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## 10 DOWNING STREET

From the Private Secretary

30 June, 1982

Dear Francis,

Gibraltar

The Foreign and Commonwealth Secretary, accompanied by Sir Antony Acland, attended an informal meeting with the Prime Minister today to discuss the present state of Anglo/Spanish relations with regard to Gibraltar. The Secretary of State for Defence was present for part of the discussion.

The Prime Minister said that she doubted whether we would have agreed to the Anglo/Spanish statement issued in Lisbon on 10 April, 1980 if we had at that time already undergone the recent Falklands experience. The statement of intention "to resolve .... the Gibraltar problem" and "to start negotiations aimed at overcoming all the differences ... on Gibraltar" presented great difficulty in the light of the events in the South Atlantic. We could not negotiate with Spain about our sovereignty over Gibraltar. This was a matter for discussion only with the Gibraltarians.

The Foreign and Commonwealth Secretary said that he had made it plain to the Spanish Foreign Minister earlier that there was no question of negotiation about sovereignty. In any further talks it would be desirable to concentrate on questions relating to the opening of the frontier and economic development. But the Spaniards had come to the view that at the talks arranged to take place in Sintra on 25 June we were unlikely to go sufficiently far towards their point of view. The talks had therefore been postponed at Spanish request. The consequences of the frontier remaining closed could be quite serious in that the Gibraltarians would look to us for increased economic support. Both the United Kingdom and Gibraltar had an interest in an open frontier. In present circumstances, it was clear that we would not be able to discuss sovereignty with Spain but it was best not to say this openly.

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The Defence Secretary said that there was no good reason for changing existing policy on the Gibraltar dockyard, but he nevertheless intended to try to give to the dockyard some of the work arising from the Falklands campaign. The Foreign and Commonwealth Secretary commented that, even if this were possible, the dockyard would not be viable. Sir Antony Acland explained that three commercial bids had been made for the dockyard. One of these was probably not a starter; the other two firms which had made a bid had stated that they would require a very considerable Government subsidy. The Prime Minister asked whether the Gibraltar Government could not lease the dockyard and associated equipment to a suitable firm, free of charge, for a period of about four years. The Foreign and Commonwealth Secretary thought that this would not be a sufficient inducement for the firms in question.

The Foreign and Commonwealth Secretary observed that it might have been better to insist that the frontier should be opened before Spain entered NATO. It had been made clear to Spain that its entry into the European Community was inconceivable unless by that time there was an open frontier. Our objective now must be to have the frontier opened. But in present circumstances, we should not press for further talks with Spain. If necessary, we should have to say in public that the Lisbon Agreement remained valid but no progress was possible at the moment. The future might see a change.

The Prime Minister asked what effect the Spanish elections would be likely to have next year. Sir Antony Acland said that if the Socialists won, this would be unlikely to make the situation over Gibraltar worse. They at present argued for the opening of the frontier, mainly to improve employment prospects in Spain. But once elected, they might be tempted to strike a more Nationalist pose. It was unlikely that the present Spanish Government would seek fresh talks before the elections. They were at present considering whether to open the frontier to pedestrian traffic. This would be acceptable so long as they demanded no quid pro quo. The Prime Minister agreed.

The discussion then turned to the public presentation of our policy. The Foreign and Commonwealth Secretary stated that it was important not to inflate the issue of Gibraltar. It should be handled in the lowest possible key. We should make it clear that the Lisbon process was for the moment in abeyance because the time was unpropitious for progress. The Prime Minister stated that we should in effect put the Lisbon Agreement on ice. We would continue to support Spain's application for membership of the Economic Community while making it plain that the frontier would have to be opened before Spain entered. There was no reason why, at some point

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in the future, we should not discuss with Spain economic aspects of the Gibraltar situation. Indeed, the Spaniards could raise any matter they liked, including that of sovereignty. We would listen, but would make it abundantly clear that we had no intention of transferring sovereignty. We should rest on a previous statement made by Lord Carrington that we would "never enter into arrangements under which the people of Gibraltar would pass under the sovereignty of another state against their freely and democratically expressed wishes". Thus, we would stand by the people of Gibraltar, whatever they decided. The Foreign and Commonwealth Secretary pointed out that this was entirely consistent with the Lisbon Agreement and that the alternative formulation in paragraph 5 of the Agreement would serve equally to protect the position on sovereignty. It was agreed that either of these two formulae should be used in public to make our position clear.

I am copying this letter to David Omand (Ministry of Defence).

*Yours ever  
John Cole.*

F. N. Richards, Esq.,  
Foreign and Commonwealth Office

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