

SUBJECT

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cc Master

NOTE OF A MEETING HELD AT NO. 10 DOWNING STREET AT 1100 ON
FRIDAY, 1 JULY

Present:

Prime Minister
Foreign and Commonwealth Secretary
Defence Secretary
Mr. Ian Stewart, M.P.
Sir Antony Acland
Sir Julian Bullard
Mr. Wilson
Mr. Coles

The Prime Minister described the outcome of her talk with the Chief Minister of Gibraltar on 30 June and said that, unless the present difficulties relating to the closure of the Gibraltar dockyard could be solved, we could face a serious political problem. Public opinion would tend to see Gibraltar, already in difficulty because of the Spanish attitude, as having been let down by Britain. There would be a connection in the public mind with the Falklands, partly because of the assistance provided by Gibraltar at the time of the Falklands campaign. She had been asked two Questions this week in the House about the situation.

Sir Joshua Hassan had handed her an aide memoire which stressed the loyalty of the people of Gibraltar to Britain and NATO and had emphasised that the Gibraltar government would put its full weight behind the proposals for commercialisation of the dockyard if the conditions he had stipulated, including a two year deferment of closure of the present dockyard, were met. She had urged Sir Joshua Hassan to reconsider his position in the light of her offer to defer closure by six months and to increase the amount of naval work which would be made available to a commercial dockyard.

/The Foreign and Commonwealth

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The Foreign and Commonwealth Secretary agreed that, if the present problems were not solved, there could be considerable political difficulties. The Times had published a leader on 29 June which had tended to endorse Sir Joshua Hassan's approach. The Labour Party would link difficulties over Gibraltar with the Falklands. It seemed unlikely that Sir Joshua Hassan would accept a deferment of closure as short as six months. But the longer the period of deferment, the less likely it was that commercialisation would succeed.

Mr. Wilson said that he had discussed the problem on 30 June with the Chief Minister and the Governor, following Sir Joshua Hassan's talk with the Prime Minister. Sir Joshua had initially taken the view that six months was unacceptable and that he could accept nothing less than a two year deferment. But during the conversation his position had become much less firm. The Governor would be having further talks with him and would seek to persuade him that the present offer was a very good one.

The Prime Minister said that it was important that we should obtain Sir Joshua Hassan's support for commercialisation. It was possible that he would make a counter offer of a year's deferment.

Mr. Wilson said that he had explained to the Chief Minister that a six month deferment would mean that redundancy notices would have to be issued in December of this year. But it was open to Sir Joshua to call an election in October, i.e. before redundancy notices were issued. The March date for an election, which had been discussed earlier, was simply the last date by which an election must be held. Although Sir Joshua had said, at his meeting with the Prime Minister, that he might reply to our latest offer within 48 hours, he had later taken the line that this was a big decision and he would probably need a longer period before replying.

/The Defence Secretary

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The Defence Secretary said that the crucial issue was how we could ensure the best possible arrangements for the future of the dockyard. There was no hope of it being commercially viable unless working attitudes changed. This, in turn, required severance. Our aim should be to try to persuade Sir Joshua Hassan that the terms we were now offering could easily be justified to the people of Gibraltar.

The Foreign and Commonwealth Secretary said that the agreement of Sir Joshua Hassan to commercialisation was extremely important. To delay closure by a few months would not be significant in that context. The Prime Minister commented that she doubted whether a six month deferment would be acceptable to Gibraltar. Sir Joshua Hassan might ask for closure to be deferred until the end of 1984. In the last resort she did not believe that we could reject such a proposition. The Defence Secretary said that he believed that Appledore could be persuaded to accept deferment. The financial implications were not particularly significant. We now needed a period for calm negotiation. Sir Joshua Hassan did not hold ^{all} the cards. He faced an election and wanted an acceptable arrangement.

Mr. Wilson commented that until two weeks ago Sir Joshua had been reasonably satisfied with the package. He had changed his position under pressure from the Council of Ministers but the Governor believed that he might settle for a six month deferment.

The Foreign and Commonwealth Secretary said that there was a case for sending a message to Sir Joshua now setting out our latest offer in writing. The Prime Minister said that such a message would have to be reasonably firm but should perhaps leave the door open for further discussion. It was important that the text should not be purely technical in nature. It should contain a passage responding to the statements in Sir Joshua Hassan's aide memoire about the loyalty of the people of Gibraltar to Britain, i.e. it must have an emotional content.

/There would also

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There would also be advantage in inserting a reference to unemployment in the British dockyards which were subject to closure.

The Defence Secretary urged that the message should also point out that any delay in commercialisation worked against the interests of Gibraltar. We should take the line that we would prefer to proceed to commercialisation as quickly as possible but that if the Gibraltar Government insisted on a six month deferment, then we would accept that. The point was that there was a private company ready to embark on commercialisation and possessing the prospect of a ^{useful} /amount of business. A six month deferment would be bound to have some effect on their attitude. The Prime Minister agreed that our message to the Chief Minister should imply that refusal to accept our offer would mean that an important opportunity had been missed.

Mr. Stewart stressed that if closure was deferred, the MOD could not contemplate running a hybrid operation in the dockyard. Essentially, we should have to maintain the existing operation but the threat of closure hanging over it would be demoralising. Thus, the chances of moving at the end of the period to a more vigorous commercial operation would be prejudiced. He had found that the Chief Minister was not at all clear as to what would happen in the dockyard during the period of deferment. In fact, there was no prospect of developing commercial work while the dockyard was being used for naval purposes.

In further discussion, it was agreed that it would be useful for the message to Sir Joshua Hassan to offer a visit to Gibraltar by Mr. Stewart, who would be able to illustrate the disadvantages if the current plans were disrupted. It was thought better that a British Minister should visit Gibraltar and in that way show our continuing concern for its interests than for the Chief Minister to be invited to pay another visit to London.

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The Foreign and Commonwealth Secretary said that the picture of imminent economic disaster which the Chief Minister had presented was a travesty of the real situation. At present 1,100 people worked in the dockyard. Appledore would re-employ 300 initially and expected to employ 600 or 700 at a later stage. A further 200 would secure employment in the naval base. So total redundancies were only likely to be of the order of 200.

In conclusion, the Prime Minister asked the Foreign and Commonwealth Secretary, in conjunction with the Defence Secretary, to prepare a message to Sir Joshua Hassan on the lines discussed, for despatch later in the day.

A.J.C.

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10 DOWNING STREET

From the Private Secretary

1 July, 1983

Dear Roger,

Gibraltar

The Prime Minister held an ad hoc Ministerial meeting here this morning to discuss Gibraltar in the light of her talk with the Chief Minister on 30 June. I enclose a note of the discussion.

I am copying this letter and enclosure to the Private Secretaries of members of OD and to Richard Hatfield.

*you see
for file.*

R. B. Bone, Esq.,
Foreign and Commonwealth Office

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