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Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 14 JANUARY 1982
at 10.00 am

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 Hailsham
Lord Chancellor

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 Sir Keith Joseph MP
Secretary of State for Education and Science

The Rt Hon Francis Pym MP
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Northern Ireland

The Rt Hon John Nott MP
Secretary of State for Defence

The Rt Hon Peter Walker MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry

The Rt Hon John Biffen MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Transport

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

The Rt Hon Baroness Young
Chancellor of the Duchy of Lancaster

SECRET

The Rt Hon Nigel Lawson MP
Secretary of State for Energy

The Rt Hon Norman Tebbit MP
Secretary of State for Employment

The Rt Hon Cecil Parkinson MP
Paymaster General

ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr R L Wade-Gery (Items 2 and 3)
Mr P L Gregson (Items 4 and 5)
Mr D M Elliott (Items 2 and 3)
Mr D H J Hilary (Item 1)
Mr L J Harris (Item 1)
Mr D J Bostock (Items 4 and 5)

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PARLIAMENTARY
AFFAIRS

Unemployment
Debate

1. THE LORD PRESIDENT OF THE COUNCIL said that the business to be taken in the House of Commons during the following week would be as he had announced before the Christmas adjournment. The latest unemployment figures were due to be published on Tuesday 26 January, and he thought that it would be helpful to offer the Opposition a day of Government time on Wednesday 27 January to debate the unemployment situation. He also proposed to offer the Opposition a Supply day on Thursday 28 January, which they could then use for a second day's debate on unemployment. This would meet the repeated demands of the Leader of the Opposition for a debate in Government time, and would reduce the likelihood of the Opposition's moving a separate censure motion. It would also provide an opportunity for Members to debate the employment consequences of the closure of the British Aluminium Company's smelter at Invergordon, on which the Secretary of State for Scotland intended to make a statement on Monday 18 January, though it was possible that the Opposition would wish to use their Supply day on Thursday 21 January for this purpose.

The Cabinet -

1. Agreed that the Opposition should be offered a one or two-day debate on unemployment in the week beginning 25 January, as proposed by the Lord President of the Council.

Canadian
Constitution

Previous
reference:
C(81) 40th
conclusions,
Minute 1

THE LORD PRESIDENT OF THE COUNCIL said that the Canada Bill had been introduced in the House of Commons on 22 December. The Government's intention to take Second Reading in the week beginning 18 January had been frustrated by the case brought in the Court of Appeal by the Indian Association of Alberta; the official Opposition had made it clear that they would be unable to maintain a helpful attitude towards the Bill if Second Reading were taken before the Court delivered its judgment. The case had been brought forward from the original dates of 1 and 2 February, and should be heard in the course of the next week, though the Indians might well wish to appeal to the House of Lords if they lost in the Court of Appeal. Further legal action was being taken by other Indian Associations, but it did not follow that proceedings on the Canada Bill would be held up indefinitely while these cases were before the Courts. He had seen the Canadian High Commissioner earlier that week to explain the position to her.

The Cabinet -

2. Took note.

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the military regime under General Jaruzelski seemed to have established effective control in Poland. A crisis between the Polish Government and the Solidarity movement had been foreseen in early December. It had not been expected that the Government could use the Polish army against Solidarity. In fact they had been able to do so, and without the extent of trouble that might have been expected. The move had been skilfully planned and timed. Soviet complicity was beyond doubt, and the result was highly satisfactory to the Russians since Solidarity had been suppressed without their own overt involvement. Although Solidarity had many millions of members, only a limited number had proved to have strong political motivation, and the remainder had lacked staying power when the going got rough. The movement's popular support might also have been eroded by suspicions that its activities had been responsible for the growing shortage of consumer goods over the later months of 1981. Although there was now talk of martial law being eased within the next few weeks, little real relaxation seemed likely, since the regime's grip on the country remained fragile.

Events in Poland over the past 18 months represented a severe setback for the Soviet Union. There was, however, a danger that the way in which Western media were presenting the situation and Western reactions to it would create the impression that what had happened was primarily a setback for the West. The Foreign Ministers of the member countries of the North Atlantic Treaty Organisation (NATO) had therefore, at their meeting on 11 January, attached great importance to avoiding an impression of division within the Alliance. Even the Greeks seemed to accept this. The meeting had been able to agree, with unusual despatch, on a useful communique which was particularly welcome to the Americans. Britain's leading role in achieving this outcome had been well received in Washington. But there remained a basic disagreement between the Americans and the Germans over Western countermeasures, which the Germans feared might only push the Poles further into the arms of the Soviet Union.

As regards measures against Poland, the meeting had agreed that humanitarian aid should continue; that no decision should be taken yet about debt rescheduling for 1982; and that new official credit, which the Poles badly needed, should not be provided until the detainees were released, martial law was lifted and the dialogue between the Government and Solidarity on the renewal process was resumed. Difficulties might arise within the European Community (EC) over the provision of subsidised food aid, which he himself thought should be discontinued in present circumstances but which others such as the French and Germans wished to maintain for a mixture of commercial and humanitarian reasons. As regards measures against the Soviet Union, the United States had without consultation taken a number of steps which were well adapted to minimise adverse effects upon American interests and

correctly graduated for the purpose of signalling to the Russians that there would be graver consequences if they intervened militarily. The American public had thereupon demanded that Europe should follow suit. But the United States Government understood that, if exactly the same measures were taken by the Europeans, this might have a disproportionately adverse effect on European interests, and were therefore pressing only for Europe to take measures of broadly similar weight. Officials in Whitehall were now considering what measures Britain might take; the position would then be considered further at a meeting of NATO experts the following week and at the EC's Foreign Affairs Council on 25-26 January. It was not clear how far some members of NATO might be ready to respond at all. Difficulties were likely to arise if the Americans failed to accept the Europeans' proposal that the principle of not undermining each other's measures should only apply to new contracts: the Germans and others were determined to resist interference with existing contracts for the West Siberian pipeline, which included one British contract worth over £100 million.

In the course of a brief discussion it was noted that it was important to present Western steps as "measures" rather than "sanctions". Although economic sanctions had been taken in the context of Iran and of Afghanistan, their efficacy was uncertain and their application to South Africa or Israel was strongly resisted by Western Governments. In any case the Soviet Union was more likely to be influenced by political action, which might well include the development of closer relations between the West and China. It was important that American pressure for stricter controls on the export of technology to Communist countries should not have the effect of antagonising the Chinese and frustrating important British exports. More generally, the United States Government had not been skilful in handling their relations with China on the one hand and Taiwan on the other.

ghana
THE FOREIGN AND COMMONWEALTH SECRETARY said that the recent coup d'etat in Ghana was an unwelcome development. British interests had not so far been affected, and the previous Government of Ghana had not been free of incompetence or corruption; but it was disturbing that Flight Lieutenant Rawlings should once again have been able so easily to overthrow a civilian regime. There were signs that Libya might have been involved in the coup and that Libyan influence in Ghana was now increasing. British aid to Ghana was continuing but might need to be reviewed. The stringent conditions which the International Monetary Fund had imposed for assisting the previous Government might have contributed to the latter's downfall.

Arab/Israel

Previous
Reference:
CC(81) 41st
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that, by agreement with the United States Government, the British reply to the Israel Government's message on British participation in the proposed Sinai multilateral force and observers was being delivered to coincide with the visit to Israel of the American Secretary of State, Mr Haig. The reply was moderate in tone but might well not be welcome to the Israelis. Meanwhile the Americans were faced with having to veto in the United Nations Security Council an extreme Syrian resolution on Israel's action over the Golan Heights. Provided that the French also agreed to veto, it would probably be necessary for Britain to support the Americans with her own veto; but Britain should not use her veto unless the French used theirs. The veto would not be welcome to the Arabs, and as a balancing move Britain was also taking steps to support a version of a more moderate resolution on the subject which had been put forward by Zaire.

Spain

THE FOREIGN AND COMMONWEALTH SECRETARY said that during the visit to London of the Spanish Prime Minister, Senor Calvo Sotelo, on 8 January agreement had been reached that Spain would reopen her frontier with Gibraltar on 20 April. This was only what the Spaniards had undertaken to do in the Lisbon Agreement as long ago as 1980. Both the Spanish Prime Minister and his Foreign Minister, Senor Perez Llorca, had appeared deeply worried about the possibility of a further attempt at a military takeover.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Informal
Meeting of
Industry
Ministers
13 January

Previous
Reference:
CC(81) 40th
Conclusions,
Minute 3

3. THE SECRETARY OF STATE FOR INDUSTRY said that the outcome of the informal meeting of Industry Ministers on 13 January had been generally encouraging. The meeting had expressed concern about the anti-dumping suits recently filed by a number of United States steel companies against imports from their Community competitors, including some British suppliers, and had agreed with the Commission that the American complaints were unjustified and must be resisted. The difficulties being experienced by the American steel industry were not caused by Community exports, which in 1981 had suffered a larger fall than the decrease in consumption in the United States market itself. The dispute was tiresome though not catastrophic, since a lengthy period would ensue before any decisions had to be taken on the anti-dumping suits. These measures, and the American Administration's decision to suspend the trigger price mechanism, were at least in part a negotiating tactic, and it would now be for the Commission to get together with the Americans with the aim of finding an acceptable solution. This might have to involve some reinforcement of the trigger price mechanism, perhaps in the form of forecasts of expected Community exports. Industry Ministers had also unanimously reaffirmed the need for effective action by the Commission and the member states to implement the steel aids regime agreed last June. A formal Council of Ministers would be convened on 4 May to review progress on this and other matters. He had hoped to tackle Monsieur Dreyfus, the French Industry Minister, over dinner about his reported plans to "reconquer" the French internal market through Government aids to producers and

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discriminatory restraints on imports from Community as well as third countries. Since in the event Monsieur Dreyfus had not attended the dinner, he had pressed Commissioners Narjes and Andriessen to pursue these points with the French.

THE FOREIGN AND COMMONWEALTH SECRETARY said that discussion on the 30 May 1980 mandate would resume that afternoon at the informal meeting of Foreign Ministers that had been arranged following the last such meeting on 14-15 December 1981. The discussion would be based on the revised draft guidelines produced by the President of the Commission, at the request of the earlier meeting, on the four outstanding mandate points: milk, Mediterranean agriculture, the control of agricultural expenditure and the budget. Monsieur Thorn's proposed texts on milk and the budget were unsatisfactory to the United Kingdom, and indeed represented a step backwards from the position reached in December. There was therefore little or no prospect of agreement being reached at the present meeting. This was the last moment to get effective guidelines if they were to influence the next Common Agricultural Policy (CAP) price fixing proposals, which the Commission were expected to unveil on 19 January. In the absence of agreement now on acceptable guidelines, the United Kingdom would have no choice but to block the price fixing negotiations until a satisfactory solution on the budget problem could be achieved, even at the cost of provoking a major row with our partners.

In a brief discussion it was noted that the Commission were likely to propose CAP price increases of about $8\frac{1}{2}$ per cent, and that the French might seek to bring any concessions sought from them on agriculture into the negotiations for a revised Common Fisheries Policy. The intransigence of the new Greek Government, as evidenced by Mr Papandreou's dismissal of Mr Fotilas for exceeding his instructions by assenting to the Communiqué issued by the Ten on Poland on 4 January, was likely to be an additional complicating factor in the further discussions on the mandate and CAP prices. It seemed probable that all these issues would have to come to the March European Council for settlement, or possibly even the June European Council.

The Cabinet -

Took note.

30 May
Mandate

Previous
Reference:
C(81) 41st
Conclusions,
Minute 3

INDUSTRIAL
AFFAIRS---
British Rail

4. THE SECRETARY OF STATE FOR TRANSPORT said that the British Railways Board (BRB) would discuss on 15 January what further action they should take in their dispute with the Amalgamated Society of Locomotive Engineers and Firemen (ASLEF). The Board were resolved not to pay to ASLEF members the backdated 3 per cent pay increase agreed in August 1981 unless ASLEF agreed to variable rostering, in fulfilment of the parallel agreement between BRB and the rail unions about productivity. The Board were likely to consider whether, in order to reduce the financial damage which ASLEF's action was causing the railways, and to make clear that ASLEF could not be allowed to dictate on which days the rail system should operate, they should suspend ASLEF members; send home members of the National Union of Railwaymen (NUR) and the Transport Salaried Staffs Association (TSSA), who were not taking industrial action; or close down the rail network. He would try to dissuade BRB from escalating the dispute. To do so might lessen the pressure for an end to the dispute from ASLEF members, who were losing £20 gross for each weekday and £35 for each Sunday not worked, and who appeared to have little support from their NUR and TSSA colleagues. To penalise NUR and TSSA members would increase the chance of those unions supporting ASLEF. The Board were also considering whether the 3 per cent increase should now be paid to the few footplatemen who were members of the NUR, and on whose behalf the NUR had indicated that it would agree to variable rostering. He would let colleagues have detailed briefing on the dispute, covering for example footplatemen's pay and working practices and the financial effects of the dispute on both British Rail and the footplatemen themselves; in drawing on it Ministers ought however to make clear that ASLEF's dispute was with BRB, not the Government; hostility should be directed not at the footplatemen themselves, many of whom had worked exceptionally hard to cope with recent weather conditions, but at the outdated rules and working practices which were hampering the development of a modern and efficient railway system and at the obstructive attitude of the ASLEF leadership.

THE PRIME MINISTER, summing up a short discussion, said that, while it was important that the dispute should continue to be, and be seen to be, one between management and union, and not one in which the Government were involved, the Secretary of State for Transport should indicate to the Chairman of the BRB that the Government was firmly of the view that care should be taken to keep ASLEF isolated, that the 3 per cent might now be paid to the NUR footplatemen, that there were dangers in escalating the dispute and that the BRB should not take action which would have that effect without further consultations with the Government.

The Cabinet -

1. Took note of the Prime Minister's summing up.

National
Coal
Board

THE SECRETARY OF STATE FOR ENERGY said that members of the National Union of Mineworkers (NUM) would vote on 14 and 15 January in England and Scotland, and on 19 January in Wales, on whether to authorise strike action to bring about a wage settlement higher than the 9.3 per cent increase on basic rates which the National Coal Board (NCB) had already offered. The results of the ballot as a whole would probably be known on 20 January; information about voting in England and Scotland might become available before the Welsh ballot. The next steps in the dispute would depend on the result of the ballot. Strike action could only be authorised if at least 55 per cent of those voting supported it; if those in favour were between 50 and 55 per cent the position was less clear; a majority of more than 60 per cent would make a strike virtually unavoidable. The next step would be further talks between the NCB and the NUM, on or after 21 January, and the earliest date at which strike action was at all likely was the second week of February. The NCB were so far taking the line that they could not afford to increase their last pay offer, and felt it necessary to show that they were prepared to stand up to Mr Scargill, the NUM's President-elect. On the other hand, experience suggested that, once the miners were out on strike, it was difficult to get them back to work; it was doubtful whether the Trades Union Congress General Secretary would be able to prevent a strike from dragging on too long, as the NCB's Chairman, Sir Derek Ezra, hoped. The Government would need quickly to consider its attitude to the dispute when the results of the ballot were known. Meanwhile Ministers should avoid suggesting that the Government was a party to the dispute, which was between the NCB and the NUM, or that the NCB or the Government would be prepared to provide more money. Equally Ministers should avoid giving the impression that the NCB did not have the Government's support; he would make available to other Ministers, and as necessary to the media, his recent speech to the Coal Industry Society, which made the Government's attitude clear.

The Cabinet -

2. Took note.

Water
Industry

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that water industry manual employees had now voted on the employers' offer of a 9.1 per cent pay increase. A majority of those voting were in favour of rejecting the offer. On the other hand the pattern of voting in particular unions was such that, if members of the manuals' negotiating committee followed the majority opinion in their unions, there would be a narrow majority in favour of accepting the employers' offer. The negotiating committee would meet on 15 January; what it decided would determine what if any action the Government needed to take in relation to the dispute.

The Cabinet -

3. Took note.

THE SECRETARY OF STATE FOR TRADE informed the Cabinet of the decisions which he proposed to announce the following day on the recommendations by the Monopolies and Mergers Commission following their examination of the bids by Standard and Chartered Bank Limited and the Hong Kong and Shanghai Banking Corporation for the Royal Bank of Scotland. His announcement would stress that his decisions, like the Commission's recommendations, related to the particular bids and should not be seen as indications of general policy on mergers and takeovers in the banking system.

The Cabinet -

4. Took note.

5. THE SECRETARY OF STATE FOR WALES said that industrial, commercial and agricultural activity in Wales was slowly recovering after the recent exceptionally heavy snowfall. It would however be some time before conditions returned fully to normal. Many minor roads could not be cleared in present conditions, partly because there was nowhere to put the snow. Some communities would probably be cut off so long as present weather conditions continued. It would be some time before industry recovered fully from the effects of the snow. The Llanwern Steel Works were out of action; on the other hand they could probably be brought back into production within a week, and its temporary closure would cost the British Steel Corporation far less than the large losses which had been mentioned in some newspapers. Many farmers would be much worse off as a result of the snow, and the Government would probably be asked in due course to assist in compensating them. Though it would be possible to assist livestock farmers by airlifting fodder, the amount of fodder which could be carried in helicopters would be very limited and the help would inevitably be very selective. It would be an unsatisfactory precedent for the Government to devote the small number of helicopters available for carrying food for animals as against other emergency tasks; and he had decided that helicopters should not normally be used for this purpose. Throughout the emergency the armed forces were providing very valuable assistance. Some local authorities had been much better than others in reacting quickly to severe weather conditions and keeping roads open.

Royal
Bank of
Scotland

WELSH
AFFAIRS

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It would be appropriate in due course to consider what lessons could be learnt from the way in which Government Departments, local authorities, the police and other organisations had responded to the havoc caused by snow.

The Cabinet -

Took note.

Cabinet Office

14 January 1982

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