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CC(83) 13th
Conclusions

COPY NO 79

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 21 APRIL 1983
at 11.00 am

P R E S E N T

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 Francis Pym MP Secretary of State for Foreign and Commonwealth Affairs
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 Peter Walker MP Minister of Agriculture, Fisheries and Food	The Rt Hon Michael Heseltine MP Secretary of State for Defence
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
	The Rt Hon Tom King MP Secretary of State for the Environment

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ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

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 R Watson (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.

Parliamentary
Control of
Expenditure
(Reform) Bill

Previous
Reference:
CC(83) 12th
Conclusions,
Minute 1

THE CHIEF SECRETARY, TREASURY, said that the compromise proposed for inclusion in the Parliamentary Control of Expenditure (Reform) Bill, under which value for money audits would be carried out in the nationalised industries by their own commercial auditors, with their reports being made available to Ministers and to Parliament, had been defeated in Standing Committee the previous day. Opposition Members objected to the employment of private sector auditors rather than the Comptroller and Auditor General's staff; and some of the Government's supporters who favoured the compromise in principle had thought that its adoption would lead the Opposition to prevent the passage of the Bill and would thus prevent any further progress on Parliamentary control of expenditure for years. Mr Edward du Cann MP had asked him whether the Government would seek to reinstate the compromise at Report Stage or whether he should do so himself. Mr Norman St John-Stevas MP would be reluctant for the Government to do so, for fear of losing the Bill. The Opposition would prefer the Bill to be reintroduced in the following Session, when they would hope to carry the measure in the form which they favoured. Value for money audits were desirable in their own right, and the best chance of securing the Government's aim lay in Mr du Cann's putting down an amendment at Report Stage which the Government would support.

THE CHIEF WHIP said that there would be little advantage in making any special arrangements to try to rescue the compromise proposal at Report Stage, since there was now little or no chance of the Bill becoming law in the current Session. Report Stage could not be before 13 May, and the Opposition would almost certainly talk the Bill out. Other Bills would take precedence on the remaining Private Members' Days.

Commission
for Racial
Equality's
Code of
Practice

THE SECRETARY OF STATE FOR EMPLOYMENT said that the Code of Practice for the elimination of racial discrimination and the promotion of equal opportunity in employment, which the Commission for Racial Equality (CRE) had prepared and which he had presented to Parliament, had aroused opposition among the Government's supporters. In order to allay their concern he would be obliged to announce that the Government intended to introduce legislation in due course to empower the Secretary of State for Employment to amend such codes before laying them before Parliament. It might even be necessary to indicate the Government's readiness to amend the CRE Code in the event of such legislation being passed.

THE PRIME MINISTER, summing up the discussion, said that there could be no question of legislation on this subject during the current Session of Parliament.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Falkland
Islands

Previous
Reference:
CC(83) 12th
Conclusions,
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the International Committee of the Red Cross (ICRC) had announced on 20 April that it could not be associated with the proposed visit to the Falkland Islands by Argentine next-of-kin being organised by Senor De Stefanis. The announcement made it clear that the arrangements proposed by Senor Destefanis were contrary to the ICRC's principle of neutrality. Meanwhile Senor de Stefanis was claiming that the party would sail for the Falkland Islands on about 30 April despite the ICRC announcement. An approach was now being made to the Argentine Government through the Swiss authorities to persuade them to deter Senor De Stefanis from proceeding with his plans, and the matter was also being pursued through the ICRC. If, despite these representations, Senor De Stefanis went ahead, there would be difficult political judgments involved in deciding how to handle him and his party, which could not be left to the military and civil authorities on the Falkland Islands. He would be considering with the Secretary of State for Defence as a matter of urgency what the right British response would be.

Middle East

Previous
Reference:
CC(83) 12th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that President Reagan's statement following the terrorist bomb attack on the United States Embassy in Beirut had been well judged. There were now reported to be 47 people killed or missing and 100 injured as a result of the explosion. It had been announced on 14 April that the United Kingdom contingent to the multinational force in Beirut would remain there for a further period of three months. There had been no further developments on the Arab/Israel question since the statement by King Hussein of Jordan on 10 April about the failure of his negotiations with the leader of the Palestine Liberation Organisation (PLO), Mr Arafat. Nor was there any sign of a major move on the part of the United States to break the deadlock. The United States Secretary of State, Mr Shultz, had not yet made up his mind to visit the Middle East and was unlikely to do so unless there was a clearer prospect of agreement on a mutual withdrawal of foreign forces from the Lebanon. For the moment there appeared to be no way in which the European Community could help to move matters forward. The projected meeting between the Minister of State, Foreign and Commonwealth Office, Mr Hurd, and Mr Qaddoumi of the PLO was taking place in Tunis that day. Mr Hurd would be bringing home to Mr Qaddoumi the PLO's responsibility for the failure of the negotiations between King Hussein and Mr Arafat, and would be impressing on him the serious consequences of the PLO continuing to insist on its maximum demands.

United
States

Previous
Reference:
CC(83) 12th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that President Reagan had announced on 19 April his endorsement of the recommendations in the Scowcroft Commission's report, which called for continuation of the B1 bomber, Trident and cruise missile programmes and the deployment of 100 MX missiles in existing Minuteman silos. This announcement, which was consistent with the deterrent policies of the Alliance, had an important bearing on the current debate about arms control and nuclear deterrence.

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Soviet Union
Previous
Reference:
CC(83) 5th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been no reaction so far from the Soviet authorities to the expulsion of a fourth Soviet official from the United Kingdom. The expulsion from the United Kingdom of three Soviet officials for activities directed against the security of the United Kingdom had been followed by the expulsion from Moscow of two British officials whose conduct had given the Soviet Government no cause for complaint. He had considered whether to retaliate by expelling a further two Soviet officials from London but had decided to limit the expulsion to one, in the hope that this would terminate the exchange. It was regrettable that the British Broadcasting Corporation had reported the decision in a way calculated to elicit a hostile Soviet reaction.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Community
Budget

3. THE CHANCELLOR OF THE EXCHEQUER said that the underlying trend of expenditure on the Common Agricultural Policy was in danger of using up all the European Community's available revenue. The financial consequences of the 1983 price settlement were unlikely to be a major factor: the main causes of the problem were the increase in the volume of agricultural production and the gap between Community and world prices. The Commission had said that their best estimate of expenditure on agriculture in 1984 would be between 16 and 17 billion ecus (about £10 billion) and that they could not guarantee that this and the other demands on the Community budget could be contained within the available revenues. This was extremely disturbing for the United Kingdom, because it meant that there might be no money in the 1984 Community budget to pay for refunds of the United Kingdom's contribution. It was essential that the United Kingdom should take a position which would prevent the Commission and other member states from saying that, by agreeing to the price increase, the United Kingdom had committed itself to an increase in the Community's own resources.

1983 Farm
Price
Negotiations
Previous
Reference:
CC(83) 12th
Conclusions,
Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that the Council of Ministers (Agriculture), at their meeting on 18-21 April, had come very close to agreement on the 1983 price proposals, subject to a major outstanding dispute between France and Germany. He recalled that, as a result of the Cabinet discussion on 14 April, the Prime Minister had sent personal messages to Monsieur Thorn, the President of the Commission, and Vice-President Tugendhat. He (the Minister) had been able to follow up these messages by persuading the Commission to table a paper at the Council bringing out the financial implications of their proposals and the underlying trends. He had then used this paper as a basis for arguing that the Commission should withdraw their price proposals and substitute more modest proposals. In the following discussion seven member states had said that the Commission's proposals were inadequate, pointing to the fact that the average increase within the Community was 4 per cent whereas the average Community rate of inflation was 9 per cent. Only the Dutch gave the United Kingdom any support. The Germans from

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the chair said nothing about prices at all. On the third day of the negotiations the Commission had considered the matter and reached a decision which was both without precedent and highly favourable to the United Kingdom's position. The Commission not only declined to make any proposals for additional price increases but also committed themselves to refusing to come forward with any such proposals later in the negotiations. The significance of this was that, without a Commission proposal, there had to be a unanimous decision by the Council to agree any increase different from the Commission's proposals, so that the United Kingdom acquired an effective veto. The Commission statement produced a change in the atmosphere in the Council and a consensus then emerged which left only one major point outstanding. The Commission's proposals for a revaluation of the German monetary compensatory amount would have resulted in no increase in prices for German milk and cereal farmers and the German Government had decided that this would be unacceptable. This matter was left unresolved and the Agriculture Council was to meet again on Wednesday 27 April.

The risk to the United Kingdom was that the Germans would try to solve their problem by a monetary device which would increase negative monetary compensatory amounts throughout the rest of the Community while at the same time reducing their own positive monetary compensatory amount. The effect would be that in many member states prices to domestic producers would be increased beyond the intention of the Commission's proposals, thus solving the German political problem at the expense of an unjustified further stimulus to the production of surpluses. It was essential that at the Anglo-German Summit on 21-22 April United Kingdom Ministers should make it quite clear that no solution would be acceptable to the United Kingdom which resulted in a further effective increase in prices to producers throughout the Community.

In discussion it was pointed out that, if the United Kingdom could be held, by approving the price proposals, to have known and accepted that the result might be the exhaustion of all the money otherwise available for United Kingdom refunds, that would weaken its negotiating position over the budget. For that reason it was essential that the Minister of Agriculture, Fisheries and Food should make a statement at the Agriculture Council on 27 April which would unambiguously protect the United Kingdom's position.

In further discussion it was reported that the United States' decision to take agricultural land out of production would not help the problem of Community surpluses, because the land would lie fallow for a year and American farmers would be able to conserve their financial resources, thus being in a position to produce an even greater increase in production in 1984 than would otherwise have been possible.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he had arranged for copies of the Report by the Royal Commission on Environmental Pollution to be sent to all his colleagues in the European Community. The matter would be discussed at a meeting of the Council of Ministers in June, where he hoped progress would be made towards establishing an agreed Community policy.

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Steel

Previous
Reference:
CC(83) 11th
Conclusions,
Minute 3

THE SECRETARY OF STATE FOR INDUSTRY said that his talks with Graf Lambsdorff, the German Minister of Economic Affairs, on 22 April would be very important. Graf Lambsdorff would be in the chair of the Council of Ministers on Monday 25 April to fix steel quotas for the coming year. The last quotas had been decided at a time when the British share of the European market had been low. The United Kingdom was now more competitive and selling more steel, and would be looking for an increase in quotas. The negotiation would not be easy.

Council of
Ministers
(Finance)
18 April

THE CHANCELLOR OF THE EXCHEQUER reported on the meeting of the Council of Ministers (Finance) in Luxembourg on 18 April. The most important item had been a discussion about the export credit consensus within the Organisation of European Co-operation and Development (OECD). A Community position had been agreed, but it did not include precise figures for the proposed reduction in interest rates. The United Kingdom had argued for a "marked reduction" and this was likely to be the outcome of the negotiations in OECD. The French had, for the first time, accepted that in future changes in interest rates might be made more automatic.

The Cabinet -

Took note.

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INDUSTRIAL
AFFAIRS

Threatened
Industrial
Action in the
Fire Service

4. THE HOME SECRETARY said that, as agreed with colleagues and with the full support of the local authority associations, he had made an order increasing the pension contributions of the Fire Service by 4 per cent; the increase would be implemented in two stages, in May and November. The National Executive of the Fire Brigade's Union (FBU) had discussed his decision and a Delegate Conference had been called for 26 April. The militant areas of the FBU might well persuade the Conference to take some form of industrial action, and the Civil Contingencies Unit had decided the previous day that troops should begin training with emergency fire appliances ("Green Goddesses") and should stand by in readiness. The most damaging form of industrial action would be a series of one-day strikes in different areas without notice. This would oblige the Government to keep the troops and the Green Goddesses in a state of readiness at considerable expense, while minimising the cost to the FBU. The case in favour of the action he had taken, which would result in the firemen paying a reasonable proportion of the cost of their index-linked pension scheme and which was similar to action already taken in relation to the police and armed forces, was overwhelming, and it was likely that public opinion would support the Government. The fire officers were expected to oppose strike action.

Threatened
Dock Strike

THE SECRETARY OF STATE FOR TRANSPORT said that, if the strike of dock-workers at Tilbury was not resolved, the Port of London Authority would run out of money in June. When this happened they would be unable to comply with the terms of the Jones/Aldington agreement on the reallocation of surplus registered dock labour among other port employers. This failure would almost certainly lead to the calling of a national dock strike.

Dispute at
British
Leyland's
Cowley
Plant

THE SECRETARY OF STATE FOR INDUSTRY said that negotiations between British Leyland (BL) and the unions, on the dispute at Cowley about "washing-up time", had broken down. The BL management were prepared to delay the introduction of the change until 30 May, when it would coincide with the introduction of a new bonus scheme, and had offered an inquiry into industrial relations at the plant. The unions had not accepted these proposals, and would recommend a continuation of the strike at a mass meeting at Cowley the following day. The management would write to the strikers threatening dismissal if they did not return before 25 April. The management might not have handled the dispute with outstanding skill, and their threat to transfer investment to other plants was unconvincing; but it was very important that the Government should not get involved in the dispute.

The Cabinet -

Took note.

Cabinet Office

21 April 1983