Man does, however, conduct international relations beyond the confines of the simple constitutional relationships outlined above.

The signing of an international identity framework between the Isle of Man and the UK in 2007 formally recognised that the Isle of Man has its own identity and interests in the international arena. This reinforced the Island's separate status within the context of its constitutional relationship with the UK, and has supported the Island's efforts to engage in the international agenda.

Similarly, the Justice Select Committee of the House of Commons conducted two inquiries into the UK Government's management of its relationship with the Crown Dependencies in 2010 and 2014 which reflected the maturing dialogue between the UK and the Crown Dependencies. This formalised and recognised the broader relationships which had been built with UK Government Departments beyond the Ministry of Justice.

This changing context has led to an expansion of our external relations work. Whilst the UK continues to represent the Island internationally, it has become necessary for the Isle of Man Government to address global issues, and to find its own place in the global context. Europe particularly affects the Island as the decisions taken in Brussels can impact significantly on our citizens and on a range of issues important to us.

The need for us to be well informed about international initiatives and developments and have the ability to influence resulting decisions and outcomes has never been so essential.

4 – INTERNATIONAL RELATIONS OBJECTIVES

In light of this context, the Isle of Man Government needs to manage and promote the Island's reputation, and engage with partners to influence decisions which will affect our future. However, we recognise the Isle of Man's limitations and acknowledge that we cannot engage with all external issues on all fronts to an equal extent. We must, therefore, ensure that we have clear objectives for the Island's international relations and that these are aligned with wider Government priorities.

In terms of the international agenda, the Isle of Man Government's key objectives are –

- a. to meet the Isle of Man's core constitutional and international obligations
- b. to monitor and analyse developing international issues and their potential importance and impact on the Isle of Man
- c. to promote and protect the Isle of Man's interests
- d. to build networks and form relationships with key partners

We set out below how the Isle of Man Government will work to achieve these objectives. These areas will be monitored and evaluated and will be considered regularly at a political and official level.

4a – Meeting constitutional and international obligations

UK – In order to retain our status as a Crown Dependency, a number of constitutional obligations which flow from it must be met.

The Lieutenant Governor and his various functions, as well as the other Crown functionaries and responsibilities (extending to, but not limited to, immigration/nationality, processing of Bills for Royal Assent, coroners and other crown officials and church matters) must be supported. The Chief Secretary is senior policy adviser to His Excellency the Lieutenant Governor and acts as a formal channel of communication between the Isle of Man Government and the UK Government. He is supported in this work by the Crown and External Relations Division of the Cabinet Office.

The Isle of Man Government must also ensure that it adheres to numerous international standards as set in out in various conventions, where the UK's ratification has been extended to cover the Island.

EU – The Island's very limited relationship with the EU is set out in Protocol 3 to the UK's Act of Accession to the EU. However, the impact of the EU goes far beyond the scope of the Protocol, as follows –

- **Legislation applicable under the Protocol** – which can have direct or indirect legal effect – must be applied in law in the Isle of Man
- **UK agreements/relations** – there are several policy areas where, because of bilateral agreements with the UK such as on Customs and Excise/VAT, National

Insurance, Health, and benefits, EU rules are applied in order to stay in step with the UK

- **Transactional issues** – there are many instances where goods produced must meet EU standards if they are to be sold to EU consumers. Journeys begun or ending in the EU are also subject to EU rules and those providing services to customers in the EU may need to meet EU standards or demonstrate effective equivalence.
- **Voluntary or reputational issues** – the Isle of Man may choose to adopt EU measures and legislation voluntarily – as it has in respect of certain environmental standards – or indeed for reputational reasons, for example when it adopts EU sanctions measures
- **Global standards** – there are several examples where the Isle of Man has adopted global standards which have been agreed or implemented by or in conjunction with the EU.



International – adherence to international standards outside the EU is an important element in managing the Island’s reputation. The reporting requirements of multilateral conventions to which the UK has extended its ratification to include the Isle of Man must be met, and compliance with measures to protect citizens’ rights, the environment, workers’ rights and many other issues are all part of managing and protecting the Island’s reputation.

4b – Monitoring and analysing external influences

In order to target the Island’s resources where they might be most effective, it is necessary to focus our promotion and engagement activities where they will deliver most benefit. To do so, key issues and policies need to be identified and this will then, in turn, show which bodies/institutions we need to engage and build relationships with.

In respect of the UK, the Isle of Man Government has engaged a public relations consultancy which provides a public affairs monitoring service in order that issues can be tracked. This is supplemented by monitoring of key issues by individual Departments and the External Relations Team. This is delivered in the following ways:

- monitoring Parliamentary questions and debates;
- monitoring press coverage;
- tracking key legislation; and
- following individuals and organisations.

The Isle of Man has relatively narrow interests in terms of EU policy and legislation, as a result of its limited relationship with the EU. Although relatively diverse for a small island,

the composition of the Island's economy means that there are certain areas which are of greater importance and must be monitored more closely.

This monitoring is undertaken by the Isle of Man Brussels Office and by the various Government Departments, in respect of their particular areas (in particular, Customs & Excise Division and Income Tax Division of the Treasury, Crown and External Relations Division of the Cabinet Office and the Department of Environment, Food, and Agriculture).

This is undertaken by the following means –

- monitoring open sources;
- tracking particular legislative dossiers on the institutions' websites and in the press;
- following individuals (tweets) and organisations (such as NGOs & lobbyists);
- subscription to news & other sources; and
- attending think tank discussions, conferences & presentations.

The areas of most interest, naturally, are those which may affect the key sectors of the Island's economy, but also extend to cover taxation, international developments (including regulatory matters) and of course where the Isle of Man or similar jurisdictions are discussed.

Key issues are identified and monitored by the relevant Department or Office within Isle of Man Government. The International Relations Co-ordination Group (IRCG), a Senior Officer Group chaired by the Chief Secretary, maintains oversight at a strategic level. IRCG reports to the National Strategy Group (NSG), a sub-committee of the Council of Ministers chaired by the Chief Minister, and the Council of Ministers, as required.

Monitoring ensures that we can respond to any emerging issues in a timely manner, prepare responses and engage with relevant decision makers. The information gathered is therefore vital if the Isle of Man is to focus on the objective set out below of promoting and protecting the Isle of Man's interests in the UK and the EU.

4c – Promoting and protecting the Isle of Man's interests in the UK

The Isle of Man Government has always used opportunities to raise the profile of the Island and address issues as they arise. However, a more focused approach to engagement at political and official level allows the Isle of Man to make the best use of time and resources available. The Isle of Man therefore focuses on key institutions/organisations and individuals within them.

The key policy areas for engagement with the UK are currently as follows –

- financial and economic;
- constitutional;
- devolution; and
- regional programme.

UK Parliament

It is vital that the Isle of Man continues to focus on, and expand its engagement with, politicians across Westminster in order to -

- advance the Isle of Man's interests in relation to specific policy and legislative issues
- strengthen overall links with UK Parliamentarians to garner support for the Isle of Man and its interests;
- build and renew relationships with key UK Parliamentarians who can understand the Isle of Man's varied and developing interests in Westminster; and
- raise overall awareness of the Island as an economically competitive, internationally responsible jurisdiction in a way which enhances its reputation.

Effective engagement will be achieved by targeting key individuals/groups that have an interest, and sufficient influence, in relation to the key areas identified above. This will include –

- Senior MPs in Parliamentary Committees, in particular, Treasury Committee, Public Accounts Committee, Foreign Affairs Committee and Justice Committee.
- MPs in relevant All Party Groups, in particular, business, finance, insurance, and accountancy.
- MPs from key regions in the UK.
- Key Party Figures – Opposition Party Leaders, Shadow Cabinet Ministers, Policy Advisers.

UK Government

The Isle of Man has increased its direct engagement with UK Government Departments building relationships with Ministers, Advisers and Civil Servants in order to ensure greater insight into the policy agenda and enable us to influence policy that may affect the Island.

These relationships allow us to extend support for the Isle of Man and its interests.

In the light of our current key policy areas we will focus our engagement on specific Departments to make the most effective use of resources.

This will be achieved by targeting key groups –

- Ministers and Special Advisers – HM Treasury, Cabinet Office, Scotland Office, Wales Office, Ministry of Justice (MoJ), Foreign and Commonwealth Office (FCO), Department for Business, Innovation and Skills (BIS).
- Senior Civil Servants – HM Treasury, Cabinet Office, MoJ, BIS.

Key Partners - UK

The Isle of Man will need to continue to build on the Isle of Man's reputation with key partners by developing relationships and building networks amongst influential figures and thought leaders. Building these relationships and networks enables the Isle of Man to challenge arguments and misconceptions, and garner support for the Island



and its interests. Crucially, engaging with these key partners encourages links that allow the continued facilitation of business opportunities, in turn supporting the Island's economy.

This will be achieved by targeting key groups –

- Business groups and trade bodies.
- Professional bodies – including business, insurance, and finance.
- Thought leaders – focusing on those that undertake research on economic and financial policy.

4d - Promoting and protecting the Isle of Man's interests in the EU

With the sheer volume and complexity of proposals, policies and legislation which emanate from the EU, there is a need for the Isle of Man Government to focus its attention on a limited number of policy areas and a limited number of institutions and key individuals within them.

Key policy areas for the Isle of Man are -

- the regulation of financial services regulation including Banking Union
- taxation (both direct and indirect);
- horizontal consumer issues affecting market/third country access (e.g. data protection, digital single market etc.);
- agriculture & fisheries; and
- other – external relations issues (sanctions), and UK/EU relations.

UK Government Representation in Brussels

The UK is the Isle of Man's formal channel of communication with the EU. It is therefore important to engage with the relevant officials in the UK's Permanent Representation in Brussels (UKREP), as well as the relevant officials in Whitehall. It must be remembered that UK policy is still driven by London, and the officials in UKREP are charged with executing that policy, and supporting their colleagues who appear in Council in support of the Ministers, in the various Council configurations.

Council of the European Union

The UK is charged with representing the Isle of Man's interests in Council when necessary. It is possible, however, for relations to be developed with officials from other permanent representations, and this may be beneficial when there is a particular coincidence of interest on a particular matter, or when a Member State is due to assume the Presidency of the Council.

European Commission

The European Commission has the right to initiate new EU policies and to draft proposals for new and amended legislation. It is essential that relationships are created and maintained with key individuals in the relevant Directorates General (primarily FISMA¹, TAXUD², GROW³,

¹ Directorate-General for Financial Stability, Financial Services and Capital Markets Union

² Directorate-General for Taxation and Customs Union

³ Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs

AGRI⁴ & MARE⁵).

It is therefore necessary to engage with a limited number of these officials in key areas in order to raise the Island's profile, but perhaps more often, when there is a particular issue to be discussed.

It is also worthwhile engaging with officials responsible for developing particular policies which are relevant, and contributing to consultations whenever possible. In addition, it may well be beneficial in the longer term to also consider sharing with Commission officials examples of good practice adopted in the Isle of Man, whenever possible.

European Parliament

The Parliament works primarily through its Committees and of primary significance for the Isle of Man is the ECON⁶ Committee of the Parliament, as this is where the majority of relevant legislation is discussed. In particular, early identification of Rapporteurs⁷ (and Shadows) on relevant legislation or reports is vital, in order that the Island's point of view can be put across, either in writing or through face-to-face meetings.



However, it is also important to consider building relations with Members of European Parliament (MEPs) who may be natural allies, and therefore potential supporters of the Island. This may begin with those who represent constituencies in the north of England and the Devolved Administrations, but also with those who hold key positions within their political grouping or party.

In addition, any MEP who is particularly vocal in criticism of the Isle of Man may also be identified as a useful target for engagement.

Regulators

Although not bound by many of the rules implemented and enforced by the EU regulatory bodies, there are many instances where the Isle of Man may seek equivalence or to implement EU standards and, for that reason, relations with these EU institutions may also be beneficial.

⁴ Directorate-General for Agriculture and Rural Development

⁵ Directorate-General for Maritime Affairs and Fisheries

⁶ The European Parliamentary Committee on Economic and Monetary Affairs

⁷ Authors of reports prepared by committees of the European Parliament are known as Rapporteurs.

Key partners - EU

A number of networks and potential partners present themselves as being perhaps natural allies for the Island, as they are similar in status, or in the issues on which they are focussed. These will include -

- UK city and regional offices, including the City of London Brussels Office.
- Representations of non-EU States including the members of EFTA⁸ and Commonwealth countries.
- Industry bodies – including banking, e-gaming, farming & shipping.

4e - Building networks and forming relationships

In seeking to promote and protect the Island's interests, it is vital to build a network of partners to work with for mutual benefit. The Isle of Man has neither the size nor influence to ever wield any significant power in its own right, but, by seeking out partners and engaging with various networks and organisations, it is possible to ensure Isle of Man priorities are aligned with others and are taken into account.

This extends to the following relationship/networks –

Crown Dependencies, Overseas Territories & European Micro-states

The Isle of Man, Jersey and Guernsey as Crown Dependencies have different Parliamentary and Government systems and we each have our own domestic and international priorities. However, we often face similar constitutional and policy issues and therefore regular engagement is very useful. This is achieved primarily through regular political and officer level meetings on key constitutional and policy issues, and through co-operation on some EU matters via our respective Brussels offices.

In addition, the Island engages regularly with the Overseas Territories on key issues and often provides support to strengthen our relationships.

At a European level, much can be gained from building and maintaining relationships with other Dependencies and Territories, islands and micro-states.

Devolved Administrations

The Island's main form of engagement with the Devolved Administrations is through the British-Irish Council (BIC). The BIC was established in 1998 under strand three of the Belfast Agreement (Good Friday Agreement), and comprises different elements, entailing contact at political and official level. Political contact is maintained via BIC Summits, Ministerial meetings, and also through side meetings (which take place in the margins of the Summit) set up to discuss various issues of mutual interest, and build on political relationships.

The issues discussed around the Summit table may not always, in themselves, be of direct relevance or benefit to the Isle of Man, but the opportunities provided for informal political contact can be very valuable. In the light of recent developments around devolution, BIC will

⁸ The European Free Trade Association

become an increasingly important opportunity for engagement with senior politicians in order to monitor and discuss developments which may affect the Island.

In addition, our Brussels Office works closely with the Representations of the Devolved Administrations in Brussels.



Embassies and High Commissions in the UK

The Isle of Man has always engaged with the Embassies of the Court of St. James in London predominantly to increase international awareness of the Isle of Man and our interests. This includes visits to the Island and meetings in London with key individuals from countries which the Department for Economic Development (DED) has identified as those they wish to develop, or strengthen, economic ties with.

5 – MONITORING AND EVALUATION

The success of the Isle of Man Government in meeting the objectives set out in this Framework can be difficult to measure as the outcomes may be intangible. Indeed, the success of much engagement depends on what does not happen rather than what does. However, this is not to say that the work undertaken and efforts made to meet the objectives set out in this Framework cannot be reported on.

Updates on key engagement activity undertaken are included in the Council of Ministers Quarterly Report on Corporate Objectives which is publicly available. Periodic international briefings to Members of Tynwald will also provide a summary of engagement under this Framework.

Another way of monitoring the implementation of this Framework will also be to undertake a periodic review of activity and an overview of the planned actions for the next period. In terms of alignment with the 'rhythm' of the EU, this should take place to coincide with the change of Council Presidency. A similar pattern might also be employed in respect of the UK, or as dictated by UK events; for example, elections.



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