

CABINET

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

THURSDAY 29 JULY 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 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 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
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

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

The Rt Hon Douglas Hurd MP
Minister of State, Foreign and
Commonwealth Office

SECRETARIAT

Sir Robert Armstrong
Mr D J S Hancock (Items 2 and 3)
Mr A D S Goodall (Items 2 and 3)
Mr D H J Hilary (Items 1 and 4)
Mr L J Harris (Items 1 and 4)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
	Employment Bill	1
2.	FOREIGN AFFAIRS	
	Lebanon	2
	Iran/Iraq	3
	Gibraltar	3
	Zimbabwe	4
	Argentina	4
3.	COMMUNITY AFFAIRS	
	Regional and Social Funds	5
	Steel	5
	Equal Pay	6
4.	INDUSTRIAL AFFAIRS	
	Police Pay	6
	The National Health Service	6
	Replacement of the Atlantic Conveyor	7
	Sealink Ferries	7
	Russian Pipeline Contract	7
	Nissan	8

Item	Subject	Page
5.	ARRANGEMENTS FOR SUMMER RECESS	9
6.	FUTURE PROGRAMMES	9
7.	FUTURE ARRANGEMENTS	9

PARLIAMENTARY
AFFAIRS

1. The Cabinet were informed of the business provisionally arranged to be taken in the House of Commons during the week beginning 18 October. The intention was for the 1982-83 Session of Parliament to be opened on Wednesday 3 November.

Employment Bill

Previous

Reference:

CC(82) 36th

Conclusions,

Minute 1

THE LORD PRIVY SEAL said that on the previous day the Government had been defeated by 112 votes to 116 at the Report Stage of the Employment Bill in the House of Lords on an amendment put down by the Liberal Party and the Social Democratic Party (SDP) to require every company employing more than 200 people to publish in its annual report a statement of the action on employee participation taken during the year. Three Government supporters had voted for the amendment, and one had abstained. The defeat was symptomatic of the serious political situation developing in the House of Lords, where the Liberal/SDP Alliance now commanded the support of almost as many active Peers as the Labour Party.

THE PRIME MINISTER, summing up a short discussion, said that support within the Conservative Party for some form of worker participation continued to increase. The Cabinet agreed that it would be unfortunate if the Government allowed the Liberal/SDP Alliance to assume the initiative in this area, although they recognised that there were sound technical reasons why participation provisions had not been included in the Employment Bill as introduced. The amendment as passed was seriously defective, and urgent consideration should be given to putting it into a satisfactory form by means of a Government amendment at Third Reading in the House of Lords after the Summer Adjournment. Further consultation would, however, be required with the Confederation of British Industry and the Institute of Directors before a final decision could be taken. The Secretary of State for Employment should arrange this immediately, in consultation with the Lord Privy Seal and the Secretary of State for Trade, and should report the outcome with a recommendation on the best way of giving a positive response on the issues raised by the amendment.

The Cabinet -

Invited the Secretary of State for Employment, in consultation with the Lord Privy Seal and the Secretary of State for Trade, to consult the Confederation of British Industry and the Institute of Directors on the possible response to the amendment to the Employment Bill on employee participation carried in the House of Lords, and to report, as indicated in the Prime Minister's summing up of their discussion.

FOREIGN
AFFAIRS---
LebanonPrevious
Reference:
CC(82) 39th
Conclusions,
Minute 2

2. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the situation in the Lebanon remained full of uncertainty and danger. King Hussein of Jordan, the Egyptian and Syrian Foreign Ministers and the American negotiator, Mr Habib, had all been in London recently. Mr Habib was hopeful that he had solved the key problem of where the Palestinian Liberation Organisation (PLO) forces now in West Beirut should go - ie to Syria, Jordan, Egypt and Iraq. But there was no certainty that the PLO would agree to go to the slots allocated to them: and Egypt was stressing that it would only take its share if the United States Government was prepared to address the question of the future of Palestine. Meanwhile misery was increasing for the population in West Beirut where it was estimated that 90 per cent of the casualties were among Lebanese civilians. The next week or so would show whether Mr Habib's mediation efforts stood any chance of success.

In discussion it was pointed out that, even if the 9,000 PLO combatants withdrew from the Lebanon, they would be leaving between 25 and 30,000 dependents behind. King Hussein of Jordan was very concerned at the prospects of large numbers of the PLO going to Syria: they would come under extremist influence and be liable to attack Israel across Jordanian territory, thus exposing Jordan to Israeli reprisals. He was also worried about the efforts being made to persuade Arab settlers to leave the West Bank. This could presage an Israeli move to step up West Bank settlement with a view to annexation on the basis of "self-determination". In this connection it was significant that the new right wing Minister just appointed to the Israeli Cabinet to enhance Mr Begin's parliamentary majority was strongly in favour of increased Israeli settlement on the West Bank.

THE PRIME MINISTER, summing up the discussion, said that the prospects were depressing. Once established in Syria the PLO leadership was likely to become more extreme and to revert to a policy of international terrorism. It was likely that Israel would sooner or later seek to annex the West Bank. The United States Government seemed to have no clear view of the future beyond the immediate problem of getting the PLO out of West Beirut. There was no opening at present for action by the United Kingdom.

The Cabinet -

1. Took note.

Iran/Iraq

Previous
Reference:
CC(82) 39th
Conclusions,
Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that Iraq had now held Basra against two Iranian attacks: a third major attack appeared to be in preparation. If Basra fell, the impact down the Gulf would be serious: but Her Majesty's Representatives in the Gulf States had reported that the Governments concerned were showing greater steadiness than expected. If the Iranians failed to take Basra, they might be inclined to look more favourably at the terms on offer for a peaceful settlement: there were already some signs of a division of opinion in Tehran. Everything would turn on whether Iraq was successful in holding Basra. Meanwhile casualties on both sides, although the figures were possibly exaggerated, were very heavy.

THE PRIME MINISTER, summing up a short discussion, noted that the Iraqi economy was continuing to operate reasonably satisfactorily in spite of the war, although it was largely dependent on borrowed money from Saudi Arabia and the Gulf: there appeared to be no immediate threat to Iraqi contracts with British firms. The strength and effectiveness of Iraqi resistance once the Iraqis were fighting on their own soil had been encouraging. If maintained it should begin to have an impact on morale in Tehran.

The Cabinet -

2. Took note.

Gibraltar

Previous
Reference:
CC(82) 35th
Conclusions,
Minute 3

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that Lord Belstead, Minister of State, Foreign and Commonwealth Office, had visited Gibraltar the previous week. The visit had gone off quietly, despite earlier warnings that it might be marked by violent incidents organised from Spain. He had found the economic situation worrying. The prospects for a successful commercial venture in the dockyard appeared reasonable if union co-operation could be obtained: but the unions were inclined to be obstructive. Some naval repair work would also be needed to get the project launched: the Foreign and Commonwealth Office were in touch with the Ministry of Defence about this. Meanwhile the Gibraltar Government had made it clear that they would be seeking further aid from the United Kingdom of between £12 million and £20 million.

The Cabinet -

3. Took note.

Zimbabwe

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that a small Special Air Services (SAS) team was in Zimbabwe to help with the hunt for the kidnappers of the six tourists. Their present instructions were to act only in an advisory capacity and not to take a direct part in operations.

THE PRIME MINISTER, summing up a short discussion, said that it would be desirable to be able to say publicly that the SAS team's usefulness had been seriously prejudiced by the publicity which it had received, despite the Government's intention that its despatch to Zimbabwe should be kept secret. The policy of not revealing the whereabouts of SAS units should be maintained.

The Cabinet -

4. Took note.

Argentina

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that his Department were receiving indications that the Argentine authorities wanted to resume meat exports to the United Kingdom and were asking when British veterinary officers would be returning to Argentina to resume their inspectorial duties there. It would be helpful to have guidance on how to respond to these Argentine overtures.

THE PRIME MINISTER said that the Government's aim was to restore relations with Argentina step by step and on a reciprocal basis. The United Kingdom had lifted the 12 mile limit on Argentine shipping and ended the Total Exclusion Zone as well as returning all Argentine prisoners. So far Argentine had given nothing in return: the responses coming out of Buenos Aires were hostile and confused. The possibility of a surprise Argentine attack on a British ship by way of revenge could still not be ruled out. The next immediate step would be to secure a reciprocal lifting of economic and financial sanctions: the resumption of Argentine meat exports might perhaps be considered after that.

The Cabinet -

5. Invited the Foreign and Commonwealth Secretary, in consultation with the Chancellor of the Exchequer, to keep the Minister of Agriculture, Fisheries and Food informed of progress in the negotiations to reach agreement with Argentina on a reciprocal lifting of economic and financial sanctions.

COMMUNITY
AFFAIRS

Regional and
Social Funds

3. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the Sub-Committee on European Questions of the Defence and Overseas Policy Committee had met on 27 July under the chairmanship of the Foreign and Commonwealth Secretary to consider a report by officials on the treatment for public expenditure purposes of receipts from the Regional and Social Funds. The existing rules made it difficult to get the maximum receipts from these Funds. The Sub-Committee had therefore agreed that four modest changes in the rules should be made. They had been designed to avoid damage to the control of public expenditure programmes and they applied only to receipts from the Regional and Social Funds. No change would be made in the policy of allowing no additionality in the case of the supplementary measures scheme.

Steel

Previous
Reference:
CC(82) 39th
Conclusions,
Minute 3

THE SECRETARY OF STATE FOR INDUSTRY said that the Minister for Trade had attended a special meeting of the Council of Ministers on 24 July and had with great difficulty secured Community acquiescence in the conclusion of a bilateral deal between the United Kingdom and the United States before the legal deadline expired at midnight. At the last moment, however, the United States authorities declared that they were not prepared to do a bilateral deal. Despite a personal intervention by the Minister for Trade the United States authorities could not be persuaded to change their mind.

Officials in Brussels were now discussing the terms of the Commission's mandate for the negotiation of a global agreement with the United States. The main problem was that the Germans, who were not subject to countervailing duties, were resisting making any contribution to the cut in the Community's market share.

In discussion it was pointed out that some evidence suggested that the United States authorities had never at any time been prepared to enter into a bilateral deal because they could resolve their problems with the United States industry only by coming to an agreement with the whole Community which dealt with all the outstanding issues. The British Steel Corporation were taking steps to challenge the duties in the American courts. There was a good case to be made that the countervailing duties imposed on British exports were excessive; but, even if British Steel won their action, it was unlikely that they could secure a sufficiently large cut in the duties to make the trade commercially viable. One good point about the American administration's policy was that they were trying to settle the whole steel problem - not just the countervailing duty cases but the anti-dumping cases as well.

Equal Pay

THE SECRETARY OF STATE FOR EMPLOYMENT said that, if the United Kingdom were to comply with the recent judgment of the European Court on equal pay, legislation would be needed in the next Session of Parliament.

The Cabinet -

Took note.

INDUSTRIAL
AFFAIRS

Police Pay

4. THE HOME SECRETARY said that, at a meeting the previous day, the local authority representatives on the Official Side of the Police Negotiating Board had asked for an assurance that, if they made a pay offer to the Police Federation in line with the principles of the Edmund-Davies Report, it would be taken into account in all respects for block grant purposes in both 1982-83 and 1983-84, and in particular that no authority should suffer penalty in any way because it had observed the police pay award. After discussion with the Chief Secretary, Treasury he had given an undertaking of the kind requested on the treatment of police pay in 1982-83, but had refused to give any commitment about action in 1983-84, since to have done so would have seriously undermined the position of the Secretary of State for the Environment on local authority expenditure generally as set out in his statement of 27 July. On this basis, the Official Side had not been prepared to begin negotiations with the Staff Side. It was important that the Government should not appear to go back on its undertakings to the police; the sums involved were comparatively small in the context of local authority expenditure generally. He was seeing the chairman of the Official Side that afternoon, and he hoped that the Official Side would agree to negotiate on 5 August; failing that, the next opportunity for a negotiated settlement would come in September, although he had, and could if necessary use, powers to impose a settlement as a last resort. The Police Federation had reacted sharply to the failure of the Official Side to begin negotiations, and would be dismayed by a further postponement. They were in any case bound to take a militant attitude towards the increase in police pension contributions being proposed by the Official Side. He had taken great care throughout the current negotiations to avoid any commitment which could prejudice the current National Health Service (NHS) negotiations.

The National
Health Service

Previous
Reference:
CC(82) 39th
Conclusions,
Minute 4

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the unions concerned were planning a further five days of industrial action in the NHS beginning on 9 August. The outcome of the ballot being organised by the Royal College of Nursing would be known on 26 August, but he was already making it clear that the result could not affect the fact that the Government had nothing further to offer. He was making use of advertisements in the nursing and the national Press to ensure that the Government's present offer was fully understood. Meanwhile,

the General Secretary of the Confederation of Health Service Employees had suggested that his union might abandon the guidelines set by the Trades Union Congress (TUC) on industrial action in the NHS. Mr Spanswick had been attacked by both the National Union of Public Employees and the TUC, and there were signs that his position had been weakened by the relative ineffectiveness of the industrial action so far taken.

Replacement of
the Atlantic
Conveyor

Previous
Reference:
CC(82) 39th
Conclusions,
Minute 1

THE SECRETARY OF STATE FOR INDUSTRY said that after long negotiations, in the course of which the Government had improved their offer of assistance and British Shipbuilders and their suppliers had dropped their price, Cunard had agreed to place an order for the replacement of the Atlantic Conveyor with a British shipyard at a cost somewhat above the Korean tender. It was extremely important that there should be no public disclosure of the figures involved. The Prime Minister and he had seen the unions concerned, who had given very firm commitments to ensure that the vessel was delivered on time.

Sealink Ferries

THE SECRETARY OF STATE FOR TRANSPORT said that the industrial action by the National Union of Seamen at Harwich in protest against Sealink's proposals to reduce manpower and improve productivity was spreading to other ports, with the calculated object of causing the maximum possible disruption to cross-channel ferries during the holiday season. There was no doubt that Sealink was grossly overmanned and that its rates of pay were far too high, and the prospects of an early settlement were poor.

Russian
Pipeline
Contract

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

THE SECRETARY OF STATE FOR TRADE said that John Brown Ltd were still trying to salvage part of the Siberian pipeline contract in a way which would not antagonise the United States Administration and risk the loss of access to the American technology on which the company was heavily dependent. They had sent a team to Moscow to try to negotiate the delivery of the first six turbines in return for being released from their commitment to deliver a further 15. He had taken power by order four weeks previously to issue directions to John Brown and the other companies involved, and any such directions would provide the companies with a defence against any enforcement action taken by the United States, but it would not be appropriate for him to issue directions while the Moscow negotiations were in progress. Unless John Brown's negotiations in Moscow were successful or the Foreign and Commonwealth Secretary's current discussions in Washington resulted in a significant change in the attitude of the United States towards the contract, his present intention was to issue appropriate directions on Monday 2 August.

Nissan

THE SECRETARY OF STATE FOR INDUSTRY said that some of the Press reports about the postponement by the Nissan Company of a decision whether to establish a factory in the United Kingdom had been misleading. Although the Japanese unions and some of the more traditionalist members of the Nissan Board, including the Chairman, were opposed to setting up overseas plants, the Company representatives whom he had seen earlier in the week had made it clear that they were still strongly in favour of a United Kingdom project, and were fully aware of the danger of action eventually being taken to curb the growth in the import of Japanese cars into Western Europe. He had emphasised that the company did not have an unlimited amount of time in which to reach a decision.

The Cabinet -

Took note.

ARRANGEMENTS
FOR SUMMER
RECESS

5. THE PRIME MINISTER asked that every Minister in charge of a Department should ensure that throughout the recess a "duty" Minister was available at all times to deal with urgent business and to appear as necessary to represent the Government's point of view on television and radio. The issue of statements to the Press during the recess should be co-ordinated with the Chief Press Secretary, 10 Downing Street.

The Cabinet -

Took note.

FUTURE
PROGRAMMES

6. THE PRIME MINISTER asked every Minister in charge of a Department to arrange for the preparation of a report on a "forward look" at the Department's programmes for the next five years. The reports should be sent to her, to reach her not later than Friday, 24 December 1982.

The Cabinet -

Took note.

FUTURE
ARRANGEMENTS

7. THE SECRETARY OF STATE FOR THE HOME DEPARTMENT said that he was speaking for the whole Cabinet in expressing admiration and gratitude for the Prime Minister's leadership and determination during the last year, and in wishing her a happy and restful holiday.

THE PRIME MINISTER, thanking the Home Secretary and her colleagues, said that it had been a testing year for Her Majesty's Government, in which they had confronted challenges of a kind which could not have been expected. The Government, with the support of their party in Parliament, had faced these challenges with resolution and success. She wished her colleagues well for a holiday in which they could renew their vigour to meet whatever challenges the ensuing year might bring.

The Cabinet -

Took note that their next meeting was due to be held on Thursday 9 September 1982.

Cabinet Office

29 July 1982