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CC(81) 12th
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 19 MARCH 1981
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
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 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

SECRET

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 Norman Fowler MP
Secretary of State for Transport

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

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

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant (Item 4)
Mr D M Elliott (Items 2 and 3)
Mr R M Hastie-Smith (Items 2, 3 and 5)
Mr W N Hyde (Item 1)
Mr D J L Moore (Item 4)
Mr L J Harris (Item 1)

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PARLIAMENTARY
AFFAIRS

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

Lloyds Bill

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet noted that the Lloyds Bill would be considered by the House of Commons as opposed private business on Tuesday 24 March. Although the Government attached importance to the enactment of the Bill in the current Session, Ministers who were names at Lloyds should refrain from voting either on any closure motion or on the Bill itself. Other Ministers present should support the Bill. Similar considerations would apply during the passage of the Bill through the House of Lords.

The Cabinet -

1. Took note.

International
Computers
Limited

THE SECRETARY OF STATE FOR INDUSTRY said that he intended to make a statement to the House of Commons that afternoon about International Computers Limited (ICL). The recession had had a damaging effect on all computer manufacturers, particularly those who, like ICL, specialised in the production of large computers. ICL's cash flow position had been made worse by the scale of its leasing operations. At the company's Annual General Meeting on 3 February, the Chairman had reported that there had been a sharp drop in profits in the second half of the previous year, that the company was currently trading at a loss, and that adverse trading conditions could continue well into the current financial year, although there was a good prospect for a return to profitability in the longer term. Since 3 February the company's position had deteriorated, and earlier in the week the banks had said that they were not willing to continue their overdraft facilities to ICL at the present level. If these banking facilities had been even partly withdrawn, it was very doubtful whether ICL could have continued trading. Confidence in the company would have collapsed, and there would have been little prospect of making progress with a possible merger with one or more of the other companies who had shown some interest in the recent past. Putting the company into receivership would have had wholly unacceptable consequences for the Government as a user of ICL equipment. Some £300 million had been invested in ICL computers in 20 Departments, and the Government was heavily dependent on the company for development and maintenance. In these circumstances, it was vital that confidence in ICL should be maintained by putting it in a position to continue trading until more satisfactory arrangements could be made for its future. His officials, led by his Permanent Under Secretary of State, had accordingly concluded an agreement early that

morning under which the banks would continue their existing support for a further two years, in return for a loan guarantee of up to £200 million by the Government under Section 8 of the Industry Act 1972 for a similar period. Urgent consideration would have to be given to improving the management of the company, which had been shown to be weak. It was his hope that there would be no need for any calls to be made on the proposed loan guarantee, and that in due course a satisfactory merger could be arranged. In the meantime, it was important that the Government should avoid any action which might further undermine confidence in ICL. Dealings in ICL shares had been suspended for the time being.

THE PRIME MINISTER, summing up a brief discussion, said that, although the steps now contemplated were intended to restore and maintain customer confidence in ICL, and it was important that any public speeches by Ministers should reinforce that confidence, Ministers should be careful to make no statements which could be interpreted as constituting any commitment for support to the company that went beyond that now to be announced. She would arrange for the advice given by the Attorney General on the legal position to be circulated to all members of the Cabinet. The additional Government support now proposed for ICL was not to be taken as a precedent for help for other companies suffering from similar cash flow difficulties, and in defending the decision it would be necessary to place the main emphasis on the unacceptable financial implications for the Government as a major user of ICL equipment of allowing the company to go into liquidation.

The Cabinet -

2. Took note.

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that discussion with the visiting President of Nigeria and his party had shown that the present Nigerian Administration was in favour of private enterprise and moderation. But Nigerian aspirations to be the leader of Black Africa meant that their public speeches were inclined to be extremist and unhelpful to British interests. Nigerian actions were more likely to be in accordance with these public utterances than with the private views of the Administration. The report published in The Guardian to the effect that as a result of Nigerian representations the Government's policy in regard to overseas students was going to be reconsidered was untrue. He had, however, undertaken to look again at any particular cases. In fact the number of Nigerian students in this country had actually increased since the rise in charges for overseas students was announced.

Pakistan
Previous
Reference:
(79) 22nd
Conclusions,
Page 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the hijacking of a Pakistani airliner had created a hostile reaction to the hijackers which had strengthened President Zia's position in Pakistan. It was believed that the son of the late President Bhutto had been behind the hijacking and was closely in touch with the present regime in Afghanistan. The hijackers had received arms while the airliner had been in Kabul, and one of the prisoners released in Pakistan as a result of their demands had apparently been a Soviet agent; these facts suggested a degree of Soviet complicity in the hijacking.

Mexico
Previous
Reference:
(81) 11th
Conclusions,
Page 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the proposed "North/South" Summit meeting in Mexico had now been postponed until 22 and 23 October to meet the wishes of the new United States Administration. Cuba would not be invited. He would be attending a preliminary meeting in Mexico on 1 and 2 August.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

COFIN
Council

Previous
reference:
C(81) 11th
conclusions,
Minute 3

3. THE CHANCELLOR OF THE EXCHEQUER reported that at the meeting of the Council of Ministers (Economics and Finance) on 16 March he had pressed, in accordance with the decisions reached in the Defence and Oversea Policy Committee last week, for a cautious price policy to be followed in the current negotiations on agricultural prices. He had also argued for the growth rate of agricultural expenditure from the Community budget to be markedly lower than the increase in the Community's own resources. He had received strong support on this point from the Germans, but from no-one else. The question would be taken up again in the April Council meeting. The Council had also reviewed the position on the draft directive on non-life insurance services and had instructed the Committee of Permanent Representatives to examine the outstanding problems and come back with proposed solutions in May. The United Kingdom stood to gain considerably from the liberalisation of insurance services, but most other member states apart from the Netherlands were less enthusiastic. It would therefore be important to get an acceptable directive adopted during either the Dutch or the United Kingdom Presidency.

Agriculture
Council

Previous
reference:
C(81) 11th
conclusions,
Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that on 16 March the Council of Ministers (Agriculture) had had a first round of discussions on the Commission's proposals for the 1981 Common Agricultural Policy price fixing. Most member states had opposed the Commission's levy proposals, and the Greeks had joined the Italians in demanding big increases in the prices of Mediterranean products. There were some indications that the Italian Government would refuse to lift their reserve on the earlier package of measures covering New Zealand butter imports and other issues unless they were given support on Mediterranean prices. The Council would resume for the customary marathon session beginning on 30 March, with the aim of concluding the price fixing.

Foreign
Affairs
Council

Previous
reference:
C(81) 8th
conclusions,
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that, at the Council of Ministers (Foreign Affairs) on 16 and 17 March, agreement had been reached, subject to clearance of a number of technical points, on a common format passport. This was not a change which would be welcomed in the United Kingdom, but the Government were committed in principle by a decision taken by Sir Harold Wilson at a Heads of Government Meeting in 1974, and other member countries had met each successive point of difficulty that the United Kingdom had raised. The proposed new format would be very similar in appearance to the present British passport, and the agreed arrangements included a provision enabling the United Kingdom to defer its introduction in this country until the time came for the change to a passport in machine readable form. This would avoid a double change, while the introduction of machine readability would bring practical advantages to the public.

In discussions in the margins of the Council, the Spanish Foreign Minister had been reassuring about the implications of the recent abortive coup in Madrid. He had expressed confidence in the loyalty of the Army as a whole, whose attitude he had characterised as conservative but not extreme. Senor Perez-Llorca had nevertheless said that faster progress in the accession negotiations would help.

THE PRIME MINISTER reported that, at a meeting earlier that day, the Defence and Oversea Policy Committee had noted the worrying prospect of a continued failure to secure agreement in the Community on a revised Common Fisheries Policy. If this issue could not be resolved before the derogations on access in our Accession Treaty expired in December 1982, there was a risk that boats from other member states could thereafter fish up to our beaches. Attempts to reach agreement bilaterally with the French had twice foundered at the last minute, apparently on instructions from President Giscard. The Committee had accordingly agreed that she should probe the position in the margins of next week's European Council in Maastricht, with a view to using the forthcoming sequence of Agriculture and Fish Councils to the best tactical effect. Meanwhile, despite the difficulties this would cause with Chancellor Schmidt, the United Kingdom could not lift her reserve on the proposed fisheries agreement between the Community and Canada unless the Council could agree marketing measures that would protect the United Kingdom fishing industry against imports of Canadian and other fish.

In a brief discussion it was noted that the Minister of Agriculture, Fisheries and Food would bring forward next week proposals for further subsidies to the United Kingdom fishing industry. So far as opinion in the House was concerned, the risk of the Government being defeated on an eventual Common Fisheries Policy package was still a real one. The best defence against this risk was to ensure that the Government carried the industry with them on whatever was finally agreed, as the Minister of Agriculture, Fisheries and Food had been careful to do throughout the negotiations so far.

The Cabinet -

Took note.

4. THE LORD PRESIDENT OF THE COUNCIL said that the contingency arrangements to deal with the current industrial action in the Civil Service were working satisfactorily, with Departments on notice to consult the Civil Service Department on any unexpected or major difficulties.

In a brief discussion reference was made to the biased and unhelpful reporting on British Broadcasting Corporation (BBC) Radio of a demonstration outside Bush House that morning. It was for consideration whether this should be made the subject of a complaint to the BBC.

The Cabinet -

Took note.

5. The Cabinet considered a note by the Secretary of State for Defence (C(81) 11) to which was attached a draft of the 1981 Statement on the Defence Estimates.

THE SECRETARY OF STATE FOR DEFENCE said that this year's Defence White Paper was in the same general format as the previous year's Defence White Paper. It had already been considered in draft by the Defence and Overseas Policy Committee and following their discussion a number of amendments had been made. In addition, in accordance with their conclusions, he had now prefaced the White Paper with an introduction which stated in guarded terms that a fundamental review was taking place to relate the defence programme to the available resources. In writing this introduction it had been necessary to take care to avoid causing alarm within the North Atlantic Treaty Organisation or among the Government's supporters.

In discussion there was general agreement with the format, contents and tone of the draft White Paper. Some concern was expressed about the need to present the Government's policy on nuclear weapons and disarmament, in view of the growth of nuclear pacifism in the country which tended to be over-publicised. It was important to take every opportunity to deploy the case which was fully set out in the draft White Paper. The Secretary of State for Defence's reply to the Member for Melton concerning the views of the British Council of Churches on nuclear weapons and disarmament, which had been published as a Written Answer in Hansard of 2 March 1981 (cols. 29-30), ought to be widely circulated, as it stated the Government's policy in particularly forceful and succinct terms.

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THE PRIME MINISTER, summing up the discussion, said that, subject to drafting amendments which should be sent to the Secretary of State for Defence as quickly as possible, the Cabinet approved the draft Statement on the Defence Estimates 1981.

The Cabinet -

Invited the Secretary of State for Defence to arrange for the publication of the Statement on the Defence Estimates 1981, subject to minor drafting amendments.

Cabinet Office

19 March 1981