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CC(82) 49th
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 18 NOVEMBER 1982
at 10.00 am

P R E S E N T

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 Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Francis Pym MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education and Science

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 John Biffen MP
Lord President of the Council

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
Lord Privy Seal

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
Chancellor of the Duchy of Lancaster and
Paymaster General

The Rt Hon Lord Cockfield
Secretary of State for Trade

SECRET

ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson (Items 4 and 5)
Mr D J S Hancock (Items 2 and 3)
Mr A D S Goodall (Items 2 and 3)
Mr D H J Hilary (Item 1)
Mr M S Buckley (Items 4 and 5)
Mr L J Harris (Item 1)

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PARLIAMENTARY
AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.

Unemployment
Benefit

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Opposition had chosen the 5 per cent abatement of unemployment benefit as one of the subjects for debate on the Opposition Day, provisionally fixed for Monday 22 November. The abatement had been debated on three separate occasions, the most recent being during the passage of the 1982 Finance Bill, when the Government's majority had fallen to eight because of defections by a number of their supporters. He doubted whether the present Opposition motion could be defeated unless the Government were able to give an indication that the abatement would be restored in the near future. His predecessor had said that the abatement was regarded as being in lieu of taxation and that the rationale for it would disappear as unemployment benefit came into tax. Many of the Government's supporters regarded this as a clear moral commitment. The cost of restoring abatement would be £18 million in 1983-84 and about £50 million in a full year, but this had to be set against the £650 million a year now being yielded by the taxation of unemployment benefit: a figure which would rise as the benefit itself increased.

The Cabinet -

1. Took note that the Prime Minister would arrange for the points raised by the Secretary of State for Social Services and the handling of the Opposition Day the following week to be considered by a small group of the Ministers directly concerned.

British
Nationality
(Falkland
Islands)
Amendment
Bill

THE HOME SECRETARY said that Lady Vickers had introduced a Bill in the House of Lords to confer British citizenship on the Falkland Islanders. It had been set down for Second Reading on 29 November. There had been support in both Houses for a similar measure introduced in the 1981-82 Session and in spite of the implications which Lady Vickers's Bill had for the overall scheme of citizenship set out in the British Nationality Act 1981 he did not think that the Government should oppose it in the House of Lords or seek to block it in the House of Commons, where it could well receive an unopposed Second Reading. He proposed that the Government should not resist the Bill, and should offer drafting assistance, though without at this stage giving any commitment that Government time would be provided for its consideration in the House of Commons.

The Cabinet -

2. Approved the Home Secretary's recommendations.

FOREIGN
AFFAIRS

Soviet
Union

Previous
Reference:
CC(82) 48th
Conclusions,
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY, reporting on his attendance at President Brezhnev's funeral in Moscow, said that it had been an expression of the Soviet regime's dependence on military power. The new Soviet leadership was maintaining the expected hard line in foreign policy and this had been reflected in his own conversation with the Soviet Foreign Minister, Mr Gromyko. The right response for the British Government was that expressed in the Prime Minister's speech to the North Atlantic Assembly the previous day: namely that the West should maintain its guard and wait to see whether the new Soviet leadership made any changes. He did not expect any in the near future. In their interviews with Mr Andropov, the new First Secretary of the Soviet Communist Party, the American Vice-President, Mr Bush, and the Federal German Chancellor, Dr Kohl, had found him assured and well versed with international issues. In the conversation with Vice-President Bush, Mr Andropov had spoken in favour of a more constructive relationship with the United States and had given some sign of interest in the possibility of progress on arms control. Mr Andropov was also said to be a long-standing advocate of better relations with China; and the new Soviet leadership seemed actively to be seeking a rapprochement. Any such rapprochement, if it were genuine and lasting, could release some of the Soviet divisions now tied down on the Russo-Chinese frontier, and would signify a profound change in the balance of world power; but the historical animosity and mistrust between the two countries suggested that any rapprochement which took place was unlikely to go very deep.

Poland

Previous
Reference:
CC(82) 43rd
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Polish authorities had released the former leader of the free trade union movement Solidarity, Mr Lech Walesa, and it seemed likely that martial law would be lifted shortly, possibly on 13 December; they had also agreed to a further visit to Poland by the Pope next year. It was improbable that this would produce much real improvement in the Polish internal situation. The Foreign Ministers of the member countries of the North Atlantic Treaty Organisation would be discussing the Western response to these developments at the North Atlantic Council meeting at the beginning of December.

East-West
Economic
Relations

Previous
Reference:
CC(82) 48th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the sanctions imposed by the United States Government in relation to the Siberian gas pipeline had been lifted by President Reagan on 13 November. There had been a characteristic French hiccup when at the last moment President Mitterrand had withheld his agreement to the paper on East-West economic relations which had been worked out between the United States Secretary of State, Mr Shultz, and the other Governments concerned. He had however discussed the question with the Foreign Ministers of the European countries concerned, including France, when in Moscow; and it had been agreed that the studies described in the paper should go ahead. The French Foreign Minister, Monsieur Cheysson, had said that his Government had no disagreement of substance with what was proposed. The lifting of sanctions was a great relief to the British firms affected by them and a welcome end to what had been a running sore in United States-European relations.

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Middle East

Previous Reference: CC(82) 45th Conclusions, Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that a credibility gap had developed over the Israeli Government's policy of stepping up settlements on the West Bank. Arab Governments who wished to make progress on the basis of President Reagan's peace proposals saw American willingness to take action to put a stop to further Israeli settlements on the West Bank as the touchstone by which they would judge the seriousness of President Reagan's good intentions. Mr Pym had impressed this point on Mr Shultz in Moscow and thought that President Reagan might take some helpful action shortly.

Falkland Islands

Previous Reference: CC(82) 47th Conclusions, Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that another Argentine sponsored resolution on the Falkland Islands was about to be adopted, this time by the Organisation of American States. It contained no surprises, but might attract a certain amount of publicity.

The Cabinet -

Took note.

COMMUNITY AFFAIRS

The Community Budget

Previous Reference: CC(82) 44th Conclusions, Minute 3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the European Commission had submitted a paper to the Council of Ministers which considered the longer-term problems of Community financing, and indicated possible lines for a solution to the British budget problem for the years after 1982. The paper would be discussed for the first time by the Council of Ministers (Foreign Affairs) on Monday 22 November. It proposed that the solution should last for two or possibly three years. It did not go as far as the United Kingdom would wish, but it included a number of helpful points from the British point of view. It could provide the basis for a successful negotiation.

In discussion it was pointed out that the Commission were now committed to the proposition that the Community's own resources should be increased. It was most unfortunate that they should have raised this issue just before a General Election because it implied a further transfer of responsibility from member states to the Community. The German position was to some extent helpful to the United Kingdom, because they took the line that own resources should not be increased until Portugal and Spain joined. The rest of the Community tended to argue that it was illogical for the United Kingdom both to be in favour of enlargement and to be opposed to any increase in own resources. This was a false argument since the right answer was to control the cost of the Common Agricultural Policy. Even so, it had to be acknowledged that the chances of persuading the other member states to agree with the United Kingdom on this point were slim.

Common Fisheries Policy

Previous Reference: CC(82) 48th Conclusions, Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that intensive discussions were going on between the Danish Government and the Commission. It appeared that the Commission were putting very strong pressure on the Danes to settle this week in order to avoid embarrassment at their bilateral talks with the United Kingdom on 22 November and at the European Council in Copenhagen at the beginning of December. The danger was that the Commission would start looking for further concessions which the Danes could present at home as justification for acceptance of the package. The Minister was pressing for a further meeting of the Council of Ministers

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(Fisheries) before the European Council in order to show that the other nine member states were united in opposing any further concessions to Denmark. An interview which he had given for Danish television had provided him with a timely opportunity for getting this message across direct to Danish public opinion.

In discussion it was agreed that no further concessions should be made. Any further concessions would risk the loss of the support of the United Kingdom industry. This message had been passed to the Danish government through a number of channels, and it was to be hoped that they would now come to terms with the reality of their position.

Council of
Ministers
(Economics
and Finance)
15 November

THE CHANCELLOR OF THE EXCHEQUER said that the Finance Council had considered a Commission proposal to extend the New Community Instrument (which gave the Commission powers to borrow money for on-lending within the Community for industrial purposes). No decision had been reached. The new Dutch Finance Minister had launched a powerful attack on French protectionist policies. The French Minister had rather disarmingly replied that France was as worried about this development as any and had invited his colleagues to make a clean breast of their countries' protective devices also. This exchange had led to the recommendation for a Council meeting devoted to completing the Common Market which had been endorsed the following day by the so-called "Jumbo Council".

Council of
Ministers
(Economics,
Finance and
Social
Affairs)
16 November

The "Jumbo Council" had had a prolonged discussion which had ended with conclusions that were entirely consistent with United Kingdom policy, stressing as they did the central importance of controlling public expenditure and public sector deficits and of continuing the fight against inflation, while at the same time recognising the need to put in place policies to deal with unemployment so long as they did not increase costs. Whereas previously there had been quite serious disagreement within the Community on these points, now only the Greek government was out of line.

THE SECRETARY OF STATE FOR EMPLOYMENT agreed that the meeting of the "Jumbo Council" had been useful. Its conclusions made plain the absurdity of the Labour Party's policies for combating unemployment by a massive increase in public spending. A further useful result had been the agreement to hold a special session of the Council devoted to the completion of the Common Market: this would provide opportunities for United Kingdom representatives to press for the elimination of barriers to British trade with the Community and for liberalisation on insurance and air services.

INDUSTRIAL
AFFAIRS

National
Health
Service Pay
Dispute

Previous
Reference:
CC(82) 48th
Conclusions,
Minute 4

4. THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Council of the Royal College of Nursing (RCN) had recommended the Government's latest pay offer to the membership on the basis that it was the best that could be achieved; and that a two-year pay agreement, which the Government had offered, would allow the RCN to concentrate its resources on securing satisfactory arrangements for the review body on the pay of nurses and related groups, which the Government had also proposed. The Health Services Committee of the Trades Union Congress had stated that the Government's proposals represented the maximum that could be secured through negotiation; the unions concerned were now consulting their members. If those consultations had a satisfactory outcome and the unions called off their industrial action, the increase in the pay provision for 1983-84 would be raised from 4 per cent to 4½ per cent. Industrial action had already been considerably reduced and was mainly confined to a few trouble spots. The results of the consultations would not be known for some weeks. Meanwhile, it was important to continue to promote an atmosphere that would be conducive to acceptance of the Government's proposals.

The Cabinet -

1. Took note.

Water
Industry
Pay
Negotiations

Previous
Reference:
CC(82) 48th
Conclusions,
Minute 4

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that, after discussion with the Minister for Local Government and Environmental Services, Mr King, the employers in the water industry had confined their opening pay offer to 4 per cent. Despite reports to the contrary, it was not this offer so much as the separate decision of the employers to invoke their right of unilateral access to arbitration which had angered the trade unions, who were now consulting their members on the possibility of industrial action. It was unlikely that such action would be taken until after Christmas; and the unions might have doubts about the willingness of their members to take it in any event. The unions were disputing the decision of the employers to propose arbitration, on the grounds that the possibilities of negotiation have not been exhausted and there was not therefore as yet a technical failure to reach agreement; the right of unilateral access seemed to be clear.

The Cabinet -

2. Took note.

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ECONOMIC
AFFAIRS

5. THE CHANCELLOR OF THE EXCHEQUER said that in the past few days the value of the pound had fallen by about 3 per cent against the United States dollar and about 4 per cent against the deutschemark and other currencies. The immediate cause had probably been the decision of the Indonesian Government to reduce the price of its oil: this had given rise to doubts about the future oil income of the United Kingdom and hence about its balance of payments prospects. There was also some anxiety in the markets that the Government was so concerned to reduce interest rates that it might unduly relax monetary and fiscal disciplines: this anxiety might have been reinforced by misunderstanding of recent announcements on public expenditure. In public comment, Ministers should stress the Government's determination to maintain its essential policies and not to over-react to short-term fluctuations. They should also avoid implying that the fiscal outlook was such that substantial tax concessions were likely to be made in the near future: other considerations apart, the volatility of the oil and exchange markets made forecasts of revenue very uncertain.

The Cabinet -

Took note.

Cabinet Office

18 November 1982