

Title: UK: Gibraltar: High Commissioner's visit
MRN: LH636494L 15/01/2018 05:24:06 PM GMT
To: Canberra
Cc: RR : EU Posts, G20 Posts, Wellington
From: London
From File:
EDRMS
Files:
References:
Response: Routine, Information Only

Summary

During a visit to Gibraltar in December, the High Commissioner s33(a)(iii)

s33(a)(iii) & s33(b)

The High Commissioner (accompanied by s22(1)(a)(ii)) visited Gibraltar on 17–19 December 2017. Key features of the visit included a tour of the frontier with Spain, s33(a)(iii)

s33(a)(iii) & s47E(d)

Background

2. Gibraltar is a British Overseas Territory with a total area of just 6.7 sq km and approximately 30,000 residents. It was ceded to the British in perpetuity by Spain under the Treaty of Utrecht in 1713. Spain contests this and asserts a claim to the territory. Referenda in 1967 and 2002 saw Gibraltarians overwhelmingly reject Spanish (or shared) sovereignty. Under the 2006 constitution, Gibraltar governs its own affairs, though some powers, such as defence and foreign relations, remain the responsibility of the British government.

3. Gibraltar is not itself a member of the European Union (EU) but joined the EU as a dependent territory of the UK through the European Communities Act 1972 (UK). The UK's Act of Accession provided for certain derogations in relation to Gibraltar, including exclusion from the Common Agricultural and Fisheries Policies, and from the customs union (including VAT and common commercial policies). In effect, this means that Gibraltar participates in all four of the 'freedoms' that underpin the EU Single Market, apart from the free movement of goods. The rest of the acquis applies to Gibraltar, apart from those areas from which the UK itself has 'opt-outs', such as the Schengen acquis. Gibraltar participates in elections for the European Parliament as part of the South West England constituency.

4. In the Brexit referendum of June 2016, Gibraltar voted overwhelmingly for the UK to stay as a member of the EU. Voters in Gibraltar supported 'remain' by 96% to 4% for 'leave'. The day after the Brexit referendum, Spain renewed calls for joint Spanish–British control of the peninsula.

5. The Council of the European Union's negotiating terms for the departure of the UK include special conditions for the negotiations concerning Gibraltar. They state: "After the United Kingdom leaves the Union, no agreement between the EU and the United Kingdom may apply to the territory of Gibraltar without the agreement between the Kingdom of Spain and the United Kingdom". s33(a)(iii)

Economic environment

6. Gibraltar is a prosperous territory. GDP per capita in 2015–16 was estimated at £54,979 (cf UK £28,800 and Spain £17,100, although the subsequent fall in the pound will have improved Spain's relative performance). Unemployment was estimated in 2016 at 1%. As well as local labour, approximately 12,000 workers cross into Gibraltar from Spain (making Gibraltar the second largest employer in the Andalucía region). Financial services and online gaming contribute approximately 40% of GDP and 25% of employment. Tourism contributed £200 million to the economy in 2015 (~25% of GDP).

Implications of Brexit

7. s33(a)(iii) & s33(b)

8. s33(a)(iii) & s33(b)

9. s33(a)(iii)

Commercial environment

10. Gibraltar is a low tax economy: personal tax is levied at 20% for income up to £25,000 and then 29% for further income to £353,000 (with lower rates for any additional income). There is no capital gains tax, wealth tax, sales tax or value added tax (but import duty of 12% is levied on most items). Corporation tax for most industries is 10%. There is a stress on transparency and regulatory rigour. Gibraltar is party to 159 international tax agreements (including with Australia). There is bi-partisan political support for this low tax regime which has seen higher rates of compliance and attracted significant investment in financial services (notably insurance).

11. Financial services are the largest part of the Gibraltarian economy and are responsible for the employment of over 4,500 people. s33(a)(iii) & s33(b)

Strategic importance

12. British interests had been initially sustained by Gibraltar's key strategic location. For many years (and especially during WWII) control of the Straits of Gibraltar was a key plank in the UK's forward defence. While the guns on top of the rock are no longer active, Gibraltar still constitutes an important maritime "choke point" and is well placed to monitor all surface shipping into or out of the Mediterranean Sea. Gibraltar is still an important node of allied intelligence and communications. Given the concentration of undersea cables through the Straits of Gibraltar, its strategic importance has been underlined in recent years.

Education / Cultural

13. s33(a)(iii)

Most of the research and teaching at the University is concentrated in business, health studies and sports science, life and earth sciences, Gibraltar/ Mediterranean studies, and tourism and hospitality. s33(a)(iii)

14. s33(a)(iii) & s47E(d)

15. The High Commissioner was also taken on a tour of the extensive tunnel system in the rock. He saw some of the fortifications and support systems built during WWII as well as a more recently discovered "stay behind cave" designed as a secret lookout post to be used if Germany had occupied Gibraltar. Several of these tunnels are now being put to commercial use such as the secure and stable temperature computer data storage.

text ends

Sent by: s22(1)(a)(ii)

Prepared by: s22(1)(a)(ii)
Approved by: Alexander Downer
Topics: POLITICAL-ECONOMIC/Domestic Political
s47E(d)



s47E(d)

