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CC(82) 44th
Conclusions

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CABINET

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

THURSDAY 21 OCTOBER 1982

at 10.30 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 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 Peter Walker MP
Minister of Agriculture, Fisheries and Food

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon John Biffen MP
Lord President of the Council

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

The Rt Hon Baroness Young
Lord Privy Seal

The Rt Hon Norman Tebbit MP
Secretary of State for Employment

The Rt Hon Lord Hailsham
Lord Chancellor

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

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

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

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon David Howell MP
Secretary of State for Transport

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

The Rt Hon Nigel Lawson MP
Secretary of State for Energy

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

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ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson (Item 4)
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 (Item 4)
Mr L J Harris (Item 1)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
	Britoil	1
2.	FOREIGN AFFAIRS	
	Falkland Islands	1
	East-West Economic Relations	2
	Middle East	3
	South Africa	3
	Federal Republic of Germany	4
3.	COMMUNITY AFFAIRS	
	The Community Budget	5
	New Zealand Butter	5
	Common Fisheries Policy	5
4.	INDUSTRIAL AFFAIRS	
	National Health Service Dispute	6
	National Coal Board Pay Negotiations	6
5.	GOVERNMENT INFORMATION	
	Impact of New Television Services	7

PARLIAMENTARY
AFFAIRS

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

Britoil

THE PRIME MINISTER, summing up a short discussion, said that there was continuing pressure from the Opposition for an early statement on the Government's intentions on the disposal of Britoil, and, in particular, on whether it would be offered for sale at a fixed price or by tender. The Cabinet recognised that a final decision on the method of disposal could only be taken at a late stage on the basis of expert advice about the state of the market at the time, and that it would not be possible for the Secretary of State for Energy to say much that was new in any statement made the following week. In the absence of a statement, the Opposition might put down a Private Notice Question (PNQ) on Britoil; but, if there were a statement, the Opposition might use that as a pretext for a PNQ or a motion for an emergency debate under Standing Order No 9, with the intention of delaying Prorogation. On balance the Cabinet considered that it would be politically helpful for the Secretary of State for Energy to make a statement on Britoil on Wednesday, 27 October. This should not be foreshadowed ahead of that date, unless the Opposition put down an earlier PNQ, in which case the Speaker could be told of the Secretary of State's intention to make a statement on 27 October.

The Cabinet -

Invited the Secretary of State for Energy to be ready to make an oral Parliamentary statement on the disposal of Britoil on Wednesday 27 October, and to make arrangements with the Lord President of the Council and the Chief Whip accordingly.

FOREIGN
AFFAIRS

Falkland Islands

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

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the United Nations General Assembly debate on the Argentine-sponsored draft resolution on the Falkland Islands was due to start on 2 November. The terms of the draft resolution were unacceptable. He had considered whether the United Kingdom should seek to have the draft amended but had concluded that this would be a difficult process to control. An intensive lobbying exercise was in progress to persuade friendly governments to vote against the Argentine draft or at least to abstain. A number of Commonwealth Governments appeared to be firmly on the British side, but the attitude of Britain's Community partners was unhelpful: France looked like voting for the Argentine draft, in which case Italy would probably follow suit. He had not yet given up hope of persuading France to abstain, but he was not optimistic. It seemed probable that the Argentine draft resolution would be adopted by a large majority.

The Cabinet -

1. Took note.

East-West
Economic
Relations

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

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been a series of meetings on this subject between the United States Government and the European Governments concerned. Further meetings were taking place in Washington on that and the following day. The aim was to secure a sufficient measure of European agreement to ideas floated by the United States Secretary of State, Mr Shultz, on a common Alliance approach to economic relations with the Soviet Union to enable Mr Shultz to persuade President Reagan to end the measures against European firms involved in contracts connected with the gas pipeline from Siberia. It was an essential British objective to ensure the lifting of the measures against British firms before entering into any commitments in respect of Mr Shultz's approach. Whether agreement could be reached looked like depending largely on the French, who were being obstructive. President Reagan's recent statement to the effect that the existing sanctions against firms involved in pipeline contracts with the Soviet Union could be lifted if an equally effective set of restrictions on trade with and credit to the Soviet Union could be worked out suggested that United States agreement might not be easy to secure either.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the United States Department of Agriculture had recently warned his Department that the Soviet Union was taking insufficient American grain; that, in the interests of American farmers, it might prove necessary for the United States to sell butter to the Soviet Union at a subsidised price; and that a further \$100 million were being added to the \$400 million already allocated to subsidising food sales to the Soviet Union. United States action on these lines would make nonsense of the current efforts by the British and Federal German Governments to prevent subsidised butter sales to the Soviet Union by the European Community, and had a direct bearing on the pipeline problem.

THE PRIME MINISTER, summing up the discussion, noted that the United States, which had been subsidising food production for many years, justified its decision to start subsidising food exports by reference to the subsidy policies pursued by the European Community. There were no available Third World markets for the grain surpluses currently being produced. It was a symptom of the strain within the Alliance that the arguments with which President Reagan justified the sale of American grain to the Soviet Union were virtually a mirror image of those used by the Europeans in favour of the pipeline deal. The primary British objective must be to secure the lifting of the United States measures against British firms. Mr Shultz's ideas appeared to represent the most promising approach. Although the

restrictions which the Americans were seeking on the export of oil and gas equipment went too wide, there were other elements in the Shultz approach which could, with some modifications, be adopted without damage to British interests. Other European countries were likely to have greater difficulties.

The Cabinet -

2. Took note.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the United Nations Security Council had voted to extend the mandate of the United Nations Interim Force in Lebanon for a further three months; this would keep open the options for the future. An Arab League delegation headed by King Hassan of Morocco was on its way to Washington and would be returning through London on about 8 November.

The Cabinet -

3. Took note.

THE CHANCELLOR OF THE EXCHEQUER said that the South African Government wished to exercise its drawing rights with the International Monetary Fund. A number of African Governments was opposed to this. South Africa had last exercised these rights between 1976 and 1979. The issue was sensitive: the United Kingdom was in touch with its partners in the Group of 10 and the European Community with a view to giving South Africa low profile support while seeking to have the South African application deferred to the least inconvenient time.

THE PRIME MINISTER, summing up a short discussion, noted that improper South African activities in the United Kingdom did not make it easier to adopt policies helpful to the South African Government. At the same time it was right that members of a club should be entitled to the benefits of membership.

The Cabinet -

4. Took note.

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

South Africa

Federal
Republic of
Germany

THE PRIME MINISTER said that the new Chancellor of the Federal Republic of Germany, Dr Helmut Kohl, had paid a short informal visit to London on 19 October. This had been no more than a preliminary contact, which would be followed up in greater detail at the Anglo-German Summit in Bonn on 28-29 October. The talks had gone well and she had found Dr Kohl's general approach encouraging. He had grown in stature with his assumption of office, and had been surprisingly optimistic about his Party's prospects in the general elections due to take place in March 1983. But he would not necessarily prove easier to deal with than his predecessor from the point of view of British interests. It appeared that the new Federal Government were embarking on tougher measures to restore the German economy than would be acceptable in the United Kingdom. Pay and pension increases were being delayed for six months; the civil service pay increase was being held to 1½ per cent; and a tax to finance capital development was to be levied on the better-off in the form of a compulsory interest free loan for 3 years. The readiness of the Germans to respond to this more disciplined approach meant that the Federal Republic was likely to emerge from recession sooner than the United Kingdom and that the competitiveness of British industry would again be eroded. On Community affairs, Dr Kohl had been careful not to commit himself to give German agreement to the European Commission's proposals for resolving the dispute with the United States on steel; and his Government had subsequently attached conditions which were unacceptable to the United States and had necessitated an emergency meeting of the Council of Ministers of the Community that morning. He had also been reluctant to accept the need for Community action to counter Japanese penetration of European markets, arguing that the German motor industry had successfully fought off Japanese competition and regained its old markets. She had made it clear to Dr Kohl that the Genscher/Colombo proposals could be no substitute for progress on practical issues such as fisheries; nor was it satisfactory that certain member countries should allow their vested interests to prevent the adoption of a common position by the Community in trade negotiations with other countries. The question of the Community budget had not been covered in detail: she would be discussing this further with Dr Kohl in Bonn.

The Cabinet -

5. Took note.

COMMUNITY
AFFAIRS

The Community
Budget

Previous
Reference:
CC(82) 41st
Conclusions,
Minute 2

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that at the Council of Ministers (Foreign Affairs) on 25-26 October he hoped to resolve the difficulties over the implementation of the agreement with respect to 1982. The French were isolated, but there was no guarantee that they would come into line. At the informal meeting of Foreign Ministers the previous weekend President Thorn had indicated that he would make proposals in mid-November for a solution to the budget problem in 1983 and later. Foreign Ministers would thus discuss this problem for the first time in the second half of that month.

THE PRIME MINISTER commented that the Community budget issue was proving very difficult. There were, however, two more meetings, including the European Council in Copenhagen at the beginning of December, at which the 1982 problem could be resolved in time to ensure that the United Kingdom received the refunds to which we were entitled during the financial year 1982-83.

New Zealand
Butter

Previous
Reference:
CC(82) 37th
Conclusions,
Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that the Council of Ministers (Agriculture) had reached agreement on a quota for New Zealand butter of 87,000 tonnes plus an adjustment to the levies such that New Zealand lost no money by comparison with the previous quota of 90,000 tonnes. The New Zealand government had been consulted and had asked the United Kingdom to agree to this proposal. They had subsequently made public their thanks to the United Kingdom Government for its help. At the end of the meeting the French had withdrawn their reserve; but there was still a risk that they might block the formal endorsement of the regulation at a later Council if no agreement had by then been reached on the export of butter to Russia.

Common
Fisheries Policy

Previous
Reference:
CC(82) 43rd
Conclusions,
Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that Ministers from the Netherlands, Germany, France and the United Kingdom had met in private in Luxembourg on 18 October and agreed to maintain very strong pressure on the Danish government to permit agreement to the Common Fisheries Policy at the Council of Ministers on 25-26 October. The meeting had also discussed what would happen if the Danes prevented agreement before the end of the year when the accession derogations expired. The four governments had agreed to co-operate in preventing anarchy in 1983. One possibility was that the Council of Ministers should pass a regulation applying the Common Fisheries Policy now envisaged to nine member states but not Denmark. If the Danes vetoed that proposal, the Commission might approve national measures having identical effect.

The Cabinet -

Took note.

INDUSTRIAL
AFFAIRS

National Health
Service Dispute

Previous
Reference:
CC(82) 43rd
Conclusions,
Minute 4

4. THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the series of regional days of action had continued. They had been extensively supported by National Health Service (NHS) workers, though to a lesser degree than on the national day of action on 22 September. There had been relatively little support from workers outside the NHS. There were signs that support for the dispute, even within the NHS, might be crumbling: the London Ambulance Service, for example, had worked normally during the day of action in South East England. There were divided counsels within the Health Services Committee of the Trades Union Congress which would be meeting that day; it was possible, but very far from certain, that they might be disposed to look more favourably on the proposals which the Government had previously made as a basis for negotiation. He had met the professional organisations representing the nurses and midwives earlier that week; and useful progress had been made. There had also now been a request for exploratory discussions from the organisations representing the professions supplementary to medicine. This meant that the Government would be in active discussion with bodies representing over 250,000 NHS employees. He hoped to make firm proposals to his colleagues in the near future about the next steps in handling the dispute.

The Cabinet -

1. Took note.

National Coal
Board Pay
Negotiations

Previous
Reference:
CC(82) 43rd
Conclusions,
Minute 4

THE SECRETARY OF STATE FOR ENERGY recalled that the National Union of Mineworkers (NUM) would be holding their ballot on strike action on 28 and 29 October. It continued to be important that Ministers should, so far as possible, avoid making announcements which might adversely affect the outcome of that ballot: he was grateful for the co-operation which his colleagues had already shown on this matter.

THE HOME SECRETARY said that the formula for determining firemen's pay was likely to result in a pay increase of the order of $7\frac{1}{2}$ per cent and this could become known on 26 October. In view of the possible adverse effect on the NUM ballot and other pay negotiations, he intended to make it known, as soon as the pay increase became public, that he was considering imposing an increase in the pension contribution paid by firemen; the attention of the media would be drawn to the fact that there were close similarities between the firemen's pension scheme and that of the police, whose contributions had recently been increased by 4 per cent.

The Cabinet -

2. Took note.

GOVERNMENT
INFORMATION

Impact of New
Television
Services

5. THE PRIME MINISTER drew the attention of the Cabinet to the fact that broadcasting would shortly be starting on the new independent television Channel 4 and on breakfast television programmes on both the BBC and on Independent Television. It would be important that the Government should take advantage of the additional opportunities provided by these new channels to explain and defend its policies and measures. Ministers in charge of Departments should ensure that their information services were prepared to take advantage of these new opportunities, and that Ministers and backbenchers were available as required to accept invitations to explain Government policies and measures on the new services.

The Cabinet -

Took note.

Cabinet Office

22 October 1982