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OD(79) 12th Meeting

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DEFENCE AND OVERSEA POLICY COMMITTEE

MINUTES of a Meeting held at
10 Downing Street on
MONDAY, 5 NOVEMBER 1979 at 2.30 pm

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Lord Carrington
Secretary of State for Foreign
and Commonwealth Affairs

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Francis Pym MP
Secretary of State for Defence

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

The Rt Hon John Nott MP
Secretary of State for Trade

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry
(Item 2)

The Rt Hon Humphrey Atkins MP
Secretary of State for Northern Ireland
(Item 3)

The Rt Hon Norman St John-Stevs MP
Chancellor of the Duchy of Lancaster
(Item 1)

The Rt Hon Angus Maude MP
Paymaster General
(Item 4)

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

Mr K R Stowe
Northern Ireland Office
(Item 5)

SECRETARIAT

Sir Robert Armstrong
Mr R L Wade-Gery
Mr R M Hastie-Smith

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1. RHODESIA

The Committee considered a memorandum by the Foreign and Commonwealth Secretary (OD(79) 38) describing the situation and prospects at the Lancaster House Conference, to which were annexed proposals on sanctions and on legislation.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Patriotic Front seemed to be delaying their final reply to his proposals for the transitional period. If they accepted these, the Conference would move on to discuss arrangements for a cease-fire; and we should meanwhile appoint a Governor who might arrive in Salisbury about 19 November and make early arrangements for elections to be held after a 2 months campaign, ie in late January 1980. If the Patriotic Front rejected his proposals, the Government would have to go ahead without them; a different type of Governor would be appointed, and he would arrive in Salisbury rather earlier, and elections would be held by about 19 December. In either case, the intention would be that the security forces should conduct no operations outside Rhodesia during the transitional period, although if the Patriotic Front were refusing to take part, there would be no cease-fire and the war inside Rhodesia would be continuing. It was necessary to press the Patriotic Front for an early decision if the co-operation of the authorities in Salisbury was to be retained; but it would be a mistake to go so fast that he could fairly be described as behaving unreasonably by eg President Kaunda of Zambia or President Nyerere of Tanzania, who might both visit London within the next few days. It was to be hoped that the Conference would not break up before Parliament had been able to pass a new Enabling Bill which would be needed by 15 November when Section 2 of the Southern Rhodesia Act 1965 would lapse. Sanctions against indirect trade would be allowed to lapse with Section 2, although in order to protect the Government's position at the United Nations sanctions against direct trade (which did not depend on Section 2) would be briefly retained until legality had been restored following the arrival of the Governor. The Enabling Bill was required in order to provide power to make the arrangements for the transitional period and to preserve legislative continuity for certain technical purposes. It had to be recognised that the Government would be criticised internationally both for not renewing sanctions on indirect trade under Section 2 and for going ahead without the Patriotic Front if that proved necessary. In that event some damage to British economic and other interests in Africa - notably Zambia and Nigeria - would be unavoidable.

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In discussion it was agreed that it would be impossible to renew Section 2 of the 1965 Act, not only because of parliamentary opposition from the Government's supporters but also because it would be dishonourable to renew sanctions against Bishop Muzorewa's Government after they had accepted both the new constitution and the transitional arrangements we had proposed. It was noted that damage to British commercial interests, particularly in a major market like Nigeria, would be very unwelcome given present economic difficulties; but that there was a point beyond which the Government could not go to accommodate the Patriotic Front's views without losing the support of the Salisbury authorities. Bishop Muzorewa might perhaps be persuaded to accept an electoral period of 10 weeks (if the Patriotic Front were taking part), which with the time before elections could be called might amount to almost 3 months in all; but he could not be expected to go further than that. It was recognised that in terms of the security situation there were dangers in resuming direct rule and holding elections under British auspices. But for United Nations and other reasons it was essential to create a legal government; Bishop Muzorewa now saw fresh elections as a means of increasing international support for his regime; and General Walls was confident that the situation on the ground could be contained during the transitional period.

In further discussion the difficulties of the parliamentary timetable for the proposed Enabling Bill were noted. The Opposition seemed unlikely to be co-operative. It was agreed that consideration of the Bill in the House of Commons must be completed before 12 November, and that consideration in the House of Lords must end in time for Royal Assent to be given not later than 14 November.

THE PRIME MINISTER, summing up the discussion, said that the Committee congratulated the Foreign and Commonwealth Secretary on his handling of the Rhodesia issue so far and endorsed his paper OD(79) 38. In spite of the danger of the conference breaking down and of unwelcome damage to British economic and other interests in Africa, the Committee agreed that there was no effective alternative to proceeding as now proposed. The Enabling Bill would need very careful handling in Parliament. Notice of it should be given to the Table Office on the evening of 6 November, and a Money Resolutions and

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procedure motions would need to be tabled by 10.00 pm that evening. The Bill should be formally introduced on 7 November. The Chancellor of the Duchy of Lancaster would need to make a revised Business Statement that afternoon; that should be preceded by a statement by the Lord Privy Seal. She herself would need to consider further how to handle any Questions in Parliament on the afternoon of 6 November; it might be possible to say no more than that a statement would be made on 7 November. Consideration of the Bill in the House of Commons could then be completed in a single session on 8 November, which would if necessary continue without a break into 9 November when it would need to displace Private Members' business. The Chancellor of the Duchy of Lancaster should not make, but should be free to respond (if it seemed advantageous to do so) to a request to move Private Members' business from 9 November to 12 November, in which case the Bill could be taken through all its stages in two separate House of Commons sittings on 8 and 9 November. If necessary 12 and 13 November would then be available for House of Lords consideration. The first Orders would need to be made under the Bill on 14 November; this could if necessary be done immediately following Royal Assent.

The Committee -

1. Took note with approval of the Prime Minister's summing up of their discussion.
2. Invited the Foreign and Commonwealth Secretary, the Lord Privy Seal, the Chancellor of the Duchy of Lancaster and the Chief Whip to be guided accordingly.

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2. EXPORT CREDITS FOR SOUTH AFRICA

The Committee considered a memorandum by the Secretary of State for Trade (OD(79) 37) seeking agreement to provide Export Credits Guarantee Department (ECGD) cover to South Africa for 8½ years for a contract for a power station (Tutuka).

THE SECRETARY OF STATE FOR TRADE said that the South African Government intended to place several large contracts over the next 2 to 3 years, beginning with the Tutuka power station. They would prefer, they said, to place them with British suppliers; they had asked for a "macro credit" to cover the bulk of these orders; and they had indicated that ECGD terms beyond the five years to which by informal agreement the Governments of the European Economic Community, the United States and Canada has limited themselves in recent years ^{would be} an additional incentive to them to place orders in this country. In his view we should refuse the macro-credit; but, given the size of the potential contracts, and their importance to industry and to the balance of payments at a time of economic difficulty, we should offer ECGD credit cover up to the 8½ years permitted by the credit insurers' Consensus for countries in South Africa's category.

In discussion it was pointed out that the limitation to five years was a gentleman's agreement made on the initiative of the previous Administration. It would be necessary to tell our partners of our proposal to go up to 8½ years. Other governments might well then match our offer, leaving us with no greater certainty of getting the contracts. It also seemed likely that the South Africans' motive was political. They wanted a gesture of confidence from this country. This might have unfortunate consequences for British trade in other parts of the world, particularly in Black Africa. Against this it was argued that under the "gentleman's agreement" it had always been accepted that going up to 8½ years could be justified on strong domestic industrial grounds; and that as recently as April 1978 it had been the publicly announced policy of the previous Administration that cover was available for civil exports to South Africa in accordance with ECGD's normal underwriting criteria. The

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United Kingdom badly needed this additional business. If the General Electric Company were to tender for the Tutuka power station a decision was needed in order that they could do so by 19 November.

THE PRIME MINISTER, summing up the discussion, said that our economic circumstances justified taking the risks implicit in offering ECGD cover for 8½ years for the Tutuka contract. This could be justified within the terms of the "gentleman's agreement." But we should tell our partners what we were doing. In order to reduce the risk of complicating the Foreign and Commonwealth Secretary's Rhodesia negotiations, we should act as late as was compatible with the General Electric Company's needs. The Secretary of State for Trade should keep in touch with the Foreign and Commonwealth Secretary, and should report back if any difficulties arose. The Committee's decision related only to the Tutuka contract. Thereafter we should proceed on a case by case basis. We should not offer a macro-credit.

The Committee -

1. Took note, with approval of the Prime Minister's summing up of their discussion.
2. Invited the Secretary of State for Trade -
 - a. to reply accordingly to the South African Government;
 - b. to allow ^{ECGD} ~~Export Credits Guarantee Department~~ cover to be offered up to the best Consensus terms for the Tutuka contract;
 - c. to inform the credit insurers of the European Economic Community, United States of America and Canada of our intentions;
 - d. to consult the Foreign Secretary on the timing of the action to be taken, and on whether our partners should also be consulted at the governmental level.

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5. NORTHERN IRELAND: POLITICAL DEVELOPMENT

Previous Reference: OD(79) 10th Meeting

The Committee considered a memorandum by the Secretary of State for the Home Department (OD(79) 39) covering a draft consultative document for the proposed Conference with Northern Irish political leaders.

THE HOME SECRETARY said that he had been invited by the Committee to act as Chairman of a Ministerial Group with the task of supervising the preparation of a consultative document which would be laid before Parliament and tabled at the Conference with Northern Irish political leaders. In the light of the timetable which the Secretary of State for Northern Ireland had announced in the House of Commons, it was desirable for Cabinet approval to be obtained on 8 November so that the document might then be published by the end of the following week. Its main political aim was to encourage the four main political parties ~~are~~ to be represented at the Conference, but it needed also to make a satisfactory impact both on Parliament and on international opinion particularly in the United States and the Irish Republic. In working out a draft to meet all these three objectives his Group had been greatly assisted by the Lord Chancellor

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the consultative document listed a number of possibilities but deliberately avoided putting forward any preferred solution. The Government's determination to make political progress in Northern Ireland would need to be stressed so that the political leaders would feel obliged to attend the Conference to avoid being excluded from this process. Once the document was published he hoped that his colleagues would assist in seeking maximum publicity for it in the press and on television; in supporting the idea of a Conference; and in urging the Official Unionist Party in particular to attend. It remained to be decided whether the document should be debated in the House of Commons, but no statement there would be needed at the time of publication.

In discussion some detailed drafting amendments were proposed. It was suggested that the document should not be published until after the Prime Minister of the Irish Republic had completed his planned visit to the United States on 15 November. The likelihood of the Northern Irish leaders attending the Conference would be greatly enhanced if the document succeeded in getting a good press, internationally as well as nationally.

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THE PRIME MINISTER, summing up the discussion, said that the draft consultative document was an excellent one, which the Committee approved subject to further consideration by the Secretary of State for Northern Ireland of the minor amendments proposed. It should not be published before 16 November. The exact date should depend on other business at the time. The Secretary of State for Northern Ireland should seek the approval of the Cabinet on 8 November for his proposed course of action. In seeking to persuade the Northern Irish leaders to attend the Conference he should enlist the aid of members of the Cabinet whose views might carry particular weight with one or more of the parties.

The Committee -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Secretary of State for Northern Ireland

- a. to seek the approval of his proposals by the Cabinet on 8 November
- b. to enlist the support of his colleagues as appropriate in bringing pressure to bear on the four main Northern Ireland political parties to attend the Conference.

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4. PLANNED REDUCTIONS IN BBC EXTERNAL SERVICES

THE PRIME MINISTER said that she was concerned at the way in which the impact of public expenditure restrictions on the British Broadcasting Corporation's was being misunderstood and misrepresented. The basic figures (at 1979 survey prices) appeared to be that £40.5 million were provided for these services in the current financial year. This would be increased to £45.2 million in 1980/81. That was £2.7 million less than the larger increase planned by the previous Administration. Within this increased level of expenditure it had been decided to reduce the amount spent on vernacular services by £1.7 million as compared with the expenditure allowed for in the previous Administration's figures, in order to give priority to increased expenditure on equipment to improve audibility. Thus the reduction in the vernacular services which was giving rise to the complaints was the result of change in priorities within an overall programme of increased size.

In discussion it was pointed out that the expenditure on audibility equipment was primarily intended to improve reception of English language broadcasts worldwide. These were rightly accorded the highest priority in the BBC external services. But the Government's supporters in Parliament might on this occasion prefer to see a slower growth in the amount spent on audibility in order to minimise cuts in the vernacular services. On the other hand the proponents of the vernacular services were competent propagandists, and the influence of the complex internal politics of the BBC should not be ignored. The Government should if possible avoid exposing themselves to charges that they were reversing their policy or that they had misunderstood the figures.

THE PRIME MINISTER, summing up the discussion, said that it was essential to establish the correct facts and figures in consultation with the BBC. Provided that there was no departure from the revised total of £45.2 million for 1980-81, there was scope for spending less on audibility and maintaining the vernacular services in full, if that was what the Foreign and Commonwealth Secretary, after consulting the BBC, decided that it would be sensible to do so.

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The Committee -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Foreign and Commonwealth Secretary -
 - a. to establish the correct facts and figures, in consultation with the BBC;
 - b. to consider whether the 1979/80 level of expenditure on the vernacular services should be preserved within the overall ceiling agreed for 1980-81;
 - c. to take steps to publicise the justification for the Government's decision, and in particular the fact that the net level of expenditure on the external services was being increased not cut.

The Rt Hon Lord Carrington
Secretary of State for Foreign
and Commonwealth Affairs

The Rt Hon Sir Geoffrey Howe MP
Secretary of State for the
Home Department

The Rt Hon Frank Clegg MP
Secretary of State for Defence

The Rt Hon Lord Gorman
Lord President of the Council

The Rt Hon Sir Ian Gilmour MP
Lord Deputy

The Rt Hon John Gifford MP
Secretary of State for Trade

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon John Patten MP
Chief Secretary, Treasury

The Rt Hon Sir Michael Hore MP
Attorney General
(Items 1 and 2)

MEMORANDUM

Sir Robert Armstrong
Secretary
to the Committee

Cabinet Office

7 November 1979

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Subject

RECEIVED

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THROUGH THE SECRETARY OF STATE

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