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OD(79) 4th Meeting

COPY NO

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CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

—  
MINUTES of a Meeting held at  
10 Downing Street on  
TUESDAY 10 JULY 1979 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 and  
Minister of Overseas Development

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer

The Rt Hon Francis Pym MP  
Secretary of State for Defence

The Rt Hon Lord Soames  
Lord President of the Council

The Rt Hon Sir Ian Gilmour MP  
Lord Privy Seal

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Peter Walker MP  
Minister of Agriculture,  
Fisheries and Food  
(Items 1 and 2)

The Rt Hon Humphrey Atkins MP  
Secretary of State for  
Northern Ireland  
(Item 4 only)

The Rt Hon Sir Michael Havers QC MP  
Attorney General  
(Item 4 only)

SECRETARIAT

Sir John Hunt  
Mr M D M Franklin  
Mr R L Wade-Gery  
Mr R M Hastie-Smith

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Revised 12.7.79

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## 1. DEFENCE COSTS IN GERMANY

The Committee had before it a note by the Secretaries (OD(79) 16) setting out the position on the current Anglo-German Offset Agreement which expires in March 1980.

THE SECRETARY OF STATE FOR DEFENCE said that when the current agreement was negotiated the Germans made it clear that it would be the last of its kind. If we now sought to negotiate a new agreement of a similar kind the attempt would be likely to be counter-productive and unsuccessful. A more promising approach would be to take all possible credit for our defence costs in Germany in seeking to improve our position in relation to the European Economic Community (EEC) Budget.

In discussion it was pointed out that the Offset Agreement was a matter on which Chancellor Schmidt personally held very strong views. From a political point of view the current agreement had been negotiated by the previous Administration to whom the impossibility of getting a new agreement would be well understood. We should certainly take all the credit we could for our defence costs in Germany in relation to our position on the EEC Budget generally and at the same time we should seek to achieve as much benefit as possible from a more extended use of the current North Atlantic Treaty Organisation (NATO) infrastructure scheme.

In further discussion it was also suggested that everything possible should be done to encourage the Germans to buy defence hardware from us and to do more ourselves to bring our equipment philosophy more into line with those of our European allies in order to improve prospects of equipment collaboration.

THE PRIME MINISTER, summing up the discussion, said that the Committee was agreed that there was no prospect of achieving a renewal of the existing offset agreement when it expired, and that there were positive disadvantages in launching negotiations with this aim. We should however extract as much goodwill as possible particularly from Chancellor Schmidt for our forbearance, and seek his support in particular for our case for an easement in our position in the EEC Budget. Meanwhile we should take every opportunity to secure an improved return from the NATO infrastructure scheme.

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The Committee -

Took note, with approval of the Prime Minister's summing up of their discussion.

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2. EEC BUDGET: POST STRASBOURG STRATEGY

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The Committee had before them a memorandum by the Chancellor of the Exchequer (OD(79) 18) on how best to follow up the procedure agreed at the European Council in Strasbourg to achieve our objective of reducing the United Kingdom net contribution to the Community Budget.

THE CHANCELLOR OF THE EXCHEQUER said it was clear that an adequate and lasting solution to the inequity of our present budgetary contribution could only be achieved through a corrective mechanism which would automatically give us a substantial refund each year. We need not at this stage be precise about the nature of the mechanism but it had to deal with the adverse consequences arising both from our excessive gross contribution and from our inadequate receipts. We had to make it clear that, while ideally member states with below average GNP per head should be net recipients, at least the effects of the Budget should be broadly neutral for a country in our position. We should try to maintain our alliance with the Italians for as long as possible. We needed to avoid our budget problem being subsumed in a wider discussion of other Community issues. The Commission had been pressed to produce the analysis which was the first part of their remit from Strasbourg, for the Council of Ministers (Finance) in September. A series of bilateral contacts with our Community partners was also necessary in order to secure support for our position.

In discussion it was suggested that we needed to have clearer ideas as to the corrective mechanism we wanted. Of the four possibilities discussed in paragraph 14 of Annex B to OD(79) 18, the second did not seem likely to be a runner if it merely involved the recycling of Community funds without being linked to specific Community policies. The fourth option of a straightforward limit on the United Kingdom net contribution was the simplest but probably the most difficult to negotiate. If we were basing our case on equity, the solution should ideally be a simple one. We could not rely on the Commission to come forward with proposals unless, as had been envisaged in Strasbourg, we had clear ideas of our own. On the other hand our chances of securing a satisfactory solution would be enhanced if we could persuade the Community to come forward with sensible proposals whereas an unhelpful Commission paper would make our chances very slim. It was important to ensure that the Commission produced reliable figures for the 1979 and 1980 Budgets. These would show in particular a substantial drop in the cost of monetary compensatory amounts.

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In further discussion it was pointed out that the Budget discussions in the autumn might take place against the background of a further confrontation on the CAP. The Commission would be making controversial proposals for reducing the surplus of sugar. The Germans and possibly the French might come forward with proposals for major changes in the CAP. We should be careful to avoid such developments leading to deferment of a decision on our Budget problem.

THE PRIME MINISTER, summing up the discussion, said the Committee agreed that we should continue to press the Commission to produce the updated facts which would demonstrate the inequity of the United Kingdom's net budgetary contribution. We should not begin to negotiate with the Commission about a suitable corrective mechanism until these facts had been established. Our ideas should then be discussed with the Commission and the Italians before they were developed in bilateral contacts with other member states. The Committee would wish to be informed of any suggestions which came from other member states and to consider further the precise way in which we should put forward our demands.

The Committee -

Took note with approval of the Prime Minister's summing up of their discussion and invited the Chancellor of the Exchequer and the Foreign and Commonwealth Secretary to be guided accordingly.

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### 3. VIETNAMESE REFUGEES

The Committee had before them a minute of 9 July from the Home Secretary to the Prime Minister reviewing the current position on our policy in regard to Vietnamese refugees.

THE FOREIGN AND COMMONWEALTH SECRETARY said that there were strong grounds for action on humanitarian grounds. Hong Kong now had some 60,000 Vietnamese refugees, in addition to 100,000 illegal immigrants from China since the last war. She was a British responsibility, and others would not help her unless we did. Our position at the Geneva Conference would be strengthened if we could accept in the United Kingdom the quota of a further 10,000 Vietnamese refugees proposed by the United Nations High Commissioner, Mr Hartling. But we should take refugees only from Hong Kong; we should spread the process over a period of time; and we should include in the total of 10,000 any refugees who arrived here after being picked up at sea by British ships. To meet the costs involved we should increase from £1 million to £5 million the money to be made available from within the overseas aid budget.

THE HOME SECRETARY supported the Foreign Secretary's proposals. Because of their skills these refugees would be an asset to this country. But we should not try to absorb more than 3,000 a year. We should make clear that our acceptance of these refugees from Communist tyranny was a separate matter from our normal immigration policy, on which would shortly be putting forward new proposals.

In discussion it was agreed that it was important to do something for the Vietnamese refugees both on humanitarian grounds and in pursuit of the moral initiative against Communism. Many other countries seemed likely to accept their quotas as proposed by Mr Hartling. But the reaction of British public opinion was likely to be mixed. There would also be indirect costs in relation eg to education and health. We should give preference to those who spoke English and had no medical problems.

THE PRIME MINISTER, summing up the discussion, said that the Committee agreed that we should take a further 10,000 refugees, subject to the stipulations

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proposed. Their arrival would have to be phased over 5 years, but our public presentation of this point would require further consideration. £5 million should be made available from within the Overseas Aid budget. Parliament should be informed of our intentions before the Foreign Secretary's departure for the Geneva Conference. The Committee's conclusions should be reported orally to the Cabinet on 12 July.

The Committee -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Foreign Secretary and the Home Secretary to be guided accordingly.

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#### 4. NORTHERN IRELAND

The Committee had before it four memoranda by the Secretary of State for Northern Ireland dealing with the overall situation (OD(79) 12), the political position (OD(79) 13), law and order (OD(79) 14), and social and economic affairs (OD(79) 15).

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the issues set out in his four papers were, in Northern Irish conditions, inextricably linked. Politically Mr Paisley's sweeping success in the European elections was the main new factor. The underlying problem centred on the fact that both communities were, for different reasons, afraid of political innovation. Quiet talks with the main leaders were not certain to lead to progress, but seemed the best hope. In the security field, the situation was worse than in 1978 though better than in earlier years. It would be wrong to return to detention and abandon the policy of seeking to convict terrorists in the Court. It was an advantage that the role of the Royal Ulster Constabulary had been enlarged. There were many other demands on our military manpower, and recruitment to the RUC was going well. But there were three fields where improvements should be sought. We needed more intelligence, from both sides of the Border; more co-operation from the Dublin Government; and better utilisation of our anti-terrorist resources in certain specific areas including the Border. Economically, we must recognise that the Province was poor and industrially disadvantaged. Unemployment was high, but new investment was discouraged by the decayed appearance of Belfast in particular.

THE DEFENCE SECRETARY said that the Provisional Irish Republican Army (PIRA) terrorists were becoming more professional. A duel was developing between them and the security forces which involved the general population less than before. Twenty-six members of the security forces had been killed in the first half of 1979, against seventeen in the first half of 1978. Only two terrorists had been killed, although others had been caught and convicted. The soldiers' morale remained good, but they could not see an end to the situation, and their repeated postings to the Province were bad for the morale of their families. Better intelligence was desirable but this presented great

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difficulties in the Border area; and many known terrorists could not be arrested for lack of evidence which could be used in Court. The primacy of the police was not in question, but the Chiefs of Staff were not satisfied with present arrangements for command and control of anti-terrorist operations, and they had asked him to inform the Committee of their concern.

THE LORD CHANCELLOR said that the Courts, which were his responsibility, were functioning satisfactorily. He had a number of suggestions in other fields, about which he would write to the Northern Ireland Secretary and the Defence Secretary. The Army far outnumbered its terrorist opponents but could not seize the initiative for lack of good intelligence. Politically, the religious organisations could play a valuable role. But it was dangerous to imagine that the Northern Ireland problem was capable of overall solution.

In discussion there was general support for the Secretary of State for Northern Ireland's approach of having quiet talks with the main Party Leaders. In this connection one factor which could not be ignored was the increased support for Mr Paisley. Although an unattractive figure he was ambitious for power and it might not prove impossible to harness him in a new political process. The search for a political solution was the more necessary because if the position did not improve criticism from Irish supporters in the United States and from the Dublin Government could be expected to intensify. There would also be domestic pressures. The cost of Northern Ireland to United Kingdom taxpayers was already over £900 million, and public expenditure per head was 50 per cent higher than in Britain: this contrasted badly with the situation in the Irish Republic, which, although currently facing economic difficulties, had grown more prosperous over the years. Nor would public opinion accept indefinitely the losses being suffered by the security forces and a situation where military operations were inhibited by risk that the Army might be successfully sued in the Courts when their actions lead to civil injury.

THE PRIME MINISTER, summing up the discussion, said that the Committee endorsed the general approach to the Northern Ireland situation set out in OD(79) 12, 13, 14 and 15. But time was not necessarily on our side and the Committee wished to consider the matter further before the end of the Parliamentary Recess. The emergency had now lasted for 10 years and public opinion would not accept

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its continuance, or the present casualty rate in the security forces, indefinitely. There would also be increasing international pressures. Meanwhile, the Secretary of State for Northern Ireland, in consultation with the Secretary of State for Defence, should consider the points which had been raised about the direction, under his overall authority of the anti-terrorist operations in Northern Ireland and should report his conclusions to the Committee.

The Committee -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Secretary of State for Northern Ireland to be guided accordingly.

Cabinet Office

11 July 1979

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