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CHIEF MINISTER'S SPEECH AT THE NATIONAL PRESS CLUB
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“Gibraltar: Why Does It Matter to the United States?”

CHIEF SECRETARY ERNEST GOMEZ: Chief Minister, distinguished guests, colleagues, thank you very much for coming this morning. I've been asked to introduce the chief minister of Her Majesty's government of Gibraltar this morning to talk to us about Gibraltar and why does it matter to the United States.

I'd like to start by thanking the National Press Club for the opportunity offered to government of Gibraltar to present its case this morning. And as chief secretary to Her Majesty's government in Gibraltar, I am delighted to be able to introduce and say a few words about our chief minister, who's going to be addressing you in a few minutes.

The Honorable Fabian Picardo MP, educated at Oxford University in jurisprudence, became the leader of the opposition in Gibraltar in April 2011, and in a record eight months, his party was elected to government in December '11, making him the chief minister to the government of Gibraltar. We're here on an extensive visit in the United States, which includes Washington and New York, to address the U.N. Fourth Committee, and we've been delighted with the hospitality we've received as a delegation throughout Washington, in all your institutions and affiliated bodies. And we are particularly delighted to be able to have such an audience this morning, for which I thank you for taking the interest in Gibraltar and for coming along to listen to our update.

Without further ado, may I introduce to you Fabian Picardo.

CHIEF MINISTER FABIAN PICARDO: Thank you.

Ladies and gentlemen, good morning, and thank you for the opportunity to address your prestigious institution. It's an honor indeed to be here.

Perhaps before I start to tell you a little bit about why the government believes that Gibraltar matters to the United States, perhaps I should try and help you to get your bearings. Where is Gibraltar, and what does it represent? Gibraltar is a peninsula at the

southernmost tip of Europe, at the entrance to the Mediterranean. It's at probably what is the crossroads of the world, where the seas and the ocean, the Atlantic Ocean and the Mediterranean Sea, meet, and it has long been one of the sea thoroughfares which has had great strategic and naval importance, since the times of Romans and Phoenicians. That's where we are.

We have been British since 1704, when the United Kingdom forces, together with Dutch forces, took Gibraltar during the War of Spanish Succession. A treaty was signed in 1713 known as the Treaty Signed at Utrecht on European Peace, the Treaty of Utrecht, as it's known in shorthand. That's exactly 300 years ago. So if you want to think about it this way, Gibraltar has been British by treaty for 63 years more than the United States has been independent, and it's been British by conquest for 72 years more than America has been independent.

So setting that in context, the British people of Gibraltar now believe that they have an important and pivotal role to play in modern Europe and that there is great synergy between Gibraltar and the United States of America, as much as there can be with other partners with Gibraltar around the world, in particular, the United Kingdom and all states of the European Union.

Let's talk a little bit about the historical context in which the United States and Gibraltar have had opportunities to work together in partnership. Well, of course, the special relationship that ties the United Kingdom and the United States reflects on Gibraltar, which is a British overseas territory today. And that special relationship between the U.K. and the U.S., in particular in issues related to military matters, raises the significance and importance of Gibraltar to the United States as an important military base of the United Kingdom. Even in the 19th century, American naval assets visited Gibraltar during the Barbary Wars. During the First World War, there were American naval assets in Gibraltar.

But perhaps the greatest presence of American assets in Gibraltar occurred during the Second World War. During the Second World War, Gibraltar's importance to the defense of what we might call Western parliamentary democracy in the face of advancing Nazi fascism across Europe and much of the world was highlighted. At Operation Torch, which was led by General Eisenhower from Gibraltar, was the beginning of the fight back by the Allies to take back North Africa, and then from there Europe. General Eisenhower had his headquarters in Europe inside the Rock of Gibraltar. The rock is riven with tunnels. There are more miles of tunnels inside the rock than there are miles of road on the rock. And in the very center of the rock was General Eisenhower in his command center.

The airfield at Gibraltar was developed at the old time from an old hippodrome, and using much of the debris from creating tunnels inside the rock, an airfield was created that was, at that time, during the second world war, covered in fighter aircraft and in bomber aircraft of the Allied Command. It was from there that Operation Torch began and North Africa was successfully taken. So as a military asset, the importance of Gibraltar during the Second World War cannot be underestimated. And Churchill was very clear about that, and a future American president spent his time during the Second World War in the heart of Gibraltar.

Of course, we've moved on to the Cold War. And Gibraltar was an equally significant military asset during that period. I remember being a child at school learning about the divisions between East and West and the Berlin Wall and seeing the places that were targeted by Moscow for nuclear attack. And Gibraltar was one of them. So the importance of Gibraltar was not underestimated by the enemies of freedom and democracy that saw the importance and significance of Gibraltar, not just to the United Kingdom but also to the United States as an important ally of the United Kingdom.

Perhaps before I move on to more modern times, I can tell you that there's a very interesting and significant discovery, just off Gibraltar's airfield, of a Liberator aircraft of the United States Air Force that appears to have gone down in the second world war in operations off Gibraltar Airport. We know that three such Liberators went down. One of them carried General Sikorski, the president of the people of Poland, who died just off Gibraltar's runway. We recently celebrated an anniversary of his passing with the high-ranking members of the Polish government in Gibraltar.

Another Liberator bomber was Bomber AL516. And the third that went down – and it appears to be the one that has recently been found by the Gibraltar Museum research unit – was Liberator Bomber AM911. The government of Gibraltar will be working with the museum to try and bring Liberator Bomber AM911 out of the sea and on permanent exhibition in Gibraltar, to show the relationship between Gibraltar and the people of the United States is an enduring one and has been continuing now for many generations indeed. I think that's an important project for us to highlight at this time of wanting to demonstrate and strengthen the ties between the people of Gibraltar and the people of the United States.

After the Cold War, when the world started to appear not to be divided between East and West and started to appear to become polarized between North and South, Gibraltar's importance of course remains pivotal. Gibraltar is at the northern end of the Mediterranean, the northwestern end of the Mediterranean, and we face down towards North Africa. On a good day, we can see cars circulating on the North African coast. So Gibraltar faces one of the less stable regions in the world at the moment, although the Kingdom of Morocco is an ally of the United States and seems quite stable. Of course, there are issues affecting North Africa, not just in Morocco, and Gibraltar is ideally placed as an area from which to consider how best to advance into North Africa in terms of spreading the principles of Western democracy.

The United States is doing a lot with its ally in Morocco and has established a permanent presence in the kingdom. Gibraltar is the closest English-language common-law jurisdiction to the Kingdom of Morocco. Of course, the United States has bases in Rota and Moron in Spain. Spain is an important ally as well in the NATO alliance and an important part of the European Union. But Gibraltar remains part of the United Kingdom as a British Overseas Territory, and the special relationship that made Gibraltar so significant during the Second World War endures even now.

In modern times Gibraltar has become a staging post for the fleet of the United Kingdom, which, of course, continues to hold a naval base at Gibraltar and a forward-mounting base using Gibraltar Airport. But we're not just there for the United Kingdom. We're also there for her allies. And we therefore frequently receive in Gibraltar visits of the United States Mediterranean Fleet and sometime visits of the United States nuclear assets, like nuclear submarines of the United States fleet.

And perhaps it's only in Gibraltar that a political leader would tell you that your nuclear assets are very welcome. They are as welcome as the nuclear assets of the United Kingdom government because Gibraltar understands the importance of being there in the good times for allies as well as in the bad times because we expect our allies to also remember us in the bad times.

Gibraltar has never turned away a movement of U.S. naval assets. Indeed, it's not in the gift of the civilian government of Gibraltar to do so. But we've also not made you feel unwelcome. Gibraltar extends a welcome to the U.S. naval fleet in the Mediterranean, whether it's conventionally powered fleet or its nuclear-powered assets. And there aren't many ports in the world, let alone in the troubled Mediterranean region, that can say that.

We understand Gibraltar's continued strategic significance, even in today's more modern world. But Gibraltar is not just a strategic military asset. It's also an important center for

international commerce, almost a pivotal center for international commerce. We have a highly regulated financial services sector that is praised by the OECD and the IMF for its regulatory standards.

We fully comply with all European Union regulation. Gibraltar's a full part of the European Union as a territory of the European continent for which a member state of the European Union, namely, the United Kingdom, is responsible. We therefore have obligations to transpose into Gibraltar law as a separate European jurisdiction from the United Kingdom all the European Union directives, rules and regulations.

And we do that. When I was first elected in December 2011, there were approximately 60 European Union directives that had not yet been transposed into Gibraltar law, despite the time given for that transposition having passed. We made a huge investment in the resources of the relevant departments that transpose legislation into Gibraltar law. And as a result, Gibraltar is now one of the very few European Union jurisdictions that can claim that all European Union laws which require transposition have been transposed into Gibraltar law. That includes all directives, rules and regulations which relates to the provision of financial services from Gibraltar.

Gibraltar is therefore a fully compliant EU jurisdiction. And that culture of compliance, which pervades everything that Gibraltar does in respect of any organization to which we belong, enabled us, when the British prime minister decided in June of last year to take the G-8 agenda to tax haven and offshore centers that were noncompliant, that enabled us to be very pleased indeed that at last there was going to be a level-playing field for Gibraltar and other compliance jurisdictions like us.

So the G-8 agenda, which requires tax transparency and which requires cooperation between states, is one that Gibraltar has been adhering to for much longer than most. Since 1994 Gibraltar has been one of the leaders in the international fight against money laundering and the prevention of the use of the financial system for the laundering of the proceeds of drug trafficking and all crimes. In fact, Robin Cook, when he was foreign secretary of the United Kingdom, said that Gibraltar was the benchmark jurisdiction in anti-money laundering. Of course, Gibraltar is one of the few financial services centers in the world that complies fully with EU regulation for the reasons I've just indicated to you.

But we don't just do financial services, and we're not just an important military asset of the United Kingdom. Gibraltar is also the largest jurisdiction in the world, the most successful jurisdiction in the world, in the provision of online gaming services. Online gaming is a burgeoning part of e-commerce, and Gibraltar is at the forefront of that. Many territories may have thousands of online casinos registered. Gibraltar has only 26, but they are the 26 biggest operators in the world, the 26 most reputable operators in the world and subject to the most stringent regulation in the world.

In online gaming, when people are giving their money over the Internet to place a bet, the most important relationship is one of trust between those who engage in the games and those that are there to pay on their bets. Because Gibraltar is so highly regulated, it has become the place of choice for the leading operators in the world. Approximately 60 percent of all online gaming business in the world is done through Gibraltar.

Now, in that context, when the United States took the decision to prohibit online gaming from outside state under the provisions of the Wire Act, there was only one jurisdiction in the world that as a condition of continuing to license its operators required them not to operate in the United States. And that was Gibraltar. And therefore, as the United States opens up its online gaming market again, we believe that Gibraltar is in pole position to demonstrate to each of the states of the United States that we have been respectful of its laws and that this demonstrates how highly regulated the industry is in Gibraltar. And it's regulated both in terms of how licensing happens, and it's regulated in terms of what

licensing must do in order to ensure that people do not become addicted to gambling, in order to ensure that there is no rigging of matches or games, and in order to ensure that young people themselves do not game when they are not under the age or over the age when they're able to do so.

So in those circumstances, Gibraltar's culture of compliance has served us well. This may fly in the face of some of the things that you may hear some of our detractors say. We have one particular European partner who is a constant detractor of Gibraltar. In order to consider for yourselves whether any of those criticisms should have traction, perhaps you might want to look at what independent organizations, like the OECD and the IMF, say about Gibraltar. They confirm what I'm telling you, and I'm relying on their statements about Gibraltar being a financial services sector that complies with all international regulations and with all European regulation of financial services.

In those circumstances, I've put it to you that Gibraltar is an important stepping stone into Europe for those who wish to do business within the European Union. We are a low-tax jurisdiction. Tax in Gibraltar is 10 percent, the region of the tax applied in Ireland and Luxembourg and, for example, Malta. But we are the only common law jurisdiction on the southern end of Europe without value-added taxation applied as a result of a derogation negotiated by the United Kingdom at the time of accession to the European Union in 1972.

So you have businesses from the United States who are considering how to access the European Union. Where else would it find a jurisdiction that is friendly to the United States military, that speaks English as the official language of the territory, that is subject to the principles of the common law, that has a low-tax regime, that – where VAT is not payable and yet gives you full access into the European Union.

We thought about this long and hard before I set the example. And there is only one. It's Gibraltar. And that's why I think it matters to the United States to know about Gibraltar, not just as an asset of its strongest ally, the United Kingdom, in military terms, but also as a stepping stone into Europe, commercially and as a partner for the future.

That's why we're here now, to try and strengthen the ties between the American people and the people of Gibraltar. I've been to the United States four times this year. I expect to come back before the end of the year to continue the work of making those bonds a strong and even stronger than they ever have been.

So ladies and gentlemen, it's in that context that when the chips are down, historically, Gibraltar has been by America's side. And we have no doubt that if the chips are ever down at our end, America would be on our side, too.

Thank you very much for the opportunity to address you. I am quite happy to take your questions.

Q: I have a question. So we do a lot of business bringing American firms to Europe and vice versa. I was intrigued by what you were talking about as far as using Gibraltar as an investment vehicle for getting into Europe. Can you explain a little bit on how that process works, reporting requirements, et cetera?

CHIEF MIN. PICARDO: Well, in terms of a job market, for example, Gibraltar is an entirely open job market. Anybody who is a Europe Union citizen does not require work permits to work in Gibraltar. Anybody who is a citizen of a country outside the Europe Union may require work permits to work in Gibraltar unless they come within certain criteria. And that criteria includes the fact that there is no expertise available in Gibraltar for that particular niche area that the individual will bring to the company.

Gibraltar's success has been based on having a very open job market. There are other territories in the Europe Union, some of them within Continental Europe but not within the European Union, like Channel Islands, for example, where the job market is not as open as it has been in Gibraltar and residence is a very difficult concern.

In Gibraltar, any member of the – any citizen of the European Union is able to settle and reside, and any citizen of a third country is able to settle and reside on the basis of permits granted. And we are very open to the grant of such permits. Some of the people who have helped us establish the online gaming industry are not from the European Union. They're principally from India or from the United States, and they've had absolutely no difficulty in establishing themselves in Gibraltar, both in terms of residence and in terms of work permits.

Q: So what should the role of the U.S. be in the conflict between Gibraltar and Spain?

CHIEF MIN. PICARDO: Well, I mean, there's a – there's a vexed argument whether the United States should enter a discussion between the United Kingdom and Argentina, and the United Kingdom and Spain, both in relation to the Falkland violence and to Gibraltar. I think there can only be one reasonable answer to that, and the answer must be yes, because the United States must stand for the rights of people to determine their own future. It can't stand for anything else.

And I don't think there is anything in the American psyche that supports the principle that individuals like me or like the Falkland Islanders or the Gibraltarians should be told under whose sovereignty they will come and not be given a free choice to determine for themselves whether they should continue to enjoy British sovereignty or they should be forced to come under the sovereignty of Spain or of Argentina.

So what is it that prevents the United States from becoming involved? Is it a strategic decision not to wish to annoy those who might be potential allies? But of course this issue causes tension between the United Kingdom and Argentina, the United Kingdom and Spain, and the sooner that those tensions are resolved, the better it will be actually for the United States in my view, because a stable world is good for the United States.

And issues like the Gibraltar issue and the Falklands issue create instability amongst those who should be allies and who should be defending together Western parliamentary democracy. How can it be that the United States might not be concerned that there are 30,000 people in Gibraltar that are being bullied into considering changing their sovereignty? How can it be that the United States might not be concerned that there are

2,000 people in the Falkland Islands who are being bullied to consider Argentine sovereignty when they choose to remain British?

If we believe in the principle of self-determination, then there is only one argument, and that is that the United States must defend that principle, as much in relation to Puerto Rico and Guam and the Western Sahara as in relation to Gibraltar. It would believe that self-determination represents the principle of consent in international law. Well then, how can the United States defend anything which is not the principle of consent? How can the United States suggest that it might be right for people to be pushed and pulled in a direction in which they don't want to go?

For all of those reasons, I think if the United States were to become engaged in this issue it would become engaged in favor of the people of both the Falkland Islands and Gibraltar to defend our rights, our democratic rights to choose what our sovereignty should be.

If you look at the position that the United Kingdom is taking, it's quite a risky position. The Falkland Islands and Gibraltar are important assets for the U.K. They give it spheres of influence well beyond the United Kingdom itself in the South Atlantic and in the tip of the Mediterranean, and yet the United Kingdom does not say, I am going to retain these assets. It says that the sovereignty of those assets is a matter for the people of those territories to determine. In doing so, the United Kingdom risks that Gibraltar might choose a sovereignty other than British sovereignty, and that the Falkland Islands might choose a sovereignty other than British sovereignty, but that's what the principle of consent is all about.

And what is the principle of consent? It's democracy. It's the right to choose. It's having the option. I don't think that the United States stands for the opposite. I don't think that the United States stands for the people of Gibraltar being forced to be Spanish, or the people of the Falkland Islands being forced to be Argentine. I think that's the answer to why the United States, if it ever became involved, will become involved on our side, and why in fact they should become involved.

Q: Is there any added value to Gibraltar in the conflicts that are happening in the special operations that were carried out in Somalia and Libya?

CHIEF MIN. PICARDO: I'm not responsible for the military aspects of Gibraltar and I can just tell you what is available in opens source material. But I can tell you that Gibraltar's airfield is a very important asset to allies. You may know that the United States has bases in Spain. Those bases are sometimes not available for the United States as a result of Spain's diplomatic position in relation to some international conflicts. The bases in Gibraltar are available to the United States as a result of the relationship with the United Kingdom, and I've yet to see a conflict where the United Kingdom does not work with the United States to seek resolution and make its assets available to the United States.

So in those circumstances, when you think of Gibraltar as a nonmovable aircraft carrier, so to speak, just at the entrance of the Mediterranean, the distance from Somalia and the distance from Syria and the distance from other conflict regions, it is much more negotiable from there than it may be from Florida or even London. So I think that more or less sets in context what Gibraltar's usefulness might be in respect of the changing world order.

Q: Mr. Minister, I wonder if you could describe the political and economic reasons for Spain's renewed claims over Gibraltar this time. Why now? And then, secondly, I'm curious to know Gibraltar's position vis-à-vis the Western Sahara. You brought that up in a previous question. What are – what are your – what is your position vis-à-vis the status of Western Sahara?

CHIEF MIN. PICARDO: Well, I wish I could answer your first question with anything other than speculation. Why now? Why has Spain restarted its aggressive claim to Gibraltar? The socialist government of Spain between 2003 and 2011 did not drop its claim to Gibraltar, but it entered into a form of trilateral forum called the trilateral forum that enabled Gibraltar, Spain and the United Kingdom to discuss all issues in dispute short of sovereignty. And the issue of sovereignty was, to use the words of some of the Spanish foreign ministers who have been involved, parked whilst other issues related to neighbourly relations were dealt with.

What has happened now? Well, we saw the appointment of a new Spanish foreign minister almost at the same time as I was elected in Gibraltar. The Spanish election was in November but the appointment of the Spanish foreign minister occurred in December 2011. Senor Margallo, who is the present Spanish foreign minister, had two important words to utter when he first spoke to the media in December 2011 upon his appointment as Spanish foreign secretary. And his words were "Gibraltar Español," which means Gibraltar is Spanish.

It's fascinating to think that in a country that in December 2011 was in the throes of its biggest economic crisis, what appears to be the top priority for the Spanish foreign minister, when appointed, is that my country should become under his sovereignty and the sovereignty of the Kingdom of Spain. I would have thought there would be much more use in spending time going around the world trying to stimulate economic progress and economic partnership with Spain.

I think that helps you to start to understand why it is that things have changed. Characters matter in international politics as they do in everything else. My government is ready to sit down and talk with Spain about all the issues in dispute between us, except for sovereignty, because the sovereignty of Gibraltar is a matter for the people of Gibraltar and not an issue in which Spain should have any influence whatsoever.

If anything, the sovereignty of Gibraltar is a matter for the people of Gibraltar and the government of the United Kingdom, but other than that it's really a unilateral matter for the people of Gibraltar. And we are British by our consent today, and that's why Britain's position is that we are entitled to choose which sovereignty we should come under.

Now, when you look at where we are in Europe in the 21st century, with Spain a defender of democracy around the world, and talking about peace and stability and how to bring that about around the rest of the world, it's extremely hypocritical to see their attitude to Gibraltar is entirely different to their attitude to most other international conflicts.

Well, I'm not even going to mention Ceuta and Melilla because of the issues that it raises as we look out from our windows every day across the Straits of Gibraltar and see Ceuta and Melilla. But, look, my attitude to the people of Ceuta and Melilla is that if they wish to remain Spanish, it should be a matter entirely for them. It will be hypocritical for me to say otherwise.

And in answering the last part of your question, I think the principle of self-determination is the principle that should determine the resolution of all continued colonial situations. That right is inalienable, and under the U.N. Charter, the people of any colonial territory must be the ones that determine the future of that territory in giving way to their aspirations as a people. So I hope that gives you a flavor what I think about other international conflicts affecting self-determination.

Q: Just to follow up on that theme, is there no push hardly in Gibraltar for independence from Britain?

CHIEF MIN. PICARDO: There isn't and there has never been a party that has defended the principle of independence from the United Kingdom. And Treaty of Utrecht contains a clause that suggests that if Britain were ever to give up the sovereignty of Gibraltar, it has to offer first refusal to Spain. It talks about the crown of the United Kingdom.

The people of Gibraltar consider that that clause should not be considered operable today because of the right of self-determination contained in the U.N. Charter, which trumps anything contained in the 1713 treaty. But having said that, if the people of Gibraltar, in my view, chose to be independent, the treaty could not prevent us from becoming independent. In fact, even if there were an independent movement in Gibraltar, it's very unlikely that it would also be an independent republican movement and that the people of Gibraltar would therefore want to keep their link with the British Crown, therefore, not even activating that particular part of the treaty.

But that is just theory. In Gibraltar we value our link with the United Kingdom. We consider that we work in partnership with the British government to succeed where Gibraltar needs to succeed with the United Kingdom, and to assist the United Kingdom as an important military asset. I do think that there would be a movement for independence in Gibraltar for many years to come, and certainly I won't be involved in leading it, and I can't think of any current political leader that might be interested in considering the option of independence.

Q: Two hard questions. The first is that the Gibraltar pound pegged to the British pound? And if so, could you discuss how that might affect competitiveness abroad, competitiveness if that is balanced between your relations?

CHIEF MIN. PICARDO: Well, the Gibraltar pound is the pound sterling, and therefore it is pegged to sterling's value. And it's on par, so one Gibraltar pound equals one British sterling pound. Europe regulation has not affected that. We did not go into the euro. I think it's very unlikely that the United Kingdom would ever go into the euro. Gibraltar would have to consider whether Gibraltar would want to follow the United Kingdom into the euro or remain the only sterling area within the European Union. That might have a value all of its own. But I don't think that the European – the United Kingdom is shortly going to be entering into the euro madness.

European regulation has not affected, in my view, the value of the pound sterling. What really has affected the value of the pound sterling is the creation of the euro and the European Central Bank, none of which is relevant to the pound sterling directly but the exchange rates are obviously relevant. And the interest rates charged on euro borrowing and the interest rates charged on sterling borrowing are the things that are more relevant to Gibraltar.

Gibraltar banks operate both in sterling and the euro, as in any other currency, and you are able to open accounts in any currency in any bank in Gibraltar. On the High Street in Gibraltar you're able to purchase in sterling as well as in euros. Most of our retail establishments would take your euros as well as they would take your sterling.

So the euro has added to Gibraltar's competitiveness in the sense that down our retail sector they no longer have to calculate exchange rates to the peseta and exchange rates to the franc. They are able to calculate one exchange rate for the euro. So therefore it's made what you might call international retail commerce in Gibraltar much easier than in the past.

Thank you very much, ladies and gentlemen.

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