

# Brexit – The Perfect Storm Or Perfect Summer?



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**IT IS ALWAYS DANGEROUS**, indeed stupid, to agree to write an article on Brexit and its impacts. This is the fifth such “authoritative” tome I have penned since the UK population (England and Wales, to be precise) voted to resign from their membership of the European Union. By the time you read this we may be rowing madly backwards from that decision or be on the verge of implementing a deal (or no deal). Maybe we have decided we enjoyed it so much, we are going to vote all over again, as it worked so well the last time...

I did, however agree to share my Nostradamus style gaze into on the impact of the referendum before the current (former?) Prime Minister decided to call an election on my birthday. So here it is. Thanks Boris.

Anyway, I digress. The subject is the impact of Brexit on Gibraltar.

What a difference three years makes. In June 2016, a vote for Brexit was regarded as an existential threat to Gibraltar. We voted 95 per cent Remain. Yet, in the three years that have followed, we have gone through what is best described as a Gloria Gaynor moment. It is as if the whole population is now singing “I Will Survive” in complete melody, from the top of the Rock in some ‘70s’ Coca Cola advert tribute.

This metamorphosis is down to several

reasons - many real, some a bit like cognitive dissonance.

## Sunshine Ahead

We now have much firmer ties to the UK, with more entrenched passporting rights (via the new UK Financial Services Bill) and a double taxation treaty. Given the vast majority of our financial service (and gaming) business is with the UK, these agreements provide security and continuity going forward. We also found that, after years of marketing ourselves as the “Gateway to Europe”, we hadn’t been that good at it, so hadn’t as much to lose as we feared.

We initially feared the loss of significant business to Malta. While we did lose some, most took one look at the place and decided to stay at the western end of the Mediterranean.

The local Government, with enlightened elements of the private sector, put significant effort into developing business outside the EU, especially Asia. This is now bearing fruit.

We were also fortunate that the rise of Distributed Ledger Technology (DLT) found, in Gibraltar, a suitable and welcoming location for business development. The growth of this was ably assisted by the Minister for Financial Services and key private sector individuals. This activity is currently EU

agnostic and so thankfully unaffected by Brexit.

The modernising of Gibraltar’s financial services legislation is now complete, creating a modern, fit for purpose regulatory structure with consumer protection at its heart. Recent changes in the leadership of the regulator itself has reaffirmed the Government’s commitment to a supervisory regime that delivers in partnership with the industry, not in opposition to it.

Having barely suffered from the global financial crisis, the economy is strong; the Government ran a budget surplus and had a willingness to invest for growth. Unemployment is effectively zero, indeed thousands of people cross the border from Spain each day to work.

## Storm Clouds Approaching

While the above scenario is totally accurate, it unfortunately fails to highlight the fact that while the sky may be a Mediterranean blue, storm clouds remain visible.

We are a jurisdiction of 32,000 people, utterly reliant on a fluid land border with Spain. Whilst the port now has a roll-on roll-off facility, it could support only a fraction of our needs if called into use. Anyone who has visited our only major local supermarket the day after a bank holiday will know how fast the shelves



empty. God alone knows where seven days of no deliveries would leave us. Gibraltar is not known for its self-grown agricultural products and I wouldn't fancy the chances of the cockerel that wakes me every morning making it into a second week.

Additionally, as I mentioned above, the local region is hugely economically dependent on Gibraltar and the thousands of jobs it provides. However, a politically malevolent government in Madrid could cause huge damage by slowing or stopping border flows and, with Gibraltar outside the EU, our ability to appeal to Brussels would be weakened. The recent election in Spain with a strengthening of support for the right wing Vox party, who wish to close the frontier with Gibraltar, is a worrying trend.

The cost of living in Spain is lower than Gibraltar; therefore, with an unsure border, firms may find the cost of employment higher. Indeed, Gibraltar itself may be less attractive as a place to live if goods become harder to obtain. Tourism and the retail sectors would also suffer.

The threat of a socialist government in the UK should also not be ignored. The left is historically hostile to international

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finance centres, indeed to capitalism in general. Labour Governments have also proved to be less reliable allies in the protection of Gibraltar's right to remain British. On the brighter side, Gibraltar would no doubt benefit from the flow of individuals who, for fiscal or religious (given the alleged level of anti-Semitism within the Labour Party) reasons, may find a Corbyn Government less than appetising.

#### **At The End Of The Day**

Gibraltar is remarkable at reinventing itself. Forty years ago, it was still utterly economically -dependent on the British armed forces. It is now a diversified vibrant economy. New housing and offices spring up on an almost daily basis. It's infrastructure, whether schools, stadiums or power stations are being modernised.

A new Government-owned bank opened a year before the referendum, establishing a stable banking partner for local business. A highly entrepreneurial Stock Exchange had also recently started, which was able to respond quickly to the changes that Brexit was likely to bring.

In fact, one in four UK motor policies are provided by Gibraltar-licensed insurers. 92 per cent of Gibraltar's finance sector is UK- focused. Nine in 10 online bets placed in the UK are with Gibraltar-licensed gaming companies.

Yet, we are a cork on an ocean of change. We are driven by; we do not drive events. Time will tell if indeed “I Will Survive” is the right anthem, or whether the melancholy song from Monty Python's Spamalot, “He Is Not Dead Yet”, may be more appropriate. ■

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