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(1980) 34th
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

THURSDAY 2 OCTOBER 1980

at 11.00 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 Industry

The Rt Hon Francis Pym MP
Secretary of State for Defence

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

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 Humphrey Atkins MP
Secretary of State for Northern Ireland

The Rt Hon Patrick Jenkin MP
Secretary of State for Social Services

The Rt Hon Norman St John-Stevas MP
Cancellor of the Duchy of Lancaster

The Rt Hon John Nott MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon Mark Carlisle QC MP
Secretary of State for Education and
Science

The Rt Hon John Biffen MP
Chief Secretary, Treasury

The Rt Hon Angus Maude MP
Paymaster General

SECRET

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Norman Fowler MP
Secretary of Transport

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr M D M Franklin
Mr R L Wade-Gery

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CONFIDENTIAL

1. THE FOREIGN AND COMMONWEALTH SECRETARY said that the immediate cause of the fighting between Iraq and Iran was Iraq's territorial ambitions, over the Shatt-el-Arab in particular, and her dissatisfaction with the Algiers Agreement of 1975. Behind this lay President Saddam Hussain's worries about the Iranian regime's efforts to export revolution in the form of Islamic fundamentalism (which also explained the degree of support he was receiving from other Arab countries in the region); and his ambitions to dominate the Middle East (which given his extremist views would be an unwelcome development in relation to the prospects for an Arab/Israel settlement). Events had confounded the original expectation of an early end to the fighting. The Iraqis appeared to have underestimated the tenacity of Iranian resistance. The Iranian air force was still flying over 100 sorties a day and the Iraqis' oil installations had been at least as seriously damaged by the fighting as had the Iranians'. The Iraqis' advance had now given them a stranglehold on most of Iran's supplies both of crude and of refined oil. None the less Iran had rejected President Zia of Pakistan's attempts at mediation and seemed determined to continue fighting. The Iraq attack had rallied the nation behind the leadership, and the Iranians could well sustain effective resistance for some time. Mediation by Islamic countries remained the best hope for a settlement. The reaction of the United Nations (UN) had been singularly unimpressive. The Soviet Government, however, seemed to be seeking to exercise a moderating influence, no doubt because of their important interests at stake in each of the protagonist countries. There was therefore little immediate risk of confrontation between the super powers. But there was a real danger that the fighting would spread, eg if Iraq attacked Bandar Abbas or the Gulf Islands and Iran retaliated by closing the Straits of Hormuz. It would not take much to frighten international shipping away from using the Straits. That would have a very serious effect on oil supplies, and it would continue to be the object of diplomacy to prevent it happening. For the moment, however, there had been no adverse effect on oil or shipping movements in relation to Gulf States other than Iran and Iraq. The International Energy Association (IEA) had issued a reassuring statement after its meeting on 1 October and the spot market for oil remained calm. The cessation of Iraqi oil pumping to the Mediterranean had brought the total loss of Iraqi and Iranian oil exports to about 3.8 million barrels per day. Japan, India, Italy, France and Brazil were among the countries most directly affected.

THE SECRETARY OF STATE FOR ENERGY said that British oil supplies were not at present affected. Stocks were high, and United Kingdom producers on the North Sea Continental Shelf would give priority to the United Kingdom market. Such priority would be ruled out if at some future stage shortages elsewhere led to the implementation of the IEA's sharing arrangements; on the other hand failure to implement sharing arrangements in such circumstances could lead to a violent price explosion. In consultation with other Departments concerned he proposed to set in hand contingency studies on when that situation might be expected, on various hypotheses, to develop; and on the implications for British policy and interests at that stage.

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In the course of a brief discussion it was pointed out that there might be serious implications for international law and for the future of the United Nations if world opinion remained unwilling to condemn Iraq for what seemed a clear case of aggression. The crisis had also revealed alarmingly how little the minor Gulf states seemed to be aware of the vulnerability of their position. It was to be hoped that greater realism would now develop. More generally, the concentration of immense oil wealth in so few hands seemed bound to be a major factor for instability in the Gulf region and for international hostility towards the wealthy few. At present, however, the West rather than the oil producing states remained the prime target for criticism by most of the poorer developing countries.

THE PRIME MINISTER said that during her recent visit to Greece the Greek Government had emphasised that, unless their application for reintegration into the military structure of the North Atlantic Treaty Organisation (which had been made as long ago as 1977, but remained blocked by the attitude of Turkey) could be approved within the next few months, Greek public opinion might insist that it be withdrawn, and the future of United States bases in Greece would then be in doubt.

THE PRIME MINISTER said that her subsequent visit to Yugoslavia had been welcomed by the new Government in Belgrade as an earnest of support in the aftermath of Marshal Tito's death. They were naturally worried about the situation in Poland and uncertain about the possibility of comparable developments elsewhere in Eastern Europe.

The Cabinet -

Took note.

2. THE PRIME MINISTER said that at the meetings which she and other Ministers had had with President Giscard d'Estaing and their French counterparts in Paris on 19 September there had been a clear intention on both sides of improving Anglo-French relations; this had been evident both in the discussions and in the subsequent Press conference. The aim appeared to have been achieved; since the meeting, progress had been made on a number of Community issues, previously blocked by the French, on which the Minister of Agriculture would be reporting. On 7 October the Council of Ministers (Foreign Affairs) would be discussing the arrangements to give effect to the agreement of 30 May on the reduction of the United Kingdom Budget contribution, and it was hoped that outstanding differences with the French in this area could also be resolved.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Council of Ministers (Fisheries) had succeeded on 29 September in reaching agreement on comprehensive conservation measures for the Community. Many of these measures were similar to ones which the United Kingdom had been operating nationally but for which she had been criticised by the European Court. They included control over industrial fishing in the North Sea where the Minister of State, Mr Buchanan-Smith, had negotiated a favourable arrangement with the Danish Government. The agreement on conservation measures represented a significant step forward and suggested that there was a good possibility of agreement being reached on a revised Common Fisheries Policy (CFP) before the end of the year; although difficult problems on quotas and access still remained to be negotiated.

In a brief discussion, it was noted that the leaders of the fishing industry had expressed satisfaction with the agreement on conservation measures. They were now very anxious for a comprehensive settlement before the end of the year. They recognised, at any rate in private, that the terms were likely to fall short of their publicly expressed demands. The Scottish Nationalist Party had so far been unsuccessful in turning the industry against the Government's approach; but, if the leaders of the industry came out in strong public opposition to the terms of a final settlement, it might be difficult to secure a satisfactory vote in the House of Commons. The leaders of the industry were aware that, if they overdid their opposition to the Government's approach they might prevent a settlement being approved, an outcome which they themselves recognised would not be in the best interests of the industry.

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THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that at the Council of Ministers (Agriculture) on 30 September the French had eventually dropped a series of reservations about the arrangements for sheepmeat, and agreement had been reached that the Community system, together with the arrangements for imports from third countries, would come into effect later in the month. The outcome was wholly satisfactory to the United Kingdom and had also been welcomed by the New Zealand Government. The Council had also approved better arrangements for imports of New Zealand butter in 1980.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Commission had dissociated itself from the recent decisions of the Council of Ministers (Budget) on the draft Community Budget for 1981. At the Council meeting, the United Kingdom secured adequate arrangements for her Budget refunds and had at least maintained the proportion of the Budget devoted to non-agricultural expenditure. The outcome was unlikely to satisfy the European Parliament; they would be reluctant to reject the Budget as they had done last year, but the possibility could not be excluded. If no Budget were adopted before the end of the year, there would be delay in securing the repayments due to the United Kingdom under the Budget settlement.

In a brief discussion it was noted that, in the context of budget restructuring, the British Government shared the same desire as the Commission and the Parliament to see the proportion of the Budget devoted to agriculture reduced. It would be important not to appear to be acting contrary to this objective. There were however limits to what could be achieved in 1981. It would not be in British interests for the Budget to be rejected, and it would be helpful if the Commission and Ministers could diminish the political tension between the Council and the Parliament.

The Cabinet -

Took note.

Cabinet Office

2 October 1980