



GIBRALTAR

PHOTO: ALENKA KRZNARIC

Rock-Solid Investment Hotspot

A little piece of Britain in the Mediterranean, beautiful Gibraltar is a maritime and tourism hub offering all the benefits of an offshore financial jurisdiction and world-class infrastructure.

As one of the few European economies not in the throes of austerity, Gibraltar, slated to grow 3% to 5% this year, is bucking trends. The stunning peninsula, which lies at the southwestern tip of Spain and is home to 28,000 people, is carving out a solid reputation as a competitive E.U. hub thanks to its sound legal framework, small and flexible business environment and strategic location.

Spanning an area of just 6.5 square kilometers, Gibraltar is a fascinating destination for investors, travelers and nature lovers alike. Welcoming and open, the country is known for its iconic Rock, which, at 1,398 feet high, has witnessed a wealth of historical endeavors over the centuries.

Despite being a British Overseas Territory, Gibraltar is financially independent from the U.K. More than 200 licensed institutions are based there in the form of banks, insurance companies and investment administrators. They enjoy excellent tax conditions, including a corporate tax of 10%, no capital gains tax, no value-added tax, no estate duties and no withholding of tax on dividends.

A member of the E.U., Gibraltar implements all E.U. directives and goes one step further in that it is regulated by the Financial Services Commission to U.K. standards, making it a benchmark for the financial services industry. By virtue of its size, policy is fast moving and govern-

ment is accessible, providing distinct advantages to business.

Fabian Picardo, Chief Minister of Gibraltar, whose Gibraltar Labor Socialist Party swooped to power in December 2011, is keen to steer Gibraltar on a new course, promoting the four pillars of growth—financial services, tourism, the port and e-gaming—to private investors. His is the first new administration in 16 years.

“Gibraltar has always been a great trading post, but we are not making as much as we used to of our status as a free port and our stance in the E.U.,” Picardo says. “Our corporate tax rate of 10% is hugely attractive and far beyond other countries. If you look at the industries and companies that have come here to do business, there is no reason why Gibraltar should not become the jurisdiction of choice to headquarter a company doing business in Europe.”

Gibraltar has been promoting its financial services sector since the mid-1980s and is well regarded for its high level of professionalism. Governing an onshore financial center carries a responsibility for integrity and transparency, and Picardo intends to lead by example with a more open administration.

“We have already signed tax-information exchange agreements with a host of nations, including Germany, France and the U.S., and are keen to pursue double-taxation avoidance agreements with other states, including the U.K. and Spain,” he says. “It is essential for a



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transparent, positive future to have strong corporate tax competition.”

Having decided almost unanimously to remain British in perpetuity, through a referendum on joint sovereignty with Spain in 2002, Gibraltarians are anxious to promote their own identity. Joseph J. Garcia, Deputy Chief Minister, holds a doctorate in the modern history of the nation and explains the uniqueness of its people through four key turning points: “One is a product of historical evolution; being here for 300 years is in itself an important factor,” he says.

“The second turning point was the evacuation of citizens during World War II. They were sent to places like Jamaica until U-boats started sinking the ships,” Garcia explains. “The lucky ones then went to Madeira, but the bulk were sent to London, then to Ireland and elsewhere. That uprooting and separation brought a realization that the people didn’t have any rights or control over their own affairs.”

A new city council was set up in 1945, and a legislative council was created in 1950. “In the 1960s we were placed on the list to be decolonized,” Garcia says. “Malta and Cyprus both became independent, but with Gibraltar, Spain entered the discussions and wanted a say.”

An investigation by the United Nations decided that Spain and the U.K. should negotiate jointly on decolonization. A referendum organized by the U.K. in 1967 showed that 99.4% of the population was in favor of being British, but the results were not recognized by the U.N. Spain’s response was to impose restrictions, and it closed the gates to the mainland in 1969, leaving the colony dependent on the U.K.

“The final turning point came after Franco’s death in November 1975. Then everything changed,” Garcia says. “In 1980 the U.K. signed an agreement with Spain to cover all issues relating to Gibraltar, and in 1984 the gates were reopened. In exchange, Britain agreed to



Fabian R. Picardo
Chief Minister



Gilbert Licudi
Minister for Education,
Financial Services, Gaming,
Telecoms and Justice



John J. Bassadone
Chairman
Gibunco Group

discuss sovereignty with Spain, but no one asked the Gibraltarians. This led to a loss of confidence among Gibraltarians in the U.K. There was a huge military rundown, and the largest employer, the Ministry of Defense, pulled out. This solidified a Gibraltarian identity, and people started to look within Gibraltar rather than outside for help.”

STRONG FINANCIALS

Gibraltar’s financial sector has become a pioneer of anti-money laundering legislation and a low-tax environment. As such, it has become a model for similar jurisdictions in the Isle of Man, Jersey and Guernsey. Major activities include fund and asset management, insurance and reinsurance, and high-net-worth individual licensing. The sector presents all the benefits of working in the city of London but with a Mediterranean lifestyle.

Fresh from a fund industry seminar in London, Gilbert Licudi, Minister for Education, Financial Services, Gaming, Telecommunica-



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tions and Justice, says, "We are a relatively new destination in terms of funds. However, we intend to make Gibraltar attractive to establish new funds and allow funds that are already established in other jurisdictions, such as the Cayman Islands, to re-domicile to Gibraltar. I am drafting the new legislation for this now. The fund industry is extremely excited, and this move has generated a lot of interest from London."

In order to facilitate the development of the sector and launch it into the top flight of jurisdictions, the Gibraltar Finance Centre (GFC) Division was established within the Department of Trade and Industry in 1997. GFC is the center for all activities involving the promotion and strategic planning of the financial services sector on the Rock apart from regulation, which is done by the Financial Services Commission.

"A Gibraltar-licensed firm has access to 500 million people."

James Tipping, Director, Gibraltar Finance Centre

GFC acts as the first point of contact for new financial services businesses wishing to establish a presence on the Rock. One important development to further the concept of a "one-stop shop" was the move to GFC in 1999 of the Licensing Unit, which is responsible for issuing certificates to exempt and qualify companies and individuals.

James Tipping, director of the GFC, works under Minister Licudi and liaises with the industry on a regular basis. "The biggest distinguishing factor for us is that we have access to the single market in financial services," he says. "A Gibraltar-licensed bank, insurance or re-

insurance company, insurance mediation firm and investment services firm has access to 500 million people without needing a license from any other country. Those companies can passport their services by opening a branch anywhere in the E.U. and vice versa. That is the key distinguishing factor between us and any other small territory.


"For example, 10% of the U.K.'s motor vehicles are underwritten by Gibraltar insurance companies. That's more than Lloyds of London. That is what separates us and what has made Gibraltar's peer group a lot more competitive in E.U. terms in the past 12 years.

"We are as close to independence as we can be under the current constitution—a European parliamentary democracy that's self-governing and self-financing. This is important."

The GFC is also responsible for 350 high-net-worth individuals. As Tipping says, "The application procedure is simple and transparent. Our prime concern with all new business is quality. It is normal to come through a local professional. There is an application form, a £1,000 fee and a minimum requirement of £2 million. They have to supply a full CV, which determines how they made their money. The classic scenario is that somebody built up a business in the U.K. and sold it to a major competitor."

The Gibro Group was the first organization in Gibraltar offering international corporate trusts and legal services to be awarded the ISO 9001 international business accreditation for business standards. Through its membership of HLB International, it offers clients exclusive access to professional financial services through one of the largest business networks in the world. Around 70% of its clients are based in the U.K., and it recently opened an office in Chester.

"It is so important nowadays to offer clients local knowledge and apply it efficiently," managing director Stuart Rodriguez says. "In





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1980, 80% of our GDP was funded by the Ministry of Defense. Today it is less than 5%. Gibraltar has come a long way, and I have never been more positive about the future."

CONNECTING GIBRALTAR TO THE WORLD

The state-of-the-art telecommunications that grew up to service the multimillion-pound gaming industry has also given Gibraltar an edge in developing new products and services for its international market. Central to this expertise, and to the success of e-gaming and e-commerce, is Gibtelecom, a public/private telecommunications company that has recently turned from a domestic carrier into an international operator, thanks to its 4% stake in the Europe India Gateway (EIG) submarine cable project. Gibtelecom was a founding partner in the \$700 million EIG system, which connects Europe, Africa, Asia and North America through next-generation fiber-optic technology.

"The EIG system will not only complement existing routes but also provide Gibraltar with an alternative submarine path, without the limitations on capacity or the incidence of interruptions that can so often face land-based routes," says Tim Bristow, Gibtelecom's CEO. "We don't just own it in terms of moving traffic to and from Gibraltar. We own capacity all around the world, and Gibraltar is unlikely to ever be able to consume more than a small proportion of it. We have an international director who sells that capacity worldwide, and there are extensive options.

This not only helps us as a company but also helps advance Gibraltar as an international communications hub."

Sapphire Networks and Europort (International) Holdings Ltd. are integral to the online gaming sector, providing reliable and high-quality systems and luxury office space, respectively.



Joseph Corvelli
CEO
Gibdock



Lawrence Isola
CEO, Europort International
and Sapphire Networks



Tim Bristow
CEO
Gibtelecom

Lawrence Isola, who sits at the helm of both, says: "In 1999, I decided to get involved with the investment group that acquired Europort International. At that time the occupancy level was about 40%, and it was right at the beginning of the gaming industry. Ladbrokes International was already set up in Gibraltar on a much smaller scale.

"The link between Europort International and Sapphire didn't start until much later, as a result of my involvement in the gaming companies that were coming there."

While Europort is now fully occupied, Sapphire's network has a huge capacity and could supply more gaming or e-commerce companies with high-speed reliable connections, Isola says. "Our network is the simplest; it is pure fiber cable, and we have carrier one grade equipment, which is used by the largest companies in the world.

"We always knew we had to use the best quality material because connectivity depends on it in so many ways. We have nodes in Holland and London and we can make direct connections from four major U.K. cities. There are huge advantages in speed and quality."

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The fact such a small jurisdiction has two major carriers for telecommunications shows how open and modern the business environment is. It gives companies increased choice and security, especially in online gaming, where network down time is not an option.

BUSY PORT SLATED FOR REVAMP

Gibraltar's strategic location explains why for centuries the Rock has been used as a naval fortress and why so many battles have been fought over this tiny peninsula. Located at the crossroads of Mediterranean and Atlantic shipping lanes, Gibraltar is ideally placed to provide a wide range of services to vessels of all sizes and types and, as such, is a bustling commercial center.

With more than 100,000 vessels transiting the Strait of Gibraltar every year, 60% of which are bunkered by Gibraltar companies, the Rock is now the largest bunkering station in the Mediterranean. Some 4.7 million tons of bunkers were delivered in 2009, compared with just 0.84 million tons in 1990. The high turnover means it is a competitive market, with minimum costs thanks to Gibraltar's unique tax-free status with the E.U. The local airport is just a few minutes away from the harbor, from which there are several flights a day to London Heathrow and Gatwick, Luton and Manchester, with experienced agents on hand who can provide spare parts, supply provisions and effect crew changes. "Given that the port pumps millions into our economy, we are looking at making a global investment," Neil Costa, Minister for Tourism, Public Transport and the Port, and chairman of the Gibraltar Port Authority, explains. "Rather than investing in the current port building in a piecemeal way, we are thinking of having a purpose-built premises that can be used by port operators. We need to ensure that the companies that provide services to the port and the

shipping industry are supported because they are an essential part of our economy here."

One of the most prominent private enterprises in Gibraltar, the Gibunco Group covers sectors as diverse as oil and energy, shipping, maritime engineering, logistics, real estate and property development. Focused on innovation and excellence, Gibunco has come a long way from its roots in hull cleaning.

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Neil Costa, Minister for Tourism, Public Transport and the Port

Says John J. Bassadone, chairman: "When we started in shipping in 1965, I was 15, and the main objective was to provide underwater hull and propeller cleaning between the ship's dry docking, enabling additional cargo trips and adding revenue to the ship owners/charterers. I was always conscious of the need to focus aggressively on marketing to the technical departments. The development of hull cleaning equipment and the crucial design of brushes to minimize the damage to underwater hull paints allowed us to create a good name for ourselves. Our diving reports were always 100% accurate, and customers were very appreciative of our high standards."

A passion for quality and efficiency led Bassadone to try equipment from Butterworth, a subsidiary of Exxon that later designed the widely popular Scamp equipment. "I became interested in this, and we became the Scamp operator for Gibraltar," he says.

When Exxon withdrew from the Scamp network to focus on its core refining business, it decided that Gibunco was the best operator to take over the Scamp network worldwide. "In those days, if you aspired to something, you just went for it, so after a conversation with my bank manager, we integrated Scamp into our marketing strategy," Bassadone says. "Despite the challenges, Gibunco turned this venture into a very good business with a much greater shipping client base."

Joseph Corvelli, CEO of Gibdock, a former MOD development that is now a hugely successful ship repair and maintenance enterprise, is keen to promote the port's global competitiveness in terms of labor. "Ship repair is tremendously labor intensive and requires a high level of skill. We have a labor pool that has been built historically. Many of the people in our dockyard started as MOD apprentices and are some of the best tradesmen in Europe who take pride in their work," he says.

"The pressures on this small community over the years have built a strong sense of trust and teamwork that translates immediately into this business," Corvelli adds. "It is unique to Gibraltar, and I call it the Gibraltar factor."





The automotive industry is enjoying success too. Founded in 1904, the Bassadone Automotive Group (BAG) now comprises 11 automotive companies with interests in Northern and Southern Europe. The official distributor of models by Chrysler and Toyota and of Mercedes Benz trucks to the U.N., the Group employs more than 300 staff and sold in excess of 10,000 new vehicles in 2010.

Says George Bassadone, executive chairman of Toyota Gibraltar Stockholdings Ltd.: "Gibraltar is located in a traditional trading crossroads. The British legal structure, coupled with E.U. membership, offers great opportunities in a secure and regulated environment. This, coupled with the entrepreneurial support and the welcoming atmosphere given to foreign businesses, brings big activities to a jurisdiction where business potential can be fully exploited."

BUILDING ATTRACTIONS

Tourism accounts for 25% of GDP, and a rebranding exercise is under way to show potential tourism markets, particularly the U.K., that there is more to Gibraltar than the Rock and duty-free goods.

Attractions include beaches, marinas, the famous Barbary Macaques—the only nonhuman primate colony in Europe—the Alameda Wildlife Conservation Park, the Moorish Castle, Main Street and the town, with its squares, tree-lined streets and colonial architecture. The Great Siege Tunnels and the military history of Gibraltar attract many visitors, along with St. Michael's Cave, the 100-ton gun, Europa Point and the Ibrahim-al-Ibrahim Mosque.

"Our historical aspects need to be maximized," Minister Costa says. "Not many people know, for example, that the first Neanderthal skull was found in Gibraltar, and it is home to the Pillars of Hercules. We have met with various stakeholders in the tourism industry and are



PHOTO: ALENKA KRZIVARIC

One of the world-famous Barbary Macaques that inhabit the Rock of Gibraltar.

committed to changing the perception of Gibraltar as a destination where you come to buy perfume and cigarettes and leave."

Costa and his team will also be working to increase the number of repeat visitors, especially from the U.K. "We have a brand-new airport that has a capacity of 1 million passengers a year, yet our current turnover is only 200,000. We have met with existing carriers to see if they are willing to operate from regional airports, such as Bristol, Ireland or Scotland. Once we see progress there, we will be able to target other markets, such as Germany and the Nordic countries. We will do the same with the cruise liners. I have just attended a cruise-liner conference in Miami to address this. We are going to offer cruise passengers much better options." ●



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