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CC(81) 9th  
Conclusions

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CABINET

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CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 5 MARCH 1981  
at 10.30 am

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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  
Chancellor of the Duchy of Lancaster  
and Paymaster General

The Rt Hon Lord Soames  
Lord President of the Council

The Rt Hon James Prior MP  
Secretary of State for Employment

The Rt Hon John Nott MP  
Secretary of State for Defence

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 Nicholas Edwards MP  
Secretary of State for Wales

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 John Biffen MP  
Secretary of State for Trade

The Rt Hon David Howell MP  
Secretary of State for Energy

**SECRET**

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

The Rt Hon Norman Fowler MP  
Secretary of State for Transport

The Rt Hon Leon Brittan QC MP  
Chief Secretary, Treasury

ALSO PRESENT

The Rt Hon Michael Jopling MP  
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong  
Mr M D M Franklin (Items 2 and 3)  
Mr R L Wade-Gery (Items 2 and 3)  
Mr W N Hyde (Items 1 and 4)  
Mr L J Harris (Items 1 and 4)

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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.

THE LORD PRESIDENT OF THE COUNCIL said that he had circulated to colleagues the previous day the text of a draft statement on the current Civil Service dispute which he thought it would be helpful for him to make in the House of Lords that afternoon, and for the Minister of State, Civil Service Department, to repeat in the House of Commons. It was important that the Government's views should be put clearly on the record before the one-day strike planned for Monday 9 March, and, preferably, before the Press conference which the Civil Service unions were due to hold on Friday 6 March. The draft statement made it clear that there could be no question of the Government improving on its existing offer of a pay increase of 7 per cent. It explained why it had been necessary to suspend the normal pay research arrangements, but sought to take account of the strength of feeling among civil servants on this issue by drawing attention to the review being conducted by the Government with the object of establishing an ordered and agreed system of pay determination for the Civil Service which would command the widest possible acceptance.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet recognised that many civil servants were more concerned about future arrangements for determining pay than about the level of the present offer. It was, however, important that their expectations and those of their unions about a possible new system should not be unjustifiably raised. Civil servants had the benefit of job security and the section of the draft statement dealing with the coverage of any review of future arrangements should emphasise the need for outside comparisons to cover all terms and conditions of employment, and not just comparative wage rates. Subject to appropriate amendments to reflect this point, the Cabinet agreed that it would be helpful for statements to be made in both Houses of Parliament that afternoon on the lines proposed by the Lord President of the Council.

The Cabinet -

Invited the Lord President of the Council to arrange for a statement on the current Civil Service dispute, revised as indicated in the Prime Minister's summing up, to be made in both Houses of Parliament that afternoon.

Civil  
Service  
Dispute  
  
Previous  
reference:  
C(81) 8th  
conclusions,  
minute 5

2. THE PRIME MINISTER said that the United States Government had gone to unusual lengths to give, and be seen to give, a very warm welcome to her and the Foreign and Commonwealth Secretary on their visit to Washington the previous week. There was little sign of any weakening in their support and admiration for the British Government's policies, although they had some doubts about whether public expenditure cuts had been carried far enough at the beginning. Their own economic policies had so far been the main focus of their attention. Their proposed cuts, which it was a remarkable achievement to have laid before the Congress within 30 days of their taking office, would involve an actual fall in public expenditure in real terms. General support for reductions on this scale appeared to be widespread, but it was not clear how far the details of the programme would survive Congressional examination. It might be that in the end only 50-60 per cent of the proposals would be approved. But there was a new sense of purpose and confidence in Washington which should make the tackling of economic problems less difficult than in the past. The underlying strength of the United States economy was also very great. Its enviable features included good competition, active enterprise, the ready availability of venture capital, excellent rapport between universities and industry, the absence of nationalised industries, less unionism and stricter union laws eg in relation to the enforceability of contracts. The economy had, however, been hampered by too many environmentalist regulations in recent years; these had in particular damaged the automotive industry which had simultaneously had to face extensive Japanese penetration and successive world oil crises. Foreign policy had so far received less attention than economic policy from the new Administration. President Reagan himself clearly intended to delegate matters of detail, but he had strong views on individual issues, such as Southern Africa (which he saw as an aspect of East-West confrontation, with particular reference to the Cuban presence in Angola); the Middle East (meaning the Arab-Israel question more than the problems of the Gulf, with the separateness of the two being perhaps exaggerated); and above all the need to resist Cuban encroachment in the Caribbean and Central America (which was the one area of foreign policy to have so far been given relatively full consideration). Help would certainly be given to the Government of El Salvador, even at the risk of international confrontation and some domestic discord. The new Government in Jamaica would also be supported. The United States Defense Secretary, Mr Weinberger, was well disposed to Britain and had recommended to Congress the purchase of important British defence equipment. In the civil nuclear field, the United States Government seemed seriously interested in the possibility of Anglo-American collaboration on fast reactors.

FOREIGN  
AFFAIRS  
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United States  
Previous  
reference:  
(81) 4th  
conclusions,  
page 2

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THE FOREIGN AND COMMONWEALTH SECRETARY said that the recent Congress of the Soviet Communist Party had been markedly conservative in tone. No new blood had been introduced into the top leadership, where the average age was now nearly 70. President Brezhnev's speech had been studiously moderate on foreign policy issues and skilfully designed to put the new United States Administration on the spot and sow division between them and their European allies. He had called not only for a summit meeting with President Reagan but also for the early resumption of negotiations on arms control measures including strategic arms limitation. His main new proposal had been that the coverage for certain confidence-building measures should extend to the whole European territory of the Soviet Union, up to the Urals; but this was subject to there being also some westward extension of the coverage, which might represent an attempt to bring in territory in North America. The American Government's reaction to the speech had been sensible and cautious. They were clearly determined to consult carefully with their allies; and, provided that they agreed to resume arms control negotiations, as seemed probable, there was little danger of a split actually developing between the United States and Europe.

THE FOREIGN AND COMMONWEALTH SECRETARY said that negotiations with the Guatemalan Government, at which the Belize Government would be represented, were to be resumed that day, in London. Prospects for an agreement were not particularly good. Some movement might be forthcoming from the Guatemalan side, but the Belizeans were likely to prove more difficult. The Guatemalans had also persuaded the United States Government that their approach was reasonable. Every effort would therefore have to be made to induce the Prime Minister of Belize, Mr Price, to contemplate the concessions necessary if agreement was to be reached.

The Cabinet -

Took note.

COMMUNITY  
AFFAIRS

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Agriculture  
Council

Previous  
reference:  
C(81) 8th  
conclusions,  
minute 4

3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that, at the Council of Ministers (Agriculture) on 23-24 February, it had been possible to reach agreement on a number of outstanding issues, notably imports of New Zealand butter and structural aids for agriculture in Northern Ireland.

Common  
Fisheries  
Policy

Previous  
reference:  
C(81) 8th  
conclusions,  
minute 4

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said he had recently met the Commissioner responsible for Fisheries, Mr Kontogeorgis, who had indicated his intention to make further proposals on access which might have offered the prospect of agreement at the forthcoming meeting of the Council of Ministers (Fisheries) on 9-10 March. It was now reported, however, that at the meeting of the Commission the previous day his proposals had been modified in ways which appeared to favour the French. If these reports were confirmed, there was very little prospect of an overall fisheries settlement at the forthcoming Council meeting. In these circumstances the United Kingdom would be pressed very hard by the Germans to allow the fisheries agreement with Canada to go ahead. To agree to do so in the present state of the market would have serious consequences. On the other hand to refuse to do so would alienate the Germans. He had therefore agreed to explore with the Germans ways in which the marketing arrangements could be improved and quantities of fish equivalent to Canadian imports taken temporarily off the market. In this way he had made a gesture towards the Germans, although it was doubtful whether the rest of the Community would be willing to agree to the marketing measures. In any case, the indication of the latest Commission position had changed the atmosphere in which the fishing industry would view any such outcome.

In a brief discussion it was noted that Chancellor Schmidt felt strongly about the Canadian agreement, and continued refusal to allow it to be concluded might have wider implications for Anglo-German relations. The Canadian fishing grounds were the main fishing area for a large part of the German fleet during March and April, and without an agreement they could be denied access. It was unlikely that, even if the United Kingdom held out on the Canada agreement, the Germans would be willing to press the French on the question of access. On the other hand, to agree to the Canadian agreement would be to forfeit the possibility of leverage in securing German support for the British position on access. There would be a very strong reaction from the

CONFIDENTIAL

fishery industry if the Government were to accept the Canadian agreement without being able to announce simultaneously measures to improve the current depressed state of the United Kingdom market. Further financial support for the industry was also under consideration, but conclusions would not be reached before the forthcoming Council.

THE SECRETARY OF STATE FOR INDUSTRY reported that the Council of Ministers to discuss steel on 3 March had given the industry a further short period to work out voluntary arrangements to control production. The Council would meet again on 26 March. If agreement could not be reached then, the German Government were threatening to take illegal action against other Community countries which subsidised their steel industry. This was mainly aimed at Belgium.

THE SECRETARY OF STATE FOR ENERGY said that, at the recent meeting of the Council of Ministers (Energy), the Parliamentary Under Secretary of State, Department of Energy, had pressed the Commission to investigate electricity and other pricing practices in certain member states.

The Cabinet -

Took note.

4. THE PRIME MINISTER invited the Cabinet to consider whether a public holiday should be declared on Wednesday 29 July, on the occasion of the marriage of the Prince of Wales. There was no precedent for doing so. There had not been a public holiday for the marriage of Princess Elizabeth, as The Queen then was, in 1947, and the only subsequent royal occasions on which there had been public holidays had been The Queen's Coronation and Silver Jubilee. If a royal wedding occurred in term time schools would be granted a day's holiday, but they would already be on holiday on 29 July.

In discussion it was argued that the Government should not depart from the 1947 precedent, especially since a holiday in the middle of the week would be particularly unwelcome to employers. Those who came to work, including, for example, workers required to keep continuous processes in operation, would have to be paid overtime. Those who were in any case on holiday in the last week of July would have to be granted an extra day's holiday in lieu. The effect would be to impose an additional financial burden on industry and commerce at a time of

considerable economic difficulty. The Government would be criticised for having done so. On the other hand, it was argued that the engagement of the Prince of Wales had caught the public imagination; his wedding would be a great and joyous national occasion. There was already an expectation that there would be a public holiday, and many people would in any event take the day off. The Government would be criticised as mean and parsimonious if they did not respond to the national mood. Despite the current economic problems, circumstances were not as difficult as they had been in 1947. The Government should take the initiative in declaring a holiday rather than appear to be responding to pressure.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet recognised the financial burden that an additional public holiday would impose on industry, but were nevertheless agreed that on balance it would be right for a public holiday to be declared on 29 July in celebration of the wedding of the Prince of Wales. She would consult the Palace before any announcement was made.

The Cabinet -

1. Agreed in principle that Wednesday 29 July should be declared a public holiday.
2. Took note that the Prime Minister would arrange for an announcement of the decision after the Palace had been consulted.

Cabinet Office

5 March 1981