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RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND THE CHIEF MINISTER OF GIBRALTAR AT 1700 HOURS ON THURSDAY, 30 JUNE 1983 AT NO. 10 DOWNING STREET.

Present

Prime Minister	Sir Joshua Hassan
Foreign and Commonwealth Secretary	The Hon. Adolfo Canapa
Mr. J. Coles	Mr. Pitaluga

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Sir Joshua Hassan said that he was delighted that the Prime Minister had been returned to office and wished to convey his thanks for her robust personal support of Gibraltar. Gibraltar pledged its loyalty to Britain and to NATO. He knew that the United Kingdom faced considerable economic difficulties from which Gibraltar could not be exempt. After much heart-searching, the Gibraltar Government had accepted that the dockyard must close and was prepared to take the bold step of entering into a firm commitment on commercialisation. But if this change was to be meaningful, certain considerations had to be met:

- (a) work practices had to be changed to meet the competitive standards of the private sector and the workforce had to be reduced;
- (b) neglected dockyard equipment had to be modernised;
- (c) the workforce would require specialised training and must be ready to break into a competitive and depressed market;
- (d) there would need to be a transitional programme of naval work.

These requirements could not be met by the end of 1983 but could be met in two years. Gibraltar could not be associated with the project unless it was given a period of reasonable length to prepare for it. ODA consultants had advised that it was not possible to be certain of the success of the project.

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Independent consultants employed by the Gibraltar Government had described the project as highly optimistic. Nevertheless, the Gibraltar Government would commit itself and put all its weight behind the project on the conditions he had stated, even though there would be substantial unemployment.

As regards relations with Spain, HMG had rightly insisted that the border restrictions should be lifted before Spain could enter the European Community. Closure of the dockyard in December 1983 would cripple the Gibraltar economy which had already been damaged by the economic restrictions imposed by Spain. The closure would encourage the Spanish claim and give hope that the British position on sovereignty was weakening. If the Spanish restrictions could be lifted, the economy diversified, the private sector revived and suitable arrangements made for commercialisation, Gibraltar could face the future with confidence.

The Prime Minister thanked Sir Joshua for his statement. We knew how painful the situation was because we had had to decide to close not just the Gibraltar dockyard but British dockyards as well. She was somewhat puzzled by the attitude of the Gibraltar Government because the decision to close the dockyard had been taken in November 1981 and Gibraltar had therefore had a substantial period of warning. There could be no question of delaying closure by two years. It was unlikely that the proposed commercial operator could accept such a delay. The implementation of a clear decision offered the best chance of securing a workforce with the right attitude to a commercial project. Gibraltar doubtless faced restrictive practices and over-manning of the kind with which we were familiar. Postponement would not solve these problems. The workforce would not face the situation until they had to. She would like to help but could not contemplate postponement of two years or even one. If delay of a few months would help we could consider that provided that a firm date for closure was announced and that a state of redundancy was declared 7 months before that date. We could also provide a little work for the dockyard in addition to that which had already been mentioned.

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Taking up the Prime Minister's reference to November 1981, Sir Joshua Hassan said that the June White Paper had made no mention of a firm decision to close the Gibraltar dockyard. Following the November decision, and as a result of Gibraltar's representations, a team had been sent to Gibraltar for discussions but had not made much progress. He was not asking for postponement merely to put off the evil day. It was a rational request designed to allow Gibraltar to prepare properly for the evil day. It was not possible for the Gibraltar Government to be party to commercialisation on the basis suggested. The Government could not last in those circumstances. If HMG could not agree to postponement, then that was its decision. The Gibraltar Government would not be able to support it though they would do their best to help.

The Prime Minister said that our own people had suffered from dockyard closures. The level of unemployment in some of those dockyards was much higher than in Gibraltar. Mr. Canapa said that without naval support, there would be no work at all in the dockyard in the early stages. Substantial conversion work had to be carried out and, until this was complete, no ship owner would send ships to Gibraltar for refitting. The Prime Minister said that this argument suggested that the earlier we proceeded with commercialisation the better. Deferral of closure for six months would mean no closure for a year from now. It would be reasonable to point publicly to this 12 month period and urge rapid commercialisation.

Sir Joshua Hassan said that there would be great trade union resistance to commercialisation. Given time, the Gibraltar Government could cope with this but under present plans, it was likely that the workforce would withhold co-operation and certain people in Gibraltar would make capital out of this.

The Foreign and Commonwealth Secretary said that we were all agreed that the change would be difficult and that Britain must give as much help as it could. We had already offered £28 million for modernisation and continued orders from the Fleet for the first three years. The latter element was worth £11 million at present and we could try to provide further orders to raise it to about £14 million. Whenever commercialisation

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occurred, the difficult task of changing the attitudes of the workforce would still have to be undertaken. It was difficult to see that this would be any easier two years from now. The Prime Minister commented that even a deferrment of six months would cause difficulty in the United Kingdom given the other closure decisions. We had tried hard to make Gibraltar a generous offer. Sir Joshua Hassan said that he did not argue that our offer was not fair, simply that it was not workable. Britain had already set a pattern of changing labour attitudes. This would be the first time Gibraltar had tried to do so.

The Prime Minister commented that the arguments advanced by Sir Joshua would apply, whatever the date of closure. Sir Joshua Hassan disputed this. He was asking for time to change attitudes. The Foreign and Commonwealth Secretary said that if the commencement date for commercialisation receded, the offer we had made of naval orders for the first three years became less valuable.

The Prime Minister suggested that the work of refurbishing and re-equipping the dockyard might involve substantial employment. Mr. Canapa said that the civil works would require only 50 - 70 employees.

Sir Joshua Hassan said that the delay since November 1981 had been largely due to the time spent on the ODA and Appledore studies. It was not attributable to the Gibraltar Government. The Foreign and Commonwealth Secretary commented that no-one was attributing blame to the Gibraltar Government but the fact was that notice of closure had been given in November, 1981. Sir Joshua Hassan said that the British decision to go for commercialisation was taken only in February this year.

The Prime Minister reiterated that she could not envisage postponement of closure by two years. Postponement for six months would cost us £6.5 million but we could accept that. Sir Joshua Hassan said that the Gibraltar Government did not argue that the British Government should not proceed in the way outlined. But if it did so, that was its responsibility.

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Gibraltar could not be party to a scheme which it believed would fail.

The Prime Minister asked Sir Joshua Hassan to reflect on his position and re-consider. Sir Joshua Hassan said that he also wished to ask the Prime Minister to reflect. The Prime Minister said that she could not go beyond a six-month postponement. She hoped Sir Joshua would re-consider.

Sir Joshua Hassan said that he could not commit himself. He did not think his colleagues would agree.

The Foreign and Commonwealth Secretary pointed out that Appledore believed that the delay of two years would remove all prospect of commercial success. If the Gibraltar Government offered the prospect of launching a successful project a year from now that would surely be regarded as valuable by the people of Gibraltar. The project would have a much greater chance of success if launched with the support of the Gibraltar Government.

The Prime Minister said that she believed that Sir Joshua could, with his great talents for persuasion, convince his colleagues. She must make it clear that no better deal would ever be offered to someone else.

In response to a further request from the Prime Minister that he should reconsider his position, Sir Joshua Hassan said that the prospects were bleak. He was not himself convinced so he could not pretend to convince his colleagues. He could not start bargaining over three or six months. Gibraltar sought a reasonable period. The problem was not of his making and he had a responsibility to the people of Gibraltar. He handed over to the Prime Minister the attached memorandum which the Prime Minister promised to study.

In conclusion, Sir Joshua Hassan undertook to reflect but said that the Prime Minister should not be surprised if she received an early message to the effect that the modified proposal put forward at the meeting was unacceptable.

The discussion ended at 1745.

A. J. C.

AIDE MEMOIRE FOR THE PRIME MINISTER

The people of Gibraltar are deeply appreciative of the British Government's repeated assertions of firm support and of the Prime Minister's close and staunch personal interest. They remain as British and as loyal as ever and, conscious of Gibraltar's value to British and NATO interests, continue ready to serve these as in the past.

2. The Gibraltar Government accept that the Naval Dockyard must close and that, given the right conditions, a commercial ship-repair yard should be the aim.

3. For a commercial yard to succeed, it is necessary -

- (1) to change work practices from public sector to competitive commercial standards, with a consequent reduction in the labour force;
- (2) to modernise equipment which has been allowed to run down for years;
- (3) to train, or re-train, the specialised workers required;
- (4) to be in all respects ready to break into a highly competitive and depressed market;
- (5) to provide an adequate programme of naval work (which would itself benefit from improved work practices) during the transitional and early commercial stages.

4. These requirements cannot possibly be achieved by 31 December 1983 and it would be folly, particularly in the deep recession in ship-repair, and with probable Spanish efforts to sabotage the operation, to launch a commercial yard until they are. The requirements could be achieved in two years.

5. The Gibraltar Government cannot associate themselves in any way with commercialisation in the manner and time scale proposed because they are convinced it would not work. They would, however, throw their full weight behind a commercial project properly planned and phased during a two-year transitional period. The Gibraltar Government is not seeking to put off the evil day but to enter positively and immediately into a sensible commitment.

6. Even with the proposed transition, substantial unemployment would occur but, given the fair chance which they request, the Gibraltar Government believe they could overcome Union opposition and win over and gain the support of public opinion.

7. The British Government have made it clear that normality at the frontier must be restored before Spain can enter the European Community. Such restoration would be fully exploited by Gibraltar's energetic and adaptable private sector, whose growth has been stunted by years of Spanish restrictions and whose trade has been badly damaged by the partial opening of the frontier in December 1982.

8. The precipitate closure of the Naval Dockyard in December 1983 would be nothing short of a political, social and economic disaster which the Gibraltar Government could not survive. Conversely, a planned transition with an agreed closure date of 31 December 1985 would enable the British and Gibraltar Governments to work together, with a sense of purpose, in their long and hitherto successful joint efforts to defeat the Spanish political objectives, to safeguard economic as well as political sovereignty and to maintain the effective running of the Base.

9. The crippling of Gibraltar's economy, already severely damaged by Spain, as well as its social structure, by closure in December 1983, would only encourage Spain to continue to delay the implementation of the Lisbon Agreement in the hope that Gibraltar's resistance on sovereignty would be weakened. The over-riding internal and external political implications do not appear, hitherto, to have been accorded their due weight in London against narrower Departmental interests.

10. The proposed transitional period, during which every effort would be made to achieve success, with perhaps an approximately simultaneous removal of the restrictions around 1985/86 as Spain moves towards entry into the European Community, would restore hope and confidence to a long-suffering but determined people who cannot believe that the Prime Minister would allow their community and the proud traditions of Gibraltar to be ignobly undermined after 280 years of the closest association with Britain and its people.

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CO

10 DOWNING STREET

From the Private Secretary

30 June 1983

Dear Brian,

GIBRALTAR

The Chief Minister of Gibraltar called on the Prime Minister this afternoon. I enclose a record of the conversation.

I am copying this letter and enclosure to the Private Secretaries to Members of OD and to Richard Hatfield (Cabinet Office).

Yours ever
John Coler.

Brian Fall, Esq.,
Foreign and Commonwealth Office.

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