



Mr. [unclear]
 Mr. [unclear]
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 Sir A. [unclear]
 SED (Mr. [unclear])
 SAWD (Mr. [unclear])
 MCO (Mr. [unclear])

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FCS/81/70

SECRETARY OF STATE FOR DEFENCE

DEFENCE PROGRAMME

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| RECEIVED IN REGISTRY NO. 18 - 8 JUN 1981 | | |
| DESK OFFICER | | REGISTRY |
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1. I have seen your Note of 3 June on the defence programme, and look forward to discussing it at the meeting of OD on 8 June.

2. Some detailed aspects of your proposals are, however, of concern to me and I felt it best to get in touch with you straight away since we may not have time to consider them on 8 June. The proposals I have in mind concern Belize, Gibraltar, Cyprus and the Falkland Islands, and are described in paragraph 12 of the Annex to your Note and (as regards the Falkland Islands) in paragraphs 5 of Appendix A.

3. As regards Belize, you will recall that no decision has been taken about our security commitment to Belize after independence pending the outcome of the current series of negotiations with Guatemala in the search for a permanent settlement of the dispute. These negotiations have proceeded well and it is possible that by the end of this month or the middle of next we will have signed a Treaty. But even if our efforts to obtain a Treaty are successful, we may not know until the end of August the extent to which it will be necessary to provide some kind of security guarantee for Belize after independence.

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4. While, therefore, I think it entirely reasonable to plan on the withdrawal of the garrison from Belize by the end of 1982 at the latest, and of certain elements of that garrison perhaps before that date, it is too soon for us to be certain that our defence commitment in Belize will largely disappear by the end of this year. It is important to remember that premature publicity about our intentions could, because of reactions in Belize and Guatemala, make those intentions more difficult to translate into reality.

5. As for Gibraltar, the economy is heavily dependent on the defence establishments and their supporting services. The dockyard, which it is proposed to close, is the largest industrial undertaking in Gibraltar. Upwards of a thousand redundancies would be involved, raising unemployment from virtually zero to about 10%. With alternative employment unlikely to materialise, closure would reduce national income by perhaps 13% and throw the Gibraltar budget into chronic deficit. There would be bound to be a substantial knock-on effect on the commercial sector.

6. The Government is firmly committed to 'support and sustain' Gibraltar so long as Spanish restrictions remain in force. If the dockyard was closed, other ways of maintaining economic activity would consequently have to be found. In the short term, prospects for commercialising the dockyard seem poor. Substantial aid, probably including budgetary support, would be necessary. The pressure from Gibraltarians, relying on the commitment to 'support and sustain', which would be echoed by their supporters in this country, would be such that net British Government expenditure would have to be kept at much the same level as in the past through a higher level of aid in the mixture of defence spending and ODA grants. Meanwhile, the effect on prospects

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for getting the Spanish Government at long last to reopen the border would almost certainly be adverse. Closure of the dockyard would be seen in Spain, as well as in Gibraltar, as a major shift in policy, putting in question after twelve years of the current siege the determination of the British Government to support the Gibraltarians. The Spanish Government reaction could only too easily be to shelve any plans they may have to implement the Lisbon agreement and to wait for the pressure on the Gibraltarians to build up.

7. The proposal to transfer the airfield to civil administration causes me less problems. The initial assessment is that the civil administration could operate economically.

8. On Cyprus you acknowledge that the political situation precludes any large savings at present. I would see no major objection to some further reductions in the Services' presence in the Sovereign Base Areas (SBAs) but there can be no question of relinquishing any part of either SBA until there is a Cyprus settlement. And there is no prospect in present circumstances of renegotiating the 1960 Treaties in order to redraw SBA boundaries.

9. Finally, HMS Endurance, which plays a vital role in both political and defence terms in the Falkland Islands, their Dependencies and the British Antarctic Territory (BAT). Although we continue to seek a solution to the dispute with Argentina it cannot at present be said that a solution is in sight. HMG are committed to respecting the wishes of the Falkland Islanders, who do not find it easy to contemplate any degree of Argentine sovereignty, however nominal. Unless and until the dispute is settled, it will be important to maintain our normal presence in the area at the current level.

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Any reduction would be interpreted by both the Islanders and the Argentines as a reduction in our commitment to the Islands and in our willingness to defend them, and would attract strong criticism from supporters of the Islanders in the United Kingdom.

10. The hydrographic survey tasks HMS Endurance undertakes and the operation of her helicopter over a wide area of the BAT are an important aspect of the maintenance of the British claim to sovereignty. As I pointed out in my memorandum OD(80)72, we have to maintain our claim and our presence in order to pursue our aim of securing the largest possible share of any benefits from the development of hydrocarbons and minerals in the area.

11. The FCO accept that HMS Endurance is nearing the end of her normal working life. But if she is to be disposed of, it is essential not only that she should be replaced, but also that the replacement should be a vessel of similar type (ie an ice-breaker) for Antarctic work. If we were to attempt to effect the changeover of the Royal Marine Garrison on the Falkland Islands using a conventional warship (and this seems to be the only alternative if we rule out the use of air transport via Argentina) this would not escape Argentine attention and might well be interpreted as provocative.

12. Since these issues are not central elements in your package, I suggest that they should be pursued bilaterally between the FCO and the MOD, at official level in the first instance. I would hope that they could be resolved in time for your statement in Parliament at the beginning of July. If they have not been resolved by then, I hope there

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would be no question of referring to them in the statement. (HMS Endurance and Gibraltar both feature at present in Appendix G to your Note which summarises the list of measures to be announced).

13. I am sending copies of this minute to our colleagues in OD and Sir Robert Armstrong.

C

5 June 1981

(CARRINGTON)

Foreign and Commonwealth Office