

O 221300Z JUN 83

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FM GIBRALTAR

TO RBDWDF/FCO LONDON

INFO RBDWCR/MODUK

RBDWDF/ODA

BT

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SIC

DESKBY 230800Z JUN 83

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FROM GIBRALTAR 221300Z JUN 83

TO IMMEDIATE FCO TEL NO PERSONAL 72 OF 22 JUN 83

INFO IMMEDIATE MODUK

IMMEDIATE ODA

MY TELEGRAM PERSONAL NO 70 : GIBRALTAR DOCKYARD

1. THE CHIEF MINISTER HAS NOW FORMALLY GIVEN ME THE FINAL AND UNANIMOUS CONSENSUS OF HIS MINISTERS FOLLOWING THE MEETINGS OF COUNCIL OF MINISTERS ON 20 AND 21 JUNE. THE UPSHOT IS A PROPOSAL TO DEFER THE CLOSURE OF THE DOCKYARD FOR TWO YEARS AGAINST A COMMITMENT BY THE GIBRALTAR GOVERNMENT TO AGREE TO COMMERCIALISATION AT THAT TIME. HASSAN'S PROPOSALS ARE GIVEN IN FULL IN MY THREE IFTS.

2. I WENT THROUGH HASSAN'S PROPOSALS WITH HIM TODAY. THERE IS NO DOUBT THAT HE IS DEEPLY ANXIOUS ABOUT THE ABILITY OF GIBRALTAR TO SURVIVE ECONOMICALLY AND POLITICALLY WITH THE COMMERCIALISATION PROPOSALS PRESENTLY BEING CONSIDERED. HE REHEARSED THE COMMITMENT IN 1981 FOR CONSULTATION BETWEEN THE BRITISH AND THE GIBRALTAR GOVERNMENTS TO FIND A VIABLE ALTERNATIVE TO THE DOCKYARD. IT IS HIS VIEW THAT THIS PROCESS OF CONSULTATION IS STILL IN PROGRESS AND THAT GIBRALTAR MINISTERS REQUIRE MORE TIME AND UNDERSTANDING FROM BRITAIN IN ORDER TO REACH THE RIGHT DECISIONS TO SAFEGUARD GIBRALTAR'S LONG TERM FUTURE. HE DOES NOT ACCEPT THAT THE TIME FOR NEGOTIATION IS PAST.

3. WE DISCUSSED IN SOME DETAIL THE STATEMENT OF GOVERNMENT VIEWS (MY SECOND IFT). I SAID THAT THE DOUBTS ABOUT APA'S MARKETING AND PRODUCTIVITY FORECASTS MIGHT BE JUSTIFIED ALTHOUGH THE VIEWS OF THE INDEPENDENT CONSULTANTS COULD EQUALLY BE QUESTIONED. IT IS BECOMING INCREASINGLY CLEAR THAT THE APA PROGRAMME, PARTICULARLY OF THE DEVELOPMENT OF THE YARD, PRESENTLY ENVISAGED IS EXTREMELY TIGHT AND WILL PROBABLY NOT BE MET. FURTHERMORE, IF APA FAILED TO ACHIEVE THE NECESSARY INCREASE IN PRODUCTIVITY (WHICH IS AMBITIOUS), THE LONGER TERM EMPLOYMENT PROSPECTS WILL BE AFFECTED.

4. ON THE OTHER HAND I SAID THAT I WAS NOT IMPRESSED BY THE IMPRECISE UNDERTAKING OF PROGRESS DURING THE TWO YEAR INTERIM PERIOD ESPECIALLY ON THE REDUCTION OF THE WORKFORCE (PARA 12 OF MY SECOND IFT). HASSAN CONCEDED THAT HE COULD GIVE NO GUARANTEES BUT WAS DETERMINED TO PRESS BOSSANO AND THE UNIONS TO AGREE. I ALSO SAID THAT I WAS FAR FROM SATISFIED THAT THE HYBRID OF A CONTINUING BUT TAPERING NAVAL MANAGEMENT WITH A DEVELOPING COMMERCIAL YARD WAS WORKABLE.

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5. HASSAN AGREED THAT THE GAP BETWEEN THE POSITIONS OF THE BRITISH AND GIBRALTAR GOVERNMENTS WAS WIDE. HE STILL CONSIDERS IT ESSENTIAL TO LEAD A DELEGATION TO LONDON THOUGH THE PURPOSE OF SUCH A VISIT WOULD CLEARLY NOW BE QUITE DIFFERENT. HASSAN SEES IT AS AN OPPORTUNITY TO DISCUSS AND TO NEGOTIATE ON THE BASIS OF HIS DEFERMENT PROPOSALS. HE WOULD WISH TO BRING WITH HIM CANEPA, WALLACE, MONTADO (ECONOMIC ADVISER) AND CASEY (INDEPENDENT CONSULTANT WHOSE REPORT FOLLOWS BY BAG TO SED). HE EXPECTS HOWEVER THAT THE NEGOTIATIONS ON THE WHITEHALL SIDE WILL BE CONDUCTED INITIALLY BY TOP OFFICIALS RATHER THAN MINISTERS. ALTHOUGH THIS SEEMS SENSIBLE, I RECOMMEND THAT HASSAN BE GIVEN THE OPPORTUNITY TO SET OUT HIS POLITICAL ARGUMENTS BEFORE MINISTERS. FROM A GIBRALTAR VIEWPOINT, 29 JUNE IS STILL A CONVENIENT DATE FOR SUCH MEETINGS IN LONDON.

6. HASSAN IS NOT PERSUADED THAT HIS AND GIBRALTAR'S ANXIETIES ARE FULLY UNDERSTOOD IN LONDON. HE IS DEEPLY CONCERNED THAT THE ECONOMY WILL BE UNABLE TO WITHSTAND THE PRESENT PLANS FOR TRANSITION OF THE NAVAL DOCKYARD TO A COMMERCIAL ONE: THUS THE POLITICAL STABILITY OF THE TERRITORY WILL BE GRAVELY JEOPARDISED. HE IS CONVINCED THAT ANY SUGGESTION OF WEAKENING OF BRITISH INTEREST IN AND SUPPORT FOR GIBRALTAR, E.G., BY A REJECTION OF HIS PROPOSALS FOR DEFERMENT, WILL DRAW FROM SPAIN A REACTION OF POLITICAL AGGRESSION HE ILLUSTRATED THIS WITH A REPORT THAT FELIPE GONZALEZ HAD SAID IN WASHINGTON THAT SPAIN WOULD ONLY ENTER THE EEC IF SPAIN RECOVERED SOVEREIGNTY OVER GIBRALTAR

7. THERE ARE ALSO CRUCIAL DOMESTIC POLITICAL IMPLICATIONS FOR HASSAN AND HIS GOVERNMENT. UNLESS HE CALLS ONE PREMATURELY, THE NEXT ELECTION WILL BE IN MARCH/APRIL 1984, PRECISELY WHEN UNEMPLOYMENT CAUSED BY REDUNDANCIES IN THE DOCKYARD WILL BE AT ITS HIGHEST - SOME 700 FROM THE DOCKYARD CLOSURE ALONE. THIS WOULD CLEARLY WEIGH THE ELECTION CAMPAIGN AGAINST HASSAN AND PLAY INTO BOSSANO'S HANDS. MINISTERS MAY FEEL THAT IF THEIR CONSIDERED AND UNANIMOUS RECOMMENDATION FOR DEFERMENT IS TURNED DOWN, THEY WILL HAVE NO CHOICE BUT TO RESIGN AS MINISTERS. THEY MAY HOWEVER REMAIN AS MEMBERS OF THE HOUSE IN ORDER TO FORCE A GENERAL ELECTION IN ONE WAY OR ANOTHER. I MAY HAVE TO DISSOLVE THE HOUSE AND CALL AN ELECTION. THERE IS THE DANGER, OF WHICH HASSAN IS AWARE, THAT THIS MIGHT LEAD TO DIRECT RULE BUT HE SEEMS CONFIDENT THAT THE THREAT OF INTERNATIONAL ODIUM WHICH THE BRITISH GOVERNMENT WOULD ATTRACT BY THIS WOULD BE ENOUGH TO PREVENT IT.

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8. I FULLY REALISE THAT HASSAN'S PROPOSALS FOR A TWO YEAR DEFERMENT WILL BE EXTREMELY UNWELCOME TO YOU, NEVERTHELESS SOME OF HIS SUPPORTING ARGUMENTS ARE REASONABLY WELL FOUNDED. IT WILL ALSO BE ESSENTIAL, IF WE ARE TO NEGOTIATE A MUTUALLY SATISFACTORY SOLUTION, THAT HIS PROPOSALS SHOULD BE CAREFULLY CONSIDERED, EVEN IF THIS OCCASIONS DELAY, AND SHOULD NOT BE REJECTED OUT OF HAND. HE SHOULD BE GIVEN THE OPPORTUNITY TO STATE HIS CASE IN LONDON TO MINISTERS

9. SEE MY 3 MIFTS. FCO PLEASE PASS.

WILLIAMS

BT

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