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Foreign and Commonwealth Office

London SW1A 2AH

4 August, 1983

*pse to p
for my sig.*

John [unclear]

Gibraltar and the EC

/ I attach a letter of 18 July from Mrs C Baldachino, Chairwoman of the Gibraltar branch of the European Movement, enclosing a memorandum to the Prime Minister about the implications for Gibraltar of Spanish accession to the European Community. The letter was referred to the FCO to be dealt with as we thought fit. In normal circumstances, a departmental reply would have been adequate, but we believe that there are special reasons which in this case justify a reply from a No 10 Private Secretary.

The subjects addressed in the European Movement's letter and memorandum were also the subject of a memorandum by the Gibraltar Government of 11 April 1983, setting out their concerns about Spanish accession and their wish for wide ranging but unspecified changes in Gibraltar's EC relationship to take account of it. A team of officials led by David Hannay, the FCO Assistant Under Secretary responsible for European Community affairs, was in Gibraltar from 26-28 July for talks with the Government and with various organisations in Gibraltar, including the European Movement, about these issues. The talks allowed the Gibraltarians to let off a good deal of steam, and provided an opportunity to brief them about Spain's accession negotiations and to answer a lot of questions - and also to dispel any impression that London was not interested in Gibraltar's problems in the Community.

The British team was also able to dispose of the misconception, reflected in the European Movement's memorandum, that Gibraltar's existing Community status could be altered either in the Spanish accession negotiations or after Spain joins against the UK's will. The major worry expressed on the Gibraltarian side (and also reflected in the European Movement's memorandum) was that the EC Treaty provisions for free movement of labour would result in an unacceptable inflow of cheap Spanish labour which would submerge the character of Gibraltar and create unemployment there. This led a number of those with whom the delegation spoke to talk in terms of negotiating special arrangements or permanent derogations for Gibraltar, essentially to protect those at present resident and employed in Gibraltar against competition. The delegation made clear the difficulties and disadvantages of such an approach, which

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would involve a basic change in Gibraltar's EC status, and weaken our position in seeking in Spain's accession negotiations the removal of the frontier restrictions as incompatible with EC law. But the delegation agreed to study the problem carefully and in due course to seek the views of Ministers. They pointed out that a joint declaration on the free movement of labour which would allow any Member State to raise and seek solutions for unforeseen problems in the Community institutions without limit of time, similar to that attached to the Greek Accession Treaty, was already provisionally agreed with Spain.

The European Movement is broadly representative of influential and informed opinion in Gibraltar and is used as a sounding board by the three political parties for their views and concerns on EC issues. It is therefore worth our going to some trouble to convince its members at this difficult juncture that the British Governments are listening to what they say. We have considered whether we should recommend that the Prime Minister reply personally, but have concluded that - given that the letter is almost certain to be published - this might easily be seen by the Spaniards as a provocative gesture. On the other hand a departmental reply would be seen as a brush-off. I enclose a draft.

Yours ever

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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CF, see
pps below

10 DOWNING STREET

From the Private Secretary

5 August 1983

I am writing on behalf of the Prime Minister to thank you for your letter of 18 July, enclosing a memorandum about the impact of Spanish accession on Gibraltar.

I believe that you had a chance to meet the team of officials who visited Gibraltar at the end of July and to put the views of your branch of the European Movement to them. The Prime Minister hopes that that meeting will have reassured you that Gibraltar's concerns about the possible impact of Spanish accession are being thoroughly considered in London.

She has also asked me to assure you that Gibraltar's relationship with the Community is safeguarded in our Treaty of Accession. This means that all Member States, including the UK, would have to approve any proposal for change. We shall of course continue to bear Gibraltar's concerns in mind, particularly as the enlargement negotiations proceed.

I can quite understand your concern that there may be problems for Gibraltar after Spain joins the Community as regards the free movement of labour. This is certainly an area that requires careful consideration both in London and in consultation with the Commission in Brussels. This is in hand following the visit by the team of officials.

(Timothy Flesher)

Mrs. C. Baldachino

VC

DRAFT LETTER

FROM: PS/10 DOWNING STREET

TO: MRS C BALDACHINO

CHAIRWOMAN THE GIBRALTAR BRANCH OF THE EUROPEAN
MOVEMENT

The Prime Minister has asked me to thank you for your letter of 18 July, enclosing a memorandum about the impact of Spanish accession on Gibraltar.

I believe that you had a chance to meet the team of officials who visited Gibraltar at the end of July and to put the views of your branch of the European Movement to them. The Prime Minister hopes that that meeting will have reassured you that Gibraltar's concerns about the possible impact of Spanish accession are being thoroughly considered in London.

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TF

Q1 Gibraltar

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GIBRALTAR BRANCH
1A, Paradise Ramp,
Gibraltar.

Tel: No. 77530.

**The European
Movement
(British Council)**

Limited by Guarantee
Registered in England
No 551817

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Europe House
1A Whitehall Place
London SW1A 2HA
Tel 01-839 6622
Telex
916809 EURLDN

18th July, 1983.

R19/7 by hand

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
10, Downing Street,
London,
England.

NAFLO

Competition to the TEF

Dear Madam,

I have to inform you that a motion was passed at the Annual General Assembly of the Gibraltar Branch of the British European Movement held on the 4th May, 1983, which reads as follows:

" This Assembly calls on the Executive Committee to make urgent representations to the Prime Minister, The Hon. Mrs. Margaret Thatcher, seeking an assurance that prior to the accession of Spain to the European Economic Community, negotiations will take place to alter the present terms of membership of Gibraltar to ensure that Gibraltar's economy is adequately protected and that such representations will be made within the next three months. "

In consequence thereof, I have been requested to deliver the attached memorandum to you in London with the request that this receives your favourable consideration.

The Branch wishes to express their sincere appreciation and gratitude for your continued support in defence of the rights of the people of Gibraltar to determine their own future.

Yours faithfully,

Cecilia Baldachino

C. Baldachino,
Chairwoman.

we spoke

*The Secretary 25/7
The Cadogan*

I assume this was delivered to you by the B personally. I think we should

Patrons of Honour of
European Movement
Dr Walter Hallstein
Rt Hon Harold Macmillan
Jean Rey

President
The Rt Hon Lord Duncan-Sandys CH
The Rt Hon Sir Geoffrey de Freitas KCMG MP
The Rt Hon Lord George-Brown
Lord Gladwyn GCMG GCVO CB
The Rt Hon Lord Harlech KCMG
The Rt Hon Edward Heath MBE MP
The Rt Hon Lord Home KT
The Rt Hon Lord Houghton CH
The Rt Hon Roy Jenkins
The Rt Hon Dr Dickson Mabon MP
Sir John Sainsbury
The Rt Hon Lord Thomson

Chairman
Mr Basil de Ferranti DSc MEP
Deputy Chairman
The Rt Hon Dr Dickson Mabon MP
Vice-Chairmen
Lord Banks CBE
Mr John Pinder ORE
Hon Treasurers
Mr Geoffrey Drain
The Rt Hon Maurice V Macmillan MP
Hon Secretaries
Miss Beryl Goldsmith
Mr Norman Hart
Director
Mr Ernest Wistrich CBE

Patrons
Rt Hon James Callaghan MP
Rt Hon David Steel MP
Rt Hon Margaret Thatcher MP

consider with B...

MEMORANDUM

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
10, Downing Street,
London,
England.

Dear Madam,

In view of the fact that the people of Gibraltar are disenfranchised with regard to the European Economic Community Parliament, we feel this matter is so very important that we ought to appeal to you.

Spain has applied to become a member of the Community and Britain has stated on several occasions that she will support Spanish entry. The Gibraltar Branch of the British European Movement would like to draw your attention to the serious consequences for the economy of Gibraltar, and indeed the very survival of our community, implicit in having to meet present treaty obligations with direct communications with Spain and the latter's eventual membership of the Community. However, there are other facets of Spain's joining the E.E.C. which can affect Gibraltar most intimately and this memorandum is addressed to you with the request that these matters be taken into consideration and a solution to them be found.

It is the considered view of this branch and of all sectors of opinion in Gibraltar that the continuing terms of membership of Gibraltar in the Community need to be settled prior to Spain's entry and since this could prove a delicate matter, it requires a decision at the highest level. The matter was first raised in the Gibraltar House Of Assembly in 1980 and ways of achieving this objective have been under consideration by a Committee of the House Of Assembly since then. Representations to this Committee have been made by the Gibraltar Chamber Of Commerce, the Gibraltar Trades Council and other representative bodies.

Contd /

The present situation is that since 1973, there has been free movement of labour and capital between Gibraltar and the E.E.C. countries but this has represented no serious threat to employment or businesses. With the possible accession of Spain to the E.E.C., the measures necessary to protect Gibraltar and its 30,000 people would have to be looked at in depth and enacted if the survival of its small community is to continue, given the size of the neighbour and its population of approximately forty million.

Gibraltar, at the present time, is a political member of the Community (as the only British dependent territory in Europe) but the economic elements of E.E.C. membership do not apply to Gibraltar and therefore Gibraltar does not derive any economic benefit from the Community. Gibraltar does not pay the Common Agricultural Policy levy, is not enjoined in the Common Customs Tariff policy and does not levy Value Added Tax. Once Spain joins the E.E.C., there may be pressures that these three elements should apply to Gibraltar. Gibraltar would, however, request that these should not be applied. The C.A.P. would mean an increase in the cost of living with no benefit to Gibraltar since there is no agriculture on the Rock. V.A.T. would also mean that a considerable amount of money, which today finds its way into the Gibraltar exchequer through moderate customs duties on importation, would no longer remain in Gibraltar but would be required to be sent to Brussels. This would create serious difficulties to the Gibraltar economy and undermine the political aspirations to the right to self-determination of our people.

It is hoped that there will be no change in Gibraltar's present position as regards to C.A.P., V.A.T. and Common Customs Policy Tariffs.

There is, however, a further point on which derogation should be sought. Neighbouring Spain is a strongly depressed area with a high measure of unemployment - this has been the pattern of life in Andalucia over the last fifty years and it would be extremely difficult for Gibraltar if all the unemployed persons in Andalucia were to try to seek employment in Gibraltar under the E.E.C. agreement that movement of labour should be freely permitted.

We hope that all these points will be taken into early consideration and that application will be made to Brussels to obtain such safeguards as may be necessary of the various matters mentioned above on Gibraltar's behalf as soon as possible. We feel certain that the Gibraltar Government, fully supported by all political parties having electoral representations in the House Of Assembly, will be willing to enact any measures necessary which are vital to the continued well-being of Gibraltar.

We would, therefore, specifically request that H. M. Government should approach its Common Market partners to bring to their attention the need to protect Gibraltar's interests prior to Spain's entry into the E.E.C. in much the same way as other specific national interests are being protected in other member states.

Yours faithfully,
British European Movement
(GIBRALTAR BRANCH)

Cecilia Baldachino

C. Baldachino (Mrs.)
Chairwoman