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CC(83) 19th
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 16 JUNE 1983
at 10.00 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Viscount Whitelaw
Lord President of the Council

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Leon Brittan QC MP
Secretary of State for the Home Department

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

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
Secretary of State for Energy

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 the Environment

The Rt Hon John Biffen MP
Lord Privy Seal

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

The Rt Hon Norman Tebbit MP
Secretary of State for Employment

The Rt Hon Cecil Parkinson MP
Secretary of State for Trade and Industry

The Rt Hon Lord Cockfield
Chancellor of the Duchy of Lancaster

The Rt Hon Tom King MP
Secretary of State for Transport

The Rt Hon Michael Jopling MP
Minister of Agriculture, Fisheries
and Food

Mr Peter Rees QC MP
Chief Secretary, Treasury

SECRET

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP
Attorney General (Items 3 and 4)

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr A D S Goodall (Items 2 and 3)
Mr D F Williamson (Items 2 and 3)
Mr D H J Hilary (Items 1, 4 and 5)
Mr R Watson (Items 1, 4 and 5)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
2.	FOREIGN AFFAIRS	
	Soviet Union	1
	Hong Kong	1
3.	COMMUNITY AFFAIRS	
	Community Business During the Election Campaign	2
	Community Budget and United Kingdom Refunds	2
	Social Fund	3
	Asbestos	3
4.	THE QUEENS'S SPEECH ON THE OPENING OF PARLIAMENT	3
5.	CENTRAL POLICY REVIEW STAFF	5

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PARLIAMENTARY
AFFAIRS

1. THE LORD PRESIDENT OF THE COUNCIL said that it was likely that an amendment to the Address in favour of Proportional Representation would be moved by Peers of the Liberal and Social Democratic Parties. Some Conservative Peers might support it, but the Government should have no difficulty in defeating it.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Soviet
Union

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the First Secretary of the Soviet Communist Party, Mr Yuri Andropov, had that day been unanimously elected President of the Supreme Soviet.

Previous
Reference:
CC(83) 15th
Conclusions,
Minute 2

Hong Kong

Previous
Reference:
CC(83) 18th
Conclusions,
Minute 2

THE PRIME MINISTER reported the latest developments in the discussions with the Government of the People's Republic of China about Hong Kong.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Community
Business
During the
Election
Campaign

3. THE PRIME MINISTER said that during the Election campaign three important agreements had been reached at meetings of the Council of Ministers. On 16 May a six-year Community loan of \$4 billion had been agreed for France. On 16-17 May the 1983 farm prices had been settled. The average price increase for the Community was 4 per cent. The United Kingdom had retained the beef and sheep premium schemes, obtained increases in butter and school milk subsidies and secured extra aid for pig producers. On 24-25 May the Council of Ministers (Foreign Affairs) had agreed that the dates for the next European Parliament elections would be 14-17 June 1984.

Community
Budget and
United
Kingdom
Refunds

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Council of Ministers (Foreign Affairs) on 13 June had discussed at length a draft report from the German Presidency for the European Council on the financial problems of the Community. The greater part of the report dealt with the long-term issues. There was a growing realisation that the Community's existing resources would soon be exhausted. The majority of member states were keen to increase the Community's own resources, although the Germans and Dutch were not prepared to agree now. The United Kingdom could not prevent this matter being discussed. He had made absolutely clear, however, that we reserved our position on whether own resources should be increased. If the European Council of 17-19 June agreed, all the problems of long-term financing would now be subject to a full discussion within the Community between now and the following European Council in December. This was the only setting within which a long-term settlement of the budget problem could be reached. On the short-term problem of the 1983 budget refund for the United Kingdom no agreement had been reached. The Presidency's draft report to the European Council simply rehearsed the problem and contained no proposals for its resolution. He had, therefore, insisted on submitting to the European Council the United Kingdom's own paper which had been distributed at the informal meeting of Foreign Ministers at Gymnich. If there was no conclusion on the 1983 budget refund for the United Kingdom in the European Council on 17-19 June, a serious situation would arise. At the last meeting of the European Council the President of the Commission had said that the last date for putting the figures into the Community's draft 1984 budget would be the July Budget Council, so that a decision was needed at the latest at the Council of Ministers (Foreign Affairs) on 18-19 July. Now some member states, principally France and Italy, were making a link with the long-term discussion or maintaining that the European Parliament would insist on such a link. He had in mind that, if no solution on the 1983 budget refund for the United Kingdom were reached, the Government should be prepared to withhold Community funds after the Council of Ministers (Foreign Affairs) on 18-19 July. A White Paper setting out the promises which had been made to the United Kingdom, should be published after the European Council. The withholding of funds could provoke retaliation by other member states, but this was not very likely, as the action would be directly related to the issue in dispute.

In discussion it was pointed out that, since the United Kingdom had received repeated promises, the Government would be justified in safeguarding the position by withholding Community funds. There was some evidence that the Germans, foreseeing this risk, were now increasing the effort for a solution. If the United Kingdom withheld Community funds, legislation would be required, but the timing of this legislation remained for decision. On the one hand, there were political and negotiating reasons which could point to delaying the legislation. On the other hand, there were legal arguments for a swift passage of the Bill after an announcement, in order to provide protection against challenge in the courts. It was clear that, if asked in a debate whether the withholding of Community funds was legal, the Attorney General would have to say that it was illegal. It was further pointed out that retaliation by other member states should not be ruled out, and counter-measures should be prepared.

THE PRIME MINISTER, summing up the discussion, said that the Government wanted a settlement of the 1983 budget refund. It would be necessary to make clear to the European Council at Stuttgart that, if this were not achieved by the meeting of the Council of Ministers on 18 and 19 July, despite the repeated promises made by the Community, Her Majesty's Government would be obliged to take action to protect the United Kingdom's interests. It was necessary that other members of the Community should be in no doubt that the United Kingdom might be driven to withhold Community funds and, if so driven, would be prepared to take this action. She hoped that the Government would not in the event be obliged to carry this threat out.

Social Fund

THE SECRETARY OF STATE FOR EMPLOYMENT reported that a satisfactory agreement on the Social Fund had been reached, from which the United Kingdom would benefit. The result on youth unemployment was also satisfactory.

Asbestos

THE SECRETARY OF STATE FOR EMPLOYMENT reported that a good agreement had been reached in the Council of Ministers on 2 June setting action levels and limits for asbestos. The Germans had been very helpful in arriving at a result which the United Kingdom could accept.

THE QUEEN'S
SPEECH
ON THE
OPENING OF
PARLIAMENT

4. The Cabinet considered a memorandum by the Lord President of the Council (C(83) 17), to which was attached a draft of The Queen's Speech on the Opening of Parliament.

THE LORD PRESIDENT OF THE COUNCIL said that the draft Speech attached to C(83) 17 had been prepared by the Queen's Speeches and Future Legislation Committee (QL) on the basis of suggestions made by colleagues on an earlier draft. QL had not been able to accept all those suggestions, because some appeared to commit the Government to

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additional public expenditure or to legislation which had not been part of the provisional legislative programme which the Cabinet had agreed earlier in the year. The draft Speech had to be submitted to The Queen that afternoon. QL would review the legislative programme for the coming Session and would shortly submit its conclusions to the Cabinet. In the meantime there was a need for some legislation to be introduced immediately and he proposed that some of the Bills which had fallen at the Dissolution and some essential and Second Reading Committee Bills should be introduced as soon as they were ready.

In discussion, the following main points were made -

- a. The passages on defence should be re-ordered, and the specific reference to the negotiations between the United States and the Soviet Union on intermediate range nuclear forces should be deleted.
- b. In the paragraph on the European Community, the reference to the control of agricultural spending should be deleted; and the reference to the accession of Spain and Portugal should be revised.
- c. In the paragraph on the dependent territories a separate sentence on Gibraltar was needed.
- d. It was agreed that no reference should be made to the introduction of private finance into British Airways and the National Bus Company. It had not yet been agreed that those measures should be included in the programme for the coming Session.
- e. The legislation for the abolition of the Greater London Council and the Metropolitan County Councils could not be ready until the 1984-85 Session, and the terms of the reference to their abolition in the draft Speech were therefore appropriate. It was important that the legislation should be introduced right at the start of the 1984-85 Session; it might be desirable for that Session to begin earlier than usual, and for the business of the 1983-84 Session to be completed by the Summer Adjournment, without the need for a spillover in the autumn.
- f. The form of wording about equal treatment for men and women in social security was misleading; the sentence should be deleted.
- g. The sentence on grants to education authorities should be expanded to explain that these were grants for innovations and improvements in the curriculum.
- h. The second sentence of the paragraph on Northern Ireland should make it clear that political progress would have to be based on widespread acceptance throughout the community. The final sentence of the paragraph could be deleted.

A number of minor and drafting amendments were also agreed.

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THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the draft Speech attached to C(83) 17, subject to the points made in discussion. The Secretary of the Cabinet should now prepare a revised version for her to submit to The Queen for approval.

The Cabinet -

1. Subject to the changes agreed in discussion, approved the draft Speech attached to C(83) 17.
2. Instructed the Secretary of the Cabinet to prepare a final version of the draft Speech, taking account of these changes, for the Prime Minister to submit to The Queen.

5. THE PRIME MINISTER said that an announcement would be made that afternoon that the Central Policy Review Staff (CPRS) would be disbanded at the end of July. The CPRS had been a valuable organisation in the early years after the 1979 General Election, but studies of the kind the CPRS had recently undertaken needed firm political direction and would be better carried out in the planning units which had now been set up in a number of Departments. The Chief Scientist, CPRS, would remain as Chief Scientific Adviser, Cabinet Office; and some of the CPRS staff who had come from outside the Civil Service might be taken on by other Departments.

The Cabinet -

Took note.

Cabinet Office

16 June 1983