



**HM GOVERNMENT OF GIBRALTAR  
PRESS OFFICE  
No.6 Convent Place  
Gibraltar  
Tel:20070071; Fax: 20043057**

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**CHIEF MINISTER SPEAKS AT THE COUNCIL ON FOREIGN RELATIONS  
7<sup>TH</sup> OCTOBER 2013**

SPEAKERS:

CHIEF MINISTER OF GIBRALTAR FABIAN PICARDO

CHARLES A. KUPCHAN, SENIOR FELLOW, COUNCIL ON FOREIGN RELATIONS

KUPCHAN: Good afternoon, everyone. My name is Charlie Kupchan. I'm a senior fellow here at CFR and I'm delighted to welcome all of you to our discussion this afternoon. Thanks for braving the weather and putting on your flippers and your snorkels to come out today. Before we start, let me remind everyone to turn off your devices, because it can interfere with the microphones. In fact, you need to turn them off, deactivate them and destroy them. Those are the new council rules.

Let me also state that this meeting is actually on the record, in contrast to most council meetings. So, if you so choose, you are welcome to use in your writing and in your analysis anything that you may hear today.

It's my pleasure to welcome to the council the Honorable Fabian Picardo, who has been the chief minister of Gibraltar since December 2011.

Before entering politics, he was a lawyer for a law firm -- a partner at a law firm in Gibraltar, and in preparation for that, received a degree in jurisprudence from Oriel College, Oxford.

It's a pleasure to welcome you to the Council, Fabian. Thank you very much for taking the time during your visit to the United States.

PICARDO: Thank you.

KUPCHAN: Let me begin by asking you to give us a summary, since many of us may -- may not be all that familiar with the recent events of what has caused the recent back and forth between Gibraltar and Spain.

Tell us a little bit about this issue of the rocks and the reef; how Spain reacted, why you think this issue is getting as much attention as it is, and -- and then after just putting the facts out on the table, we'll perhaps move to some more analytic questions.

PICARDO: OK. Well, thank you very much indeed for being here today to listen to what it is that Gibraltar has to say.

It's been, as you say, Charles, an interesting couple of months down in Gibraltar.

The issues with Spain have been going on now since the -- both the United Kingdom and Spain and many other European powers signed a treaty 300 years ago this year called the Treaty of Utrecht.

The ink wasn't yet dry on the Utrecht Treaty, which required that each party accept the cessations that they had made to each other -- Spain had ceded formally, by treaty, Gibraltar to Spain -- sorry, to the United Kingdom -- that Spain was breaching the most relevant parts of the treaty, in other words. Having ceded Gibraltar 300 years ago, almost immediately thereafter, Spain started the attempt to take back Gibraltar by force. So, Gibraltar was under siege again and there were a number of different battles fought around the territory of Gibraltar as Spain tried to cover Gibraltar by force in the 18th century, having ceded it in the 18th century.

Why's that relevant? Well, we're celebrating 300 years of a treaty that was supposed to be a treaty for European peace.

And the issue of Gibraltar continues to be almost at the top of the agenda between the United Kingdom and Spain because Spain puts it there and has put it there, in particular, after the election of current administration in Spain of a Partido Popular government.

In the past three months, we have seen the issue of Gibraltar's waters raise its head in respect of what has happened in relation to the creation of the reef, but not just in relation to the creation of the reef.

So, therefore -- let me give you this example. Three weeks before the artificial reef that you may have read about was created, we had the Guardia Civil vessel enter British Gibraltar territorial waters and fire rubber bullets at a Gibraltarian -- British Gibraltarian jet skier that was using his machine in the area of one of our beaches.

That doesn't seem to have made the international press as much as the creation of this artificial reef. I think there's a reason for that.

When we created the artificial reef in the last week of July, in an area which affected only one small Spanish fishing boat, not a whole fleet of Spanish fishing boats -- and then a Spanish fishing boat that involved one person raking the sea bed. We were the beginning of what in, Europe, is traditionally a very silly season.

August is a time when people in newspapers, you know, fish around, if you'll excuse the pun, to try and find something to write about. And this became, to a very great extent, the issue of the summer in the Spanish press, and also, around the world.

We saw that the reaction by Spain to the creation of an artificial reef in the area just off Gibraltar's airport caused her to react in a way that I believe is almost medieval. In other words, she took action against those who need to cross the Gibraltar Spanish frontier on a daily basis.

The majority -- 90 percent of those who cross the Gibraltar Spanish frontier on a daily basis are Spanish workers who come to Gibraltar to work. Gibraltar creates in the region of about 10,000 jobs for those who live across the way in Spain; cross-frontier workers who are primarily but not exclusively Spanish individuals who come to work in Spain. They found themselves in a situation where they were queuing two or three hours to get into Gibraltar in the morning in their vehicles. They were working for eight hours, and their government was making them queue for between three and eight hours to go back home to their families.

That sort of reaction, in my view, is not the one that you would expect between European colleagues.

Of course there are issues and disputes between the United Kingdom and Spain and Gibraltar. There are many issues and disputes in the best bilateral relationships. And the United Kingdom and Spain enjoy a strong bilateral relationship, and for many years may that continue.

The question is, how do you deal with issues and disputes? Do you take action that affects people on the ground -- innocent people, pregnant ladies, elderly ladies and gentlemen, very young children -- all of whom were kept in their cars in blazing heat without warning?

Or do you deal with issues politically? Do you raise concerns about things that may be happening on the ground at a political level? If you do, then it wouldn't be Gibraltar that would turn its back on a discussion about any issue that didn't relate to the sovereignty of Gibraltar.

But if you want to take action on the ground, then what happens is that the whole world sits up and takes notice -- not for good reason, but for all the wrong reasons. And we've seen that continue.

Even today, there are occasions where we're experiencing two to three hour queues for people to cross the frontier in the evening. In the mornings, although queues no longer are occurring between 6:00 in the morning and 10:00 in the

morning when Spanish workers tend to cross the frontier, queues are building up between 10:00 in the morning and 1:00 in the afternoon.

Of course, that is a very cack-handed way of trying to avoid affecting Spanish workers, because not all Spanish workers start work at 9:00. There are people who come from Spain who are -- Spanish or not Spanish -- who are doctors in our hospitals; who work in many of the industries that thrive in Gibraltar.

They don't have a fixed time of starting work at 9:00. I know, for example -- Gibraltar's a very small place, and you tend to know a lot of people -- I know one pediatrician who comes and goes from the hinterland who sometimes finds herself stuck in her car, unable to treat children on one side or other of the frontier.

Isn't it incredible that I'm having to say these things about the relationship between Spain, the United Kingdom and Gibraltar in the Europe of the 21st century?

Perhaps I might be here talking about the detail of the disputes between Gibraltar, Spain and the United Kingdom and how, in international law, those are being resolved or should be resolved, how in international politics we're dealing with those issues, but I'm not. I'm here talking about the real effect that Spain inflicts on innocent people every day on the Gibraltar-Spanish frontier.

I hope that those things will soon be a thing of the past, but I'm sorry to tell you that this is the sort of thing that happened at the time of the Aznar administration when Partido Popular was in government also. It started to become easier to cross that frontier at the time that the Spanish Socialists were in power and the trilateral forum was agreed where three parties were able to sit down and discuss issues in dispute, which was positive for all parties, and which resulted in very positive agreements both for the people of Spain, who live in the hinterland, and for the people of Gibraltar.

I sincerely hope that although the present administration has taken the line it has taken until now, that in the interests of their own citizens and in the interests of international relations, European partners like Gibraltar, Britain and Spain will be able to resolve this sort of difference around the table very soon.

KUPCHAN: Thank you. Let me back away from the details of the current dispute, and ask you to talk a little bit about your vision of a long-term future. Before we came into the room, you were telling me that you're heading to New York and you will meet there with the Committee on Decolonization. Is that -- that what it's called? And that is, I assume because there is in the post-World War II era a norm that countries should no longer be colonies. That's something that evolved over the course of the 20th century.

Given that, do you envisage a Gibraltar that stays part of the U.K. in permanence? Do you see a Gibraltar that becomes independent? Are these

issues that will be decided by future generations? Tell us a little bit about the broader framework in which you think about the status of your territory?

PICARDO: Well, let me set that in context. The United Nations has a Committee on Decolonization called the Committee of 24. It's made up of 24 members of the United Nations that have the obligation to bring about decolonization for all the reasons that you've set out. That committee reports to the Fourth Committee of the General Assembly.

The Committee of 24 meets in June. The Fourth Committee meets in October. So the Fourth Committee of the General Assembly is now going to receive in this session of the General Assembly, which was opened very recently, and so all world leaders attend in September, including Mr. Rajoy for the Kingdom of Spain, the report of the Committee of 24.

On receipt of that report from the Committee of 24, the United Nations General Assembly Fourth Committee has to make a resolution, and that resolution will deal with how it sees the future of the 16 remaining non-self-governing territories, AKA colonies, and Gibraltar is on that list. And that's how I come to address the committee on Wednesday.

Now, in that context, what the charter says under article 73 is that if a state, in this case the United Kingdom, has put a territory on the list of colonies, it needs to make sure that it's doing everything possible to develop the political institutions of that territory alongside the justice institutions and the educational institutions so that the people of that territory can realize their aspirations.

Now, the aspirations of the territory which is colonial are understood by the United Nations doctrine to include four options. The first is the integration of the territory of the administering power. The second, and perhaps the -- the most interesting for us, is the concept of independence, although it's not one that we would pursue, but I'll tell you why it's relevant to us in a moment. And all of this in the exercise of the right of self-determination of the people of the territory.

There is something called the fourth option, which was developed in the 1970s and is added to the list of options which is put to the people of each territory. And it's a tailor-made solution that suits that territory, which is neither independence or territorial reintegration with the territory of the colonizing power.

In the context of Gibraltar, we believe that we have an opportunity to develop a tailor-made solution. All parties in Gibraltar agree that the current Gibraltar constitution has developed into a relationship with the United Kingdom which is not of a colonial nature. Now, the fact that it's not of a colonial nature does not mean that for international purposes, Gibraltar is not still a non- self-governing territory, AKA a colony for the United Nations.

Our future, we believe, is not independence, but it is the maximum possible level of self-government short of independence, in a continued relationship with the British Crown. We don't accept the idea that the Treaty of Utrecht somehow limits

the possibility of Gibraltar ever being independent because the treaty talks about a right of first refusal to Spain should the United Kingdom no longer wish to retain the territory.

We believe as long as we continue in a relationship with the British Crown, Gibraltar could in theory be independent and retain Queen Elizabeth as head of state without engaging that clause of the Treaty of Utrecht, but it's not something that interests us other than in exploring intellectually where we could be.

So what is the future of Gibraltar? Gibraltar's future is British as a territory that reaches the maximum possible level of self-government short of independence, which the U.N. then recognizes as not being colonial in nature. It's important it's the U.N. that recognizes that, not just the United Kingdom and Gibraltar. And we are therefore taken out of the list of non-self-governing territories, AKA colonies.

We don't ask for much. We don't have to be too imaginative to see that solution progressing because de facto on the ground it is the status that we already enjoy.

KUPCHAN: Could you talk a little bit, returning to the here and now, some of the issues that at times Gibraltar needs to deal with in the international community, including smuggling cigarettes and other items. In the G-8, the G-20, there's a new focus now on financial transparency, tax havens, issues of trying to make sure that companies pay the taxes that they're due in their home countries. Give us a sense of this side of the conversation.

PICARDO: Well, lots of what has been said about Gibraltar in the international press in those two areas, in smuggling in particular, and in the issue of tax transparency, has been presented through the very pejorative prism that the Spanish government would wish the international community to see Gibraltar.

Let me bust some of those myths. There is a trade in cigarettes between Gibraltar and Spain. That trade is driven principally by Spanish individuals who find that they can no longer secure employment in an area of Spain where unemployment is up to 40 percent. Now, you have to understand what that means. Unemployment of 40 percent is something very, very dramatic. There aren't many developed economies that have parts of their territory where there is unemployment of 40 percent. Among people under the age of 30, unemployment in the area around Gibraltar is in the region of 56 to 60 percent. Those are dramatic numbers.

Now, therefore, some people from the area come into Gibraltar, buy cigarette packets, and take them into Spain. The majority of people who do that declare what they're doing. They come in and buy a carton of cigarettes if they live more than 15 kilometers away from Gibraltar. If they live within 15 kilometers, they are allowed to buy by the Spanish government only four packets of 20 cigarettes and take them across the border. They will either smoke them themselves or they may try and sell them to make a euro or two. We're talking about people who need to make a euro or two to make a living.

But Gibraltar has 12 million tourists every year, a lot of cross- frontier workers and 12 million tourists in total. When you look at the numbers of cartons of cigarettes that are sold in Gibraltar, they are less than one carton per tourist that comes to Gibraltar. Not every tourist smokes. But you see what Spain tries to do is it tries to take the total number of cigarettes sold in Gibraltar and say, "That's 2.5 billion cigarettes." They don't talk about cartons. They talk about individual cigarettes.

There's only 30,000 people in Gibraltar. How can they be smoking so much? Look, I've been a lawyer for long enough to know that you can play with statistics to make them say what you like. But if you want to look at the real issue, you look at the numbers of tourists coming into Gibraltar. You look at the fact that we sell less than one carton per tourist that comes to Gibraltar.

I think that's a lot less tobacco being sold in Gibraltar than is sold in most places, in particular those places which are the real problem for Spain. And the places that are the real problem for Spain are no secret: Algeciras, where in one haul, more tobacco was captured and seized than had been captured and seized in the past six months at the frontier with Gibraltar. Andorra, Barcelona, Valencia where there's a huge trade in tobacco being smuggled into Spain. And on top of that, the tobacco which originates in those entry points is counterfeit tobacco which is also even more dangerous than tobacco which is approved for sale to human beings.

I have a very clear attitude to tobacco. One of the first things my government did when we were elected was introduce an anti-smoking law to insure that people in Gibraltar start smoking a lot less than they do. I've put up the price of tobacco four times.

We have a draconian piece of legislation in Gibraltar called the tobacco act, the sort of thing that, if you were looking at it in strict constitutional terms, might not survive the challenge, because we regulate in Gibraltar how much tobacco -- a legal commodity -- how much tobacco an individual can be in possession of.

An individual could turn around say, well this is a legal commodity. Why I got a fetish with tobacco and I want to fill my flat with cartons of tobacco. Why cannot I buy boxes of this commodity?

We have restricted the amount of tobacco that people can be in possession of unless they have a transportation license, and the amount of tobacco that can be sold to an individual, because we recognize that given the huge social problems that Spain is going through at the moment, we have to take -- play our part in restricting the amount of tobacco that Spanish people can buy in Gibraltar to take into Spain.

I've signed into law, legislation which allows customs officers and police officers to stop and search people if they believe they're in possession of more tobacco than they're entitled to be in possession of under the Gibraltar tobacco act. In particular, I've signed into law areas which are restricted as red zones, and those are the areas very near the Gibraltar-Spanish international frontier. And I've restricted the

sale -- the retail sale of tobacco in residential estates, a measure that will be taking effect very shortly.

So Gibraltar is doing its bit to control the legitimate aspect of the concerns that there may be about cross-frontier tobacco trade. None of that is recognized. Although our laws are much tougher than the laws in Andorra et cetera. And it's not recognized, for example, that Gibraltar arrests and prosecutes people on a daily basis for breaching our tobacco act. But, when you look at the numbers all of this is completely de minimis compared to the number in Algeciras, in Valencia, Barcelona, et cetera.

But, of course that doesn't matter when you want to use political rhetoric to damn a particular territory. Let's look for example of the issue of taxation. Nobody in the overseas territories or indeed in what might pejoratively previously had been called the offshore world could have been happier than this chief minister when the prime minister of the United Kingdom took up an agenda that other leaders have been shy to take up previously, which was the really try and bring about international tax Transparency on a level playing field.

Why would I say that, if I was the chief ministers of a territory that is a tax haven and that thrives on not being transparent. I should have been afraid of that agenda. But, of course, those who know the reality of Gibraltar know that we are a territory within the European Union that is entirely compliant with all European Union rules on financial services.

The toughest international regime which is the regime that emanates from Brussels, many other territories are not, and what we have been saying for a long time to the United Kingdom and beyond, there's a lot -- we need to have an international level playing field. It's all very well to have these very tough European rules, but it makes no sense to allow the rest of the world to get away with being able to exploit the fact that they're not bound by these European rules.

So Gibraltar found itself when the G8 convened in June in the very happy position of having already transposed into law rules and regulations that were tougher than what the G8 was asking for, and therefore for Gibraltar, this was no effort at all. And for some of the other European -- sorry, non-European U.K. overseas territories also it's far to say, so Gibraltar found itself in the happy position of being able to say, at last we're moving towards a level playing field.

Spain of course, suggests that Gibraltar is a tax haven, that we don't comply with exchange of information criteria and that we are therefore -- should remain a blacklisted territory. Everybody knows that Argentina wants the Falklands, and won't say a nice thing about what's going on in Port Stanley. I think at least if they didn't know before then, by the end of the summer, everybody knows that Spain wants Gibraltar, and is not going to say a good thing about what goes on in Gibraltar.

I'd rather look at what the OECD and the IMF say about Gibraltar. They all say that Gibraltar is not a tax haven. We're not to be seen as an offshore jurisdiction.

The European Commission despite repeated statements by the Spanish government in the past two months has insisted that there is absolutely no complaint whatsoever of the way in which Gibraltar has transposed all European directives -- and remember that Gibraltar was at the forefront of transposing on anti-money laundering and transparency.

So when you look at all of that together, and you take the statement made by the British prime minister in parliament two weeks ago, that, in fact, none of the U.K. overseas territories can now fairly be described as tax havens, I think you can see that there is an attempt to paint a very negative picture about Gibraltar, which is what the Spanish government wants to do and then there is the reality.

And when you look at the reality -- and let's assume, let's just assume that the OECD are not in my pocket, that the IMF are not in my pocket and that the European Commission is not in my pocket and that they are independent, then I think if you look at that criteria, as the criteria by which you'll make up your minds, I think you might suggest to Spain that they need to start looking at themselves to determine whether there are issues reflecting transparency.

I've discovered recently that there are two particular types of Spanish company that you could incorporate, which would allow you to pay between zero percent and 1 percent of tax on your profits. And that there's a number of American corporations that are taking advantage of those loopholes. I wonder whether those are compliant with European rules.

KUPCHAN: Let me put one finale issue on the table and then we'll open it up.

You mentioned in your last response the role that the European Union plays. You're a member of the E.U. And the E.U. is widely considered to be one of the most successful conflict resolution bodies in history. I mean, even in your own neighborhood when Portugal and Spain joined the E.U. It helped them push their relationship in a positive direction.

So the question is, what role has the E.U. and should the E.U. play in resolving the dispute between Spain and Gibraltar? Does the E.U. Have a position? And is London, because of its let's say lukewarm view of the E.U. does -- does that play a role in how involved the European Union has gotten in the dispute?

PICARDO: Well, until now, the European Union Commission in particular has avoided getting involved in the Gibraltar dispute. There is an issue affecting the waters around Gibraltar, for which the European Union -- the European Commission in particular - is responsible.

KUPCHAN: The fishing issue, or...

PICARDO: Not just the fishing issue. Let me come at it this way.

The waters around Gibraltar have been British since Gibraltar was British, and it was taken, remember, in 1704, and it didn't become British in 1713 when the Treaty of Utrecht was signed.

But the course of the Treaty of Utrecht doesn't cede waters with Gibraltar. None of the treaties around that time tended to do that. The concept of a territorial sea did not exist in 1713.

Spain says, the treaty doesn't mention waters, Gibraltar has no waters. Well, the first time that the international community regulated territorial seas was in 1958 in Geneva Convention the United Nations convention on the law of the sea. From then Gibraltar's waters were contained in a declaration filed by the United Kingdom which the whole world recognizes and Spain enters a reservation. Ditto the 1982 Montego Bay Convention. Why is that relevant to your question? Because about two years ago - three years ago now -- Spain filed an area of water around Gibraltar with the European Commission as if it was part of her water and that she was responsible for it environmentally. Once the United Kingdom had already designated that water its area for environmental protection. It's called a "site of community interest".

The commission allowed that even though it created overlapping "sites of community interest". In doing so the commission didn't act in a way that was designed to resolve disputes, it actually created a dispute, because now both the United Kingdom or the United Kingdom re- Gibraltar because it's an issue which is Gibraltar's under the Gibraltar constitution, are now competing to see who can demonstrate that this is our water, when in fact, this has always been our water and the United Nations conventions recognized this and it has been our water since the time of the cannon shot rule determining who's water it was.

The cannon shot rule for uninitiated means that if you come within that water and I can reach you with my cannon and kill you it must be my water. And that's actually ironically the genesis of all territorial sea rules.

Now, since David Cameron called on Mr. Barroso, the president of the European Commission, in August to become involved in trying to resolve the issues affecting Gibraltar and frontier, the Commission has become involved and has sent out an investigative mission to see the way that Spain was creating these artificial political queues at Gibraltar frontier.

They have, I think, therefore started to realize that becoming involved is the only way to resolve, or help to resolve, the issues in dispute between Gibraltar, the United Kingdom and Spain, and that ignoring the problem and accepting conflicting designations over water that is clearly and unequivocally British water only creates bigger problems for the future. Because that's where the fishing issue has arisen, and that's where the reef issue has arisen, where Spain has filed a designation which is demonstrably outside its competence in international law. And the European Commission has no power to entertain international legal disputes between parties, unless, of course, the parties were to agree that she should arbitrate.

You write that the E.U. has resolved perennial historical issues. Germany and France are now very strong allies, rather than enemies at each other's throats. On

the issue of Gibraltar, unfortunately, until now -- and I'm very pleased to see the change that the British prime minister has been able to bring about by his call on the present of the E.U. commission to become involved -- until now, the E.U. has abdicated any responsibility to try and assist in resolving this matter.

KUPCHAN: Thank you very much.

The floor is now open. If you'd like to ask a question, just catch my eye and I'll keep a running list of people that would like to intervene.

Who would like to start?

Please.

And if you could state your name and affiliation before your question, please.

QUESTION: Thank you. I'm Shanker Singham with the Competitiveness Projection at Babson College. My question is -- to the chief minister -- is about the -- the fourth option that he talked about. The sort of tailor-made option.

To what extent does he think that there may be a possibility of some degree in that option of regulatory autonomy for Gibraltar? Obviously, you've the overlay of U.K. law and also, European law.

There are many projects around the world now to create areas of regulatory autonomy, and certainly, the one example of this that we've seen most recently, I suppose, is the -- the Hong Kong-China situation. And Hong Kong's basic law, which was written by the Chinese government, protected the Honk Kong regulatory framework.

So, what's -- what's his view of how that fourth option might play out?

KUPCHAN: Why don't we take another question if anybody is teed up to go? OK, please. Go on.

PICARDO: Well, let me just set in context how Gibraltar works in terms of our legal system.

The 2006 Constitution reversed the position under the 1969 Constitution, which had previously had defined what domestic matters came within the purview of the government of Gibraltar. Everything else was retained to the British government and the United Kingdom.

The 2006 Constitution takes the completely opposite approach. And it defines the things for which the United Kingdom is responsible, and leaves at large everything else as the responsibility of her majesty's government of Gibraltar.

So, Gibraltar has full autonomy in all matters, except for defense and foreign relations. All other matters are the exclusive jurisdiction of the Parliament of Gibraltar and the government of Gibraltar, all right? So, therefore, there is no

question of U.K. law in some way affecting Gibraltar. The only relevant instrument of U.K. law is the ordering council that creates the Gibraltar 2006 Constitution.

But, of course, the reality of this is that every European country and every European jurisdiction now has to deal with the fact that European law pervades just about every area of life. And Gibraltar's parliament spends a lot of its time transposing into Gibraltar law those directives or regulations of the European Union that require transposition into Gibraltar law.

But we are, therefore, completely autonomous also in transposing those pieces of legislation. A European Union directive is required to be transposed in the United Kingdom. But the transposition by the United Kingdom does not affect Gibraltar or deal with the issues for Gibraltar. Gibraltar's a separate jurisdiction, and has to transpose the directive itself in the manner that is most in keeping with the requirements of Gibraltar, subject to also complying with the directive.

That is as full autonomy as you can have, short of having your own navy and having your own foreign affairs department. Now, as a result, we enjoy what I would like to say is a measure of self-government, beyond which you can imagine there are very other layers. Of course, there must be more that we could achieve, short of independence. It's just a question of which model you apply your mind to in order to achieve that fourth option. We've come up with one. It's not necessarily the only one, and there may be some that can take you even further. But the Gibraltar model of autonomy works very well.

In those circumstances -- and it's very difficult to see us going in any direction that would surrender any of that autonomy either back to the United Kingdom, or to any supranational authority, other than the European Union.

The way that the relations are at the moment works quite well for Gibraltar. We have a lot of leeway in interpreting how a directive should be applied in Gibraltar, and that can sometimes give us a competitive edge. But the important thing when you are part of a club like the European Union is that you play by the rules.

When I was elected in December, 2011, there were about 60 directives of the European Union that were past their dates for transposition. And the way the European Union works is, it makes a directive, and it says, "This is addressed to the members states, and it must become law in the member states before x transposition day."

When I was elected, there were about 60 such directives that had not been transposed. I invested very heavily in what is known as our European Union and International Legislative Department so that they have many more resources than they had.

We have now transposed all directives, not just those 60 -- all directives even after that that were due their transposition dates. We're entirely up to date. I'm happy to say that we're even more up to date than the United Kingdom. They have a longer legislative process than we do. And when, you know, they may be starting to

legislate, we can very quickly progress legislation, and in six weeks, have a bill become an act in our Parliament. And we know whether the sources that we have, and with the view that we have to the dates that are coming towards us in terms of transposition, that we will not fall behind again. There are very few other European jurisdictions that can say that. None of them are only 30,000 people.

So, if you look at the resources that we've had to invest in order to deliver that compliance, that shows you just how committed Gibraltar is to a culture of compliance. I think when you are a member of a club, and you demonstrate that level of commitment to complying with the rules of the club, you're also entitled to bang the table and say that you want to enjoy the benefits of being in the club. Those benefits are the sorts of benefits that can allow us to do cross frontier work across the European Union.

KUPCHAN: Chris?

QUESTION: Minister, I'm Chris Tuttle with the Council on Foreign Relations. Thanks again for joining us. And apologies in advance if this puts you in a little bit of a difficult position, but you talked about your economy from the ground. And in the number of disputed areas you have between the U.K. and Spanish with regards to your territory, are there issues that you find where you end up at odds with the British? And the truth is that you can actually see the Spanish perspective a little bit more clearly from your position in Gibraltar, where you are in a sort of a difficult position, where the Crown is charged with, you know, your foreign affairs, but as an autonomous territory, you've got your own political concerns to worry about. Are there issues like that?

KUPCHAN: Let's take one more.

QUESTION: Where you can actually see the Spanish perspective and say, "Yeah, you know, the Spanish may be -- they have a point there."

KUPCHAN: Let's take one more question, then I'll come back. Sir?

QUESTION: Yeah. My name is Yuri Sigov, "Business People Magazine."

Mr. Minister, you mentioned about 12 million tourists that visit Gibraltar every year. Can you elaborate about the tourist industry in your country? And how important is it for its further development?

PICARDO: Let me start with Mr Tuttle's question.

The relationship between the Gibraltar government today and the government in the United Kingdom is a very close one. And I think that we are very, very much aligned in our view of where the issue of Gibraltar is going and where the relationship with Spain should go.

That is not to say that there are not necessarily issues where we might differ. One of the macro issues in British politics today in the U.K. is about membership of the European Union. There are members of the Conservative Party should not be in

Europe, and those who believe it should be within Europe with a renegotiation, and those who believe it should just stay in Europe, as it is. The Liberal Party is less fractured. The Labor Party is a little bit riven with the same sort of divisions as the Conservative Party.

Of course, they're having that debate across the channel from Europe. The United Kingdom, an integral part of Europe since 1972, is not a geographical part of Europe. Gibraltar and Spain both parts of continental Europe.

We might have somebody offend in Gibraltar who runs across the frontier to Spain. Spain might have somebody offend in Spain who might run across the frontier to Gibraltar.

Given the relationship with Spain is not exactly the best, if I can put it that way, having a European arrest warrant mechanism, which applies across the European Union and enables us to deal with those issues, without necessarily having to talk to each other.

And I wish we could talk to each other a lot more. I'm not suggesting that we shouldn't be talking to each other. But we don't have to talk to each other if there's a supranational mechanism that allows us to extradite from one place to another without having to engage whether we recognize each other's courts, et cetera.

And Gilbert Licudi, who is sitting next to you, is our Minister for Justice, and will have those concerns more than most of my members of cabinet.

Of course, in the United Kingdom, the European arrest warrant is seen by some as an issue which can affect fundamental civil liberties. In Gibraltar it's seen as a way of ensuring that people cannot see the frontier as a place where they can simply cross to avoid justice.

All right?

And the balance of competences review, which the United Kingdom has undertaken at the moment about the competences of Brussels to affect the United Kingdom legislation raises some of those issues for us. And I put it this way: In the next five years, there may be some aspects of the British relationship with Europe where the United Kingdom decides that they want less Europe, and Gibraltar may wish more Europe.

Now, apart from the Spanish issue, which has traditionally been seen as the block to Gibraltar having more Europe, I don't think any of the other members of the European Union would be concerned that a small part of the continental territory might wish to continue a part of a mechanism that works. Because all of these things are already in motion -- the European arrest warrants and other aspects of justice and home affairs relationship between the member states.

And, therefore, I would hope, that, with the support of the United Kingdom, we might be able to find niche ways for Gibraltar to continue to taking advantage of

those parts of the European Union treaty which the United Kingdom may decide no longer fit the U.K.

But we don't find ourselves at loggerheads with the U.K. on this issue. We're very much on the same page in understanding what the U.K. position is, and the U.K. understanding what Gibraltar's wishes and aspirations may be.

And it's important in that context that if there is a vote, whether it is before the next election or after, in the United Kingdom in the referendum about membership of the European Union, that Gibraltar should be able to vote in that referendum in the same way as we vote in European parliamentary elections.

KUPCHAN: And what happens if Britain leaves the E.U., which is not unthinkable?

PICARDO: Well, it's not unthinkable, but I think it's highly unlikely. But in the event that that were to happen, well, Gibraltar would be in a situation either where it must leave, too, or where the United Kingdom may negotiate before its exit a status for Gibraltar within the European Union.

Now, Gibraltar is the only overseas territory of the United Kingdom which is a part of the European Union and a continental part of Europe. Again, the only issue would seem to be Spain. Again, it depends how Spain decides to approach this, whether they approach it from the point of view of saying, well, you can't come into the European Union or stay within the European Union unless you negotiate your sovereignty with me.

Well, then, look, the answer is going to be, well, you can offer me whatever you like. You can threaten me as much as you like. But you know I'm not going to negotiate my sovereignty with you. Goodbye, Europe. Right?

Or it could say, well, look, if everything that we have said in the past 30 years about Gibraltar is going to some modicum of legitimacy, then we want to keep you within the club that regulates financial services at a European level, that regulates all aspects of the way in which you do business, in terms of the single market at the European level.

It would be hugely hypocritical for Spain to cast Gibraltar adrift from the European Union by requiring us to leave with the United Kingdom, or not allowing us to accede into the territory of the single market, if that meant that there could be less regulation in Gibraltar, which seems to be what they're concerned about, if you were to take at face value any of what they say, which, of course, you cannot, because it is all driven politically.

And if I could deal with the question on tourism, tourism has long been an important part of the Gibraltar economy, even when the frontier between Gibraltar and Spain was closed by the Spanish dictator, General Franco, in 1969, Gibraltar continued to receive tourists.

The importance for Gibraltar of our airport and our port are huge, because they allow us to receive large number of people into Gibraltar on aircraft or on cruise ships or on ferries, whether or not the frontier is open.

And, you know, I'd like to think the frontier is never going to close, but the frontier is not the only route for tourists to arrive in Gibraltar. And, therefore, tourism is an important part of our economy that can keep going, even when Spain presses on the choke hold that is the frontier.

It's an important part of where we're going developmentally, because we are going to open a five-star hotel in Gibraltar before the end of this calendar year. Hopefully we will soon be seeing a new five-star hotel go into development also. And our existing hotels are refurbishing.

They don't just provide for people who come to the financial services sector to meet with attorneys or accountants. They also provide for some tourists. Access to Gibraltar's Upper Rock Nature Reserve creates revenue for the government as well, as well as tourists creating revenue for our retail industries in what is known as our Main Street.

This is hugely important part of where Gibraltar is going. I'm told by those who have studied economics that it's wrong to talk about pillars of economies. But in shorthand, it's an easy way to explain how important something can be.

And tourism has always been seen as one of the pillars of our economy. The United Kingdom has traditionally been the place where we have seen most of our tourists, whether they arrive on a P&O cruise ship or they cross the frontier when they're spending a week or two weeks on the Spanish costas.

But we see a lot of American tourists in Gibraltar, when they come in on the Mediterranean cruise lines. We see a lot of tourists from further afield than Spain. And, of course, we have huge number of Spanish tourists that want to come and see Gibraltar.

I think it was Mitterand who used to say there is no publicity that is bad publicity. Putting the name of Gibraltar around the world creates an interest and an expectation that advertising money can't sometimes buy.

So if I take something from the very rough two or three months that we've been given by Spain in the international media, it's that the name of Gibraltar is out there, that people know there is something interesting about this territory. And if it's not interesting, why would Spain want to take it?

And, therefore, come and see what it is that Spain values so much that she doesn't mind her good name being tarnished by her tactics in trying to retake our sovereignty.

QUESTION: Emili Blasco, I'm from the Spanish newspaper, ABC. You said that your current model of autonomy is working well. At the same time, you mentioned some possible future scenarios.

Do you have in mind any date of change of this? Do you think about ten years? Something like this? Less than this?

PICARDO: Well, I'm talking in the context of a question that's been put to ask me where I think we could be going. The 2006 constitution has given Gibraltar so much autonomy that we believe that this could be the maximum possible level of self- government short of independence and there is no political move to seek independence in Gibraltar.

Therefore, we look for the moves to be at an international level to recognize that, at the United Nations in particular, with the delisting of Gibraltar from the list of non-self-governing territories.

For all the reasons I've explained to you, we are now self- governing. So, if the list -- remember that the word colony is short- hand for non-self-governing territories -- if the list is of non-self- governing territories and this territory is self-governing, we have achieved that.

And therefore, all that should happen is that we should -- de jure now -- be recognized as being self-governing by being removed internationally from that list.

When should that happen, if that is your question? Well, look -- it should happen on Wednesday when I address the United Nations Fourth Committee. Does that seem premature?

The first address by a chief minister of Gibraltar to the United Nation's Fourth Committee was in 1963 -- exactly 50 years ago, when Sir Joshua Hassan and the then leader of the opposition Peter Isola came together to the United Nations to say, even under the then constitutional relationships with the U.K., "We've got enough of our measure of self-government. Please delist us."

It didn't happen then. It hasn't happened in the past 50 years. It may not happen on Wednesday, but we'll keep going until it does.

And the sooner it happens, the sooner that the United Nations Committee of 24 and the Fourth Committee will have complied with their sacred trust with the people of this non-self-governing territory to recognize our decolonizations and they'll help us to achieve our aspiration, which is no longer to be on the list of non-self-governing territories if we're not.

KUPCHAN: Could you give us an example of a territory that is in the status that you desire? That is to say, it is self-governing but attached to the sovereignty of another country?

PICARDO: Well, there are very few because it is a bespoke solution, and there aren't many territories that have got international issues like the ones Gibraltar have.

So, if you look, for example, at the people of Tokelau -- they were offered a -- a solution which is very similar to the solution that we have, and they rejected it. And they have a relationship with New Zealand, at the moment.

KUPCHAN: And have -- they have not been delisted?

PICARDO: They have not been delisted because they did not achieve the percentage of success in their referendum which they required in order to be delisted.

But this is U.N. doctrine. I mean, U.N. doctrine requires that referenda carried out in a particular way, that certain options are put to people in order to fulfill the requirement.

The U.N., in my view, does not want to engage in issues in the territories which are the subject of this list, which might somehow create international issues between states.

Again, I think they're wrong not to take those steps when they should, in the same way as the European Commission was wrong not to stop Spain from filing a site of community interest around Gibraltar.

And that has given rise to bigger problems and it would've been better to simply stop that issue in -- in its tracks by not taking on Spain and saying, "Look, we're going to decolonize Gibraltar. We hear the arguments you've been making for the past 50 years, but they have absolutely no merit whatsoever in international law." All that happens is that you perpetuate the situation.

Look at the Falklands. We've seen how that led to a dictatorship, starting a war with the Falklands, and now, a government in the Falklands that faces a financial crisis using the Falklands as a scapegoat and creating international tension there.

We've see the same thing with Spain. We saw a dictatorship in the 1960s -- closed the frontier and raised the ante over Gibraltar; although I'm happy to say that Franco, apparently, is quoted as having said once that Gibraltar is not worth a war. OK. I'm very pleased that there should never be a war over Gibraltar or any other territory.

And then now we've seen, in times of economic crisis, how the Spanish government -- the Spanish Partido Popular government -- has banged the drum over Gibraltar and managed to fill the pages of many Spanish newspapers; the front pages, in fact, of some Spanish newspapers, in particular, with the issue of Gibraltar whilst conveniently ignoring both the financial crisis and the corruption allegations affecting some of the more senior members of the Spanish government.

KUPCHAN: Other questions, comments?

So, Gibraltar has a fascinating strategic history and remains in a geographically very significant point. What are the top security concerns from your perspective --

not just British oriented ones, but what keeps you up at night? Interesting neighborhood; it's gotten more interesting over the past three years -- things that are top on your security agenda?

PICARDO: Well, that's two questions. One, what keeps me up at night? And that's just my son. (LAUGHTER)

I'm blessed with being able to sleep, whatever it is that's going on around me, unless Sebastian's kicking me in the shin and trying to work his way into our bed.

We are in an interesting part of the world. Gibraltar's strategic significance, I think, is also part of what drives the Spanish claim.

You know, technology means that you don't need to be on Gibraltar to see what is happening across the straights. But, by Jove, if you are on Gibraltar, you can have eyes on what is happening across the Straights of Gibraltar.

And of course, North Africa is not as stable a place as we would like it to be. The Kingdom of Morocco is quite stable, but that's not to say that there aren't issues affecting the Kingdom of Morocco that the -- the administration there is dealing with in partnership with the United States and with the European Union partners.

But because we are where we are and we are a British base, we may be a target for people who we wish might not be looking at us as closely as they are. Internal security is an issue that we have to be very careful with therefore -- and therefore the protection of Gibraltar's perimeter and its frontiers are things that we take very seriously.

We do that without having to create lengthy queues. So, we have technological solutions, both at our port, our airport, and our frontier, that give us a very clear indication -- having said that, people can always get through -- of who it is that's coming into Gibraltar so that on an intelligence driven basis, we can identify any threats coming towards us.

We saw last year a couple of people arrested on the other side of the frontier with suspected terrorist links, and with as yet unclear terrorist intent, either for areas across the Bay of Gibraltar in Algeciras or in Gibraltar.

I think those things concern all of us in the developed world. Gibraltar's a very important part of the strategy defense of the United Kingdom and of Western democracy.

We're an important base for British shipping -- British military shipping. There is, as we speak, an American -- sorry, a British submarine in Gibraltar, HMS Talent, a nuclear-powered submarine. American submarines come often to Gibraltar, and the Mediterranean fleet of the United States and U.K. vessels comes to Gibraltar very frequently.

So, in that context, Gibraltar takes its responsibility also very seriously. We know how important we are and we want to continue to be an important part of the West's defense of parliamentary democracy.

That has been the case for generations, and it's been the case historically. And never more so than during the second World War when General Eisenhower had his headquarters in the heart of the Rock -- in the center of the Rock in a tunnel where he planned with the allies the invasion of North Africa in Operation Torch.

We're very proud of that history and how we've been able to work as part of the U.K.'s military infrastructure with the United States and other partners so that there aren't many things that should keep anyone in the West awake at night.

KUPCHAN: Let me pose -- we have one more question and then I'll chime in and then we'll have to close, because we're running out of time.

Please.

QUESTION: Gonzalo Quintero from the Spanish Embassy. I thank you very much -- the Council on Foreign Relations, and yourself, Mr. Picardo, about what you have said today.

We have here today -- we have heard today one side of the story. We would like very much the opportunity from the Spanish government to have this same kind of gathering in order to express our -- our side of the story, and we will welcome an invitation by the Council on Foreign Relations in order to do so.

Thank you very much.

KUPCHAN: Thank you.

One final issue I'm curious about -- you're going up to New York; you say that it -- this started in 1963. I can understand why you'd like to be delisted because it's uncomfortable to be on the list.

But are there any practical implications of being on that list, other than maybe shame, is it -- are you sanctioned? Are you -- do you have to sit in the back of the room? What's the practical upshot of being in this category.

PICARDO: Well, let me, if I may, just take the comment that the colleague from the Spanish Embassy has made and welcome the fact that he and I are sitting around the same table. It's the first institutional contact between somebody from the Spanish government and the Gibraltar government in some -- in some time. And there's also a colleague here, I understand, from the British embassy. So the three of us are here. Why don't we stay behind and have a drink. We may be able to...

(LAUGHTER)

... resolve some matters that have resisted us.

Look, I think that there are always going to be two sides to a story, and it's important that everybody hear both sides. But it's also important that argument should not be the only thing that determines who is right and wrong. It's also important to look at data. And I've given you some data. I'm sure that if you give the opportunities, as I have no doubt you will, to colleagues from the Spanish embassy to put forward their version, they will also come with argument.

But perhaps it might be very interesting if you considered it. I'm certainly up for it, that we should after you've also given the Spanish colleagues an opportunity for their argument, perhaps you should have a debate. Once you've heard both sides, let's come together and have a debate and put the arguments. And then in debate, analyze the data so that in so doing, you might be able, your members might be able to get a very good view of what it is that is actually happening on the ground, not just argument, also data.

In terms of being on the list, there is no shame in being on the list. Because at the end of the day, we're on that list because the United Kingdom volunteered to put Gibraltar on that list. There are other governments, and I'm not going to suggest which, that have territories outside of the ambit of what is their national area that did not put those territories on the list of non-self-governing territories.

Let's not go further than that. The honesty is there in putting the territory on the list. That is an opportunity to tell the international community this particular territory has come a long way since it was put on the list. So, being on the list gives us the chance to go to New York and explain our progress twice a year. But, of course, it also gives Spain the opportunity of going to New York as a member of the United Nations, asking for the right to speak, and putting its arguments to try and take over our sovereignty, something which we don't think the U.N. should be becoming involved in.

The sovereignty of Gibraltar is a matter for the people of Gibraltar and the government of the United Kingdom to determine. It's entirely a bilateral issue for us, not for any claimant states to become involved in. In fact, I'd go even further and say that the sovereignty of Gibraltar is a unilateral issue for the people of Gibraltar to determine for themselves. Because I don't think that any British government or the international community would stand in the way of the decision of the people of Gibraltar expressed in a referendum on any option that might legitimately be put to them by their government. Because at the end of the day, in the 21st century, things must happen based on the principle of consent. And sovereignty, therefore, means more when it is accepted by people than when it is imposed on people. So the fact that we are on the list, the fact that we choose and will continue to choose voluntarily and by consent to be British citizens, a part of the wider British family, is a huge source of pride for us. We are not, as the Spanish ambassador says to the United Nations committee, or has said before -- for the past two years, "colonials" by consent.

I think if you -- if you want to take a cross-section of this particular Gibraltarian, you'd find there's not one colonial cell in his body.

KUPCHAN: Well, we do have an empty meeting room just outside here, so I'm sure Chris Tuttle would be happy if tomorrow's headline, "CFR Brokers Deal on Gibraltar." So if the three of you want to go over there, we're certainly willing to host.

PICARDO: It would be a pleasure. And as we would find, we would always find that when we get around the table with any Spanish person, Gibraltarians and Spaniards have a lot in common and we tend to get along quite famously like a house on fire. It's only on the front pages of newspapers that we manage to argue with each other.

KUPCHAN: Please join me in thanking the Chief Minister for spending some time with us today. Thank you.

**ENDS**