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RECORD OF A MEETING AT 10 DOWNING STREET AT 1015 ON TUESDAY 12 JULY 1983

Present: Prime Minister  
Foreign and Commonwealth Secretary  
Defence Secretary  
Chief Secretary  
Mr. Stewart  
Sir Antony Acland  
Mr. Wilson  
Mr. Coles

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Introducing the report in his minute of 7 July to the Prime Minister, Mr. Stewart said that his visit to Gibraltar had made it plain that, apart from the naval dockyard and other MOD installations, the Gibraltar economy was practically non-existent. The Chief Minister apart, the Council of Ministers were out of their depth when considering the future of the dockyard. The decision had more far-reaching implications than anything they had handled before and they were acutely nervous. He believed that Hassan had convinced himself of the necessity of going ahead with commercialisation but he had so far been unable to convince other Ministers. The Gibraltar Government felt that it must be able to sell whatever was agreed at the next elections which were due by Spring 1984. The Gibraltarians had committed themselves so firmly to the question of timing that we should almost certainly have to make a further concession.

The Foreign and Commonwealth Secretary said that we needed to be clear about where we were heading. Given the background of British dockyards we would not be investing in a commercial dockyard in Gibraltar unless this seemed to be the only possible solution. There must be a fear that the commercial dockyard would not be a success and that the Gibraltar Government would then come back to us for further aid. If we had made too many concessions at the present stage, this would not be helpful later.

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# CONFIDENTIAL

CONFIDENTIAL

- 2 -

If Spain joined NATO, then base facilities would remain at Gibraltar. Furthermore, if the current frontier restrictions were removed, Gibraltar could benefit from becoming part of the touristic complex of Southern Spain. Part of our task was to persuade Gibraltar not to be hostile to such developments. We should not give the impression that we were taking on the Gibraltarians as permanent pensioners. It was therefore essential to get them to accept a firm commitment as to the date of commercialisation.

The Prime Minister said that it could be argued that Gibraltar had no economic prospects unless Spain permitted economic development. Even if we obliged Spain to lift the frontier restrictions as a condition of its entry into the European Community, the frontier could be closed again afterwards.

The Foreign and Commonwealth Secretary said that if Gibraltar developed into a dole economy, this would be much more expensive for us over time. And our position vis-a-vis Spain would be weaker. The Prime Minister observed that we did not wish to devote considerable resources to a commercial failure. Would it be better to wait and see how the accession negotiations progressed? Sir Antony Acland said that he did not believe that the Spaniards would close the frontier after accession. But they might erect bureaucratic obstacles to free movement. Nevertheless there were very real advantages for Spain in an open frontier. The area of Spain which joined Gibraltar was one of very high unemployment. Once the frontier was opened and Spain and Gibraltar were making money out of it, both would have a vested interest in the situation continuing.

The Defence Secretary said that he believed that the arguments favoured going ahead with commercialisation. If we had to continue to support the dockyard through providing naval work, it was better to do this through a commercial dockyard. Simply to continue with the existing situation would cost £42 million over the next three years. He had recently seen a representative of Appledore who was more bullish about the prospects than he had expected.

The real issue now was how we could get the Chief Minister

CONFIDENTIAL

/ to

# CONFIDENTIAL

- 3 -

to commit himself. There had been a suggestion in a telegram today that Hassan might reply to our recent memorandum by asking that the closure of the dockyard should be deferred until the end of 1984. One possibility was for us to make a counter-proposal of September, 1984.

Mr. Stewart said that to postpone the closure of the naval dockyard by another six months would cost an extra £6½ million.

Sir Antony Acland said that we should take into account the Gibraltarian psychology. They felt that they would always be cushioned by Britain and were afraid of new measures. The Chief Secretary said that we should not hand over the proposed aid of £28 million until there was clear agreement about the future.

Mr. Wilson said that Appledore representatives were in Gibraltar now. He believed that they were telling Hassan that there must be a clear break but that a six or nine month deferment of closure was acceptable from their point of view (and in the last resort they might accept twelve months).

Mr. Wilson said that he understood that the Chief Minister might send in the next 48 hours a reply to our latest memorandum. He might ask for a further six-month deferment of closure and an accelerated arrangement for the transfer of defence lands. The Defence Secretary said that we would do whatever was humanly possible to help on the latter point.

The Prime Minister said that we should await the next message from Hassan. If he proposed a further six-month deferment we should accept this but it would be essential to obtain a firm commitment from him that he would support commercialisation.

Mr. Stewart said that there were two further points. It would help Hassan if he felt that there would be a committed workload from July 1984 to June 1987. We could make it clear that while the value of the workload would not vary, we could discuss its spread. Secondly there might be some advantage in making available

CONFIDENTIAL

/ in advance

CONFIDENTIAL

- 4 -

in advance of an agreement on labour practices a very small part, say up to £1 million, of the £28 million package to cover some preliminary work by Appledore. Hassan said that he needed extra time for preparatory work and this would be one way of helping him. The Chief Secretary commented that we should be sending the wrong signal if we agreed to hand over even a small amount before there was agreement on labour practices. The Prime Minister said that Departments should examine further the possibility of helping in this area. She also considered that we should examine the labour practices of those employees who would be retained in the naval dockyard.

The discussion ended at 1115.

A. J. C.

12 July 1983

CONFIDENTIAL

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10 DOWNING STREET

*From the Private Secretary*

12 July 1983

*Dear Brian,*

Gibraltar

The Prime Minister held a meeting here this morning to discuss the latest situation relating to our exchanges with the Government of Gibraltar about the future of the dockyard. I enclose a record of the discussion.

I am copying this letter and enclosure to Richard Mottram (Ministry of Defence) and John Gieve (Chief Secretary's Office).

*Yours are*

*John Gieve.*

Brian Fall, Esq.,  
Foreign and Commonwealth Office.

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