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CC(83) 15th
Conclusions

COPY NO 79

CABINET

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

THURSDAY 5 MAY 1983

at 10.15 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 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 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

SECRET

ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr A D S Goodall (Items 2-4)
Mr D F Williamson (Items 2 and 3)
Mr R L L Facer (Item 4)
Mr D H J Hilary (Item 1)
Mr R Watson (Item 1)

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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.

FOREIGN
AFFAIRS

Soviet Union

Previous
Reference:
CC(83) 14th
Conclusions,
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the new proposal by the First Secretary of the Soviet Communist Party, Mr Andropov, to make warheads rather than missiles the basis of counting in the negotiations on Intermediate Nuclear Forces (INF) was calculated primarily to serve the interests of Soviet propaganda. It represented a small move towards the Western position, but it was coupled with continued Soviet insistence on the inclusion of British and French nuclear weapons in the negotiations, which was unacceptable. The Soviet proposal would need careful exploration at the negotiating table when the Geneva negotiations resumed on 17 May. The debate on disarmament questions, which was due to take place in the House of Commons the following week, would provide an opportunity for the Government to make clear to the public why it was not acceptable to include British and French nuclear weapons in the negotiations. The unhelpful effect of the vote by the United States Congress the previous day in favour of a nuclear freeze appeared to have been offset by an amendment to the resolution linking the nuclear freeze to a successful outcome of the current arms control negotiations.

THE PRIME MINISTER, summing up a short discussion, said that the fundamental reason why the British nuclear capability could not be included in the Geneva negotiations was that, unlike the Soviet and United States INF, it was a deterrent of last resort and comprised the absolute minimum of forces needed to make that deterrent effective. So long as Britain was threatened by nuclear weapons it would be necessary to maintain this deterrent in being.

The Cabinet -

1. Took note.

Falkland
Islands

Previous
Reference:
CC(83) 14th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the attempt by Senor Destefanis to organise a visit to the Falkland Islands by a party of next-of-kin of Argentine servicemen killed in the fighting there appeared to have ended unsuccessfully amid reports of friction between Senor Destefanis and the next-of-kin and between the crew and representatives of the Press. The withdrawal of the Italian Ambassador from Buenos Aires following Italian criticisms of the Argentine Government's report on the Argentine citizens who had disappeared during military rule was also helpful to the general climate in which relations between Britain and Argentina had to be conducted. Meanwhile it was clear that the British Government's representations about the next-of-kin visit had had some effect on the Argentine authorities, who had undertaken to examine the possibility of an officially sponsored next-of-kin visit in due course. In addition to the Swiss and Brazilian Governments, those of Italy and Peru (unlike that of the United States) had also played a helpful role.

Middle East
Previous
Reference:
CC(83) 14th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that he was not in a position to judge whether the efforts which the United States Secretary of State, Mr Shultz, was currently making to achieve agreement on the mutual withdrawal of foreign forces from the Lebanon were making progress or likely to prove successful. His own view was that agreement would be extremely difficult to achieve.

Scandinavia

THE FOREIGN AND COMMONWEALTH SECRETARY said that there was as yet insufficient information on which to assess the current reports of persistent violation of Swedish and Norwegian territorial waters by Soviet submarines, or what purpose those violations served from the Soviet point of view.

The Cabinet -

2. Took note.

IMF/IBRD
Meeting

THE CHANCELLOR OF THE EXCHEQUER said that the meeting he had attended in Washington the previous week of the joint Development Committee of the International Monetary Fund and the International Bank for Reconstruction and Development had been straightforward. The developing countries had advanced the same demands as before, but in more restrained terms. The key issue was whether the United States would honour its financial commitment to the International Development Association. This would depend on the United States Congress, where the United States Administration was now seeking to mobilise support.

G7 and G5
Meetings

THE CHANCELLOR OF THE EXCHEQUER said that he had also attended meetings in Washington of the Finance Ministers and Central Bank Governors of the seven Economic Summit countries (G7) and of the Group of 5. A row between the French and the Americans had been avoided. The most important issue at these meetings had been the size of the United States Federal deficit, with the implications this had for interest rates and for the strength of the United States dollar against the yen and the Deutschmark. Another disturbing consequence of the high deficit was that it had turned the United States - the richest country in the world - into a substantial importer of capital. He had also had an opportunity of raising bilaterally with the United States Secretary of the Treasury, Mr Regan, the damage which could be done to relations with the Western Alliance by measures proposed in the draft Export Administration Act now before the United States Congress. Mr Regan had suggested that countries which disliked this legislation should make their views clear at the forthcoming meetings in Paris of the Organisation for Economic Co-operation and Development. This suggested that there was some understanding in Washington for European objections to the draft Act, but that this understanding was not general through out the Administration. Every opportunity must be used to put the European case across.

The Cabinet -

3. Took note.

COMMUNITY AFFAIRS

Community Budget

Previous Reference: CC(83) 14th Conclusions, Minute 3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that there would be considerable disappointment with the Commission's proposals on the future financing of the Community. They were proposing an increase in the Community's own resources but making no proposals to bring expenditure on the Common Agricultural Policy under control. The Commission's proposal for the draft 1984 budget had not yet been published but was likely to leave inadequate headroom for the United Kingdom refunds. This pointed to difficulties at the informal meeting of Foreign Ministers at Gymnich on 14/15 May. In discussion it was pointed out that any suggestion in the Commission's document of a tax on energy consumption would be unpopular and that such a tax would not benefit the United Kingdom. The proposal to raise extra Community revenue from Value Added Tax would be acutely difficult.

1983 Farm Price Negotiations

Previous Reference: CC(83) 13th Conclusions, Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that there was a reasonable chance of agreement on the 1983 price proposals when the Council of Ministers (Agriculture) resumed discussion on 16 May. Other member states wanted to use the monetary device of adjusting the value of the pound in the ecu. United Kingdom agreement to this depended on other elements in the package, for example, the butter subsidy, being acceptable. There was a possibility that, because of other currency movements, a similar result to that sought by adjusting the value of the pound in the ecu could be achieved by other monetary changes. The principal difficulty in settling the 1983 farm price negotiations as a whole, however, was now the Italian position. In discussion it was also pointed out that the French now apparently wished to adjust the green franc in advance of the final settlement. The United Kingdom position could be decided only if there were a Commission proposal. The French did have real problems with mass demonstrations by farmers and some adjustment of the green franc was in any event foreseen in the final package.

The Cabinet:

Took note.

STATEMENT ON THE DEFENCE ESTIMATES 1983

Previous Reference: CC(82) 16th Conclusions, Minute 5

4. The Cabinet considered a note by the Secretary of State for Defence (C(83) 11) to which was attached a draft of the Statement on the Defence Estimates 1983.

THE SECRETARY OF STATE FOR DEFENCE said that the Statement on the Defence Estimates for 1983 had been considered in draft by the Defence and Oversea Policy Committee. It would be the fifth major Statement on defence policy in a little over two years, and his intention was that it should consolidate the Government's defence policies rather than take any major new policy initiatives. In view of the continuing high level of public interest in nuclear and arms control issues these were given particular attention. As had been the practice of recent years, he had included a number of essays designed to provide additional information on important issues of current interest. A passage dealing with the issue of the control of

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United States cruise missiles to be based in the United Kingdom would be added before he presented the Statement to Parliament, which he proposed to do on 25 May.

In discussion the question was raised whether paragraphs 340 and 341, which dealt with the United Kingdom's capability to operate outside the North Atlantic Treaty Organisation (NATO) area, were intended to convey any change of emphasis from previous Statements. The intention was in fact to give the same emphasis as in the Statement on Defence Estimates for 1982. While the possibility of some small increases in the United Kingdom's contribution outside the NATO area was being considered, it would be premature to make any public announcement. The point was also made that the first sentence of paragraph 104, on arms control and disarmament, might be regarded as somewhat negative in the light of recent developments.

THE PRIME MINISTER summing up the discussion, said that the United Kingdom's defence contribution outside the NATO area was considerable and it was doubtful whether it would be right to take on any new commitments. Subject to the inclusion of a paragraph dealing with the control of cruise missiles, and to further consideration by the Secretary of State for Defence of the text of paragraph 104, the Cabinet approved the draft Statement on the Defence Estimates 1983 and agreed that it should be published on 25 May, or sooner if that was practicable.

The Cabinet -

1. Approved the draft Statement on the Defence Estimates 1983, subject to the points made in the Prime Minister's summing up.
2. Invited the Secretary of State for Defence to publish the Statement on 25 May, or sooner if that was practicable.

Cabinet Office

5 May 1983