

PRIME MINISTER

GIBRALTAR

The visit of the Chief Minister on 29 June is important.

Sir Joshua Hassan will seek a deferment of closure of the naval dockyard for two years, in return for which he would commit the Gibraltar Government to support the establishment of a commercial yard at the end of this period.

The Governor advises that there is a risk of Hassan resigning if his proposal is rejected. This could lead either to early elections or, at worst, to direct rule by the Governor. It remains to be seen whether this is an exaggerated assessment of the situation.

In the attached letter, which I suggest you read in full, the Foreign Secretary takes the view that we cannot accept the Gibraltar proposal. He sets out substantial reasons for this.

Sir Geoffrey Howe will see Hassan on 29 June. I understand that Hassan may seek to call on you on 30 June. There will thus be time to digest the results of the first round before taking a final position. The matter could be discussed in Cabinet or OD on Thursday. Would you like me to reply to the FCO letter saying that you would be grateful if the Foreign Secretary would report to Cabinet on Thursday so that Ministers can consider the position collectively?

Please see also the Governor's telegram attached.

A.J.C. 28/6.

27 June 1983



Foreign and Commonwealth Office

London SW1A 2AH

27 June 1983

Dear Sir,

Gibraltar

The Chief Minister of Gibraltar, Sir Joshua Hassan, is coming here on 29 June for discussions about the Gibraltar dockyard with Ministers from both wings of the FCO and from the Ministry of Defence. They could be difficult meetings.

Following the 1981 Defence Review and an OD decision in October of that year, it was announced that the naval dockyard at Gibraltar would be closed during 1983. That decision has been reaffirmed many times since. The projected date for closure is now 31 December 1983, although that precise date has not been announced publicly and redundancy notices have not yet been issued.

The naval dockyard plays a very significant role in Gibraltar's economic life. A detailed study showed that the only alternative which stood a reasonable chance of taking its place, particularly with Spanish restrictions preventing the development of tourism, would be the establishment of a commercial yard. In November 1982 OD decided that HMG should support the establishment of a commercial yard which should be managed initially by the British firm A&P Appledore International Ltd. A generous package has been worked out to accompany the establishment of a commercial yard. Its main features are the handing over, free of charge, of the dockyard land and assets; a guaranteed programme of work on Royal Navy vessels for the first three years; and the provision of some £28 million, through the ODA, to help refurbish the yard and get it off to a good start.

The Gibraltar Government have long been concerned about the decision to close the naval yard and have tried without success to get it reversed. Sir Joshua Hassan himself appeared, until recently, to have accepted that closure of the naval dockyard was inevitable and to be concentrating on getting the best possible deal to take its place. Now,

/however,



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however, the Gibraltar Government have requested a deferment of closure for two years against a commitment by them to support the establishment of a commercial yard at the end of this period, ie in 1986. They appear to envisage some sort of transitional period in the interim, with the naval yard undertaking some commercial work. This is the case which Sir Joshua Hassan has said that he will press when he comes to London next Wednesday.

It is not yet clear whether the latest move by the Gibraltar Government represents more than an initial bargaining position. The Governor has advised that the decision by Gibraltar Ministers is unanimous; that it should be taken seriously; and that there is a risk of Sir Joshua Hassan resigning if his proposal is rejected. This could lead either to early elections or, at worst, to direct rule by the Governor.

The reluctance of Gibraltar Ministers to contemplate major decisions affecting the economic well-being of Gibraltar is understandable. Sir Joshua Hassan's problems are compounded by the need to hold elections before March/April next year. If he waits until near that time he risks having elections at a moment when unemployment resulting from dockyard closure will be at its height.

We need to take full account of Gibraltarian problems and anxieties. Nevertheless, the Foreign and Commonwealth Secretary believes that there can be no question of accepting the Gibraltar proposals for a two year deferment of closure. The Ministry of Defence do not need the naval dockyard at Gibraltar, which is no longer capable of refitting modern warships. Postponing the decision to close it for a further two years would only lead to a period of continuing uncertainty in Gibraltar. There would be grave doubts as to whether a commercial operation could be set up at all after that time. The Gibraltarians must grasp the nettle some time. There is no advantage in delaying the point at which they must exert their own efforts to the maximum in order to sustain their economy. Furthermore, the Defence Review led not only to a decision to close the 1981 naval dockyard at Gibraltar, but also to close Chatham and run down Portsmouth. It would be unacceptable politically in this country if Gibraltar were reprieved while yards in the UK were being closed.

When Sir Joshua Hassan comes here next week, therefore, Sir Geoffrey Howe proposes that Ministers should listen with care to the case he will make. Sir Joshua must be able to say on his return that he has deployed his case before UK Ministers and been listened to attentively. But

/Sir Geoffrey



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Sir Geoffrey believes that we should also make it clear that there can be no change in the decision to close the naval dockyard in Gibraltar before the end of 1983. The most that would be possible to meet Sir Joshua Hassan's concerns would be some minor improvements in the package of assistance to set up a commercial yard which is now on offer.

I am sending copies of this letter to the Private Secretaries of other members of OD and to Sir Robert Armstrong.

Yours ever,

A stylized handwritten signature, likely belonging to B J P Fall.

(B J P Fall)
Private Secretary

A J Coles Esq
Number 10 Downing Street



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10 DOWNING STREET

From the Private Secretary

28 June 1983

GIBRALTAR

Thank you for your letter of 27 June.

The Prime Minister has noted that the talks with the Chief Minister of Gibraltar may well be difficult. She would be grateful if the Foreign and Commonwealth Secretary would brief Cabinet on Thursday about his round of talks with Sir Joshua Hassan on Wednesday. She has herself agreed to see the Chief Minister at 5 o'clock on Thursday (Gibraltar's unnumbered telegram of 27 June refers) and would like to consider the situation with her colleagues before she does so.

In a preliminary reaction to the contents of your letter, the Prime Minister wondered whether it might not be possible to extend the date of closure of the naval dockyard for six months beyond the end of 1983.

I am copying this letter to the Private Secretaries to other members of OD and to Sir Robert Armstrong.

Brian Fall, Esq.,
Foreign and Commonwealth Office.

PRIME MINISTER

CALL BY THE FOREIGN AND COMMONWEALTH SECRETARY

I have agreed the following agenda:

(a) Gibraltar

He will give you an account of his talks with the Chief Minister. The matter is to be raised in Cabinet on Thursday.

(b) Multi-National Force in the Lebanon - British Contingent

I think he has reached the view that we should extend the British contingent beyond 6 August.

(c) OECD Secretary-General

He has a candidate in mind (I have asked Sir Robert Armstrong for comments on your suggestion that Alan Walters might be a candidate).

Would you also like to tell the Foreign Secretary that on Sunday, 24 July Laurens van der Post and Dr. Koornhof will be having a private lunch with you at Chequers?

A.J.C.

28 June 1983