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CC(84) 2nd
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 19 JANUARY 1984
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 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 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 Trade and Industry

The Rt Hon Lord Cockfield
Chancellor of the Duchy of Lancaster

The Rt Hon Tom King MP
Secretary of State for Employment

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

The Rt Hon Peter Rees QC MP
Chief Secretary, Treasury

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

Mr Malcolm Rifkind MP
Minister of State, Foreign and
Commonwealth Office

Mr John Gummer MP
Minister of State, Department of Employment (Item 1)

SECRETARIAT

Sir Robert Armstrong
Mr A D S Goodall (Items 2 and 3)
Mr D F Williamson (Items 2 and 3)
Mr C J S Brearley (Item 1)
Mr R Watson (Item 1)

C O N T E N T S

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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.

Rate Support
Grant Report
(England)
1984-85

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the debate on 23 January on the Rate Support Grant Report (England) 1984-85 would be extremely difficult. Many Government supporters were very concerned at the effect of the proposed rate support grant settlement, especially in the shire counties. He believed that, while it would be wrong to make any changes in the proposed settlement for 1984-85, he needed to be able to give some reassurance about the 1985-86 settlement which, on present plans, was likely to create very grave difficulties for many authorities which had been seeking to co-operate with the Government in containing the growth of local government expenditure. The rate-capping powers included in the Rates Bill would be available by 1985-86, and he would like to indicate, however guardedly, that some of the savings that would accrue as a result of the use of these powers would be used to ease the position of low-spending authorities who were at present having to suffer because of the excesses of the high spenders. He proposed to discuss a formulation on these lines with Treasury Ministers.

THE PRIME MINISTER, summing up a brief discussion, said that local government spending was 12½ billion above planned levels. It was an objective of high priority to reduce levels of public expenditure and taxation which would otherwise inhibit economic recovery. Savings from the use of the rate-capping powers were highly speculative at present and should not be pre-empted in advance. Nonetheless the Cabinet agreed that it was necessary for some reassurance, in suitably cautious terms, to be given in the debate. A form of words should be agreed between the Secretary of State for the Environment and the Chief Secretary, Treasury.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of the discussion.
2. Invited the Secretary of State for the Environment and the Chief Secretary, Treasury, to agree a form of words accordingly which the Secretary of State could use in the debate on 23 January.

Housing
Benefit

Previous
Reference:
CC(84) 1st
Conclusions,
Minute 1

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that a number of Conservative members were likely to vote for the Opposition's motion in that day's debate on housing benefit. Some others were likely to decide only at the end of the debate, and he hoped to persuade these to vote against the motion or to abstain, by indicating aspects of the proposed changes which might be modified. He had in mind a number of changes which would cost comparatively little in foregone savings but help substantially to meet criticism. For example the minimum

weekly payment might be held at 20p instead of being raised to one pound. Altogether the changes he had in mind might total £2-3 million, a figure to which the Chief Secretary, Treasury was prepared to agree. More generally, the administration of the scheme by local authorities was now working much better - the recent report of the National Association of Citizens Advice Bureaux referred to the state of affairs 8 or 9 months' ago - and the scheme was an undoubted improvement on what had gone before. But it was important to consider the effect on those who were paying for the benefit as well as on the recipients, and he was in no doubt that the savings being sought were justified.

The Cabinet -

3. Agreed that the Secretary of State for Social Services might indicate changes to his proposals in that day's debate within a total cost of no more than £2-3 million in foregone savings.

2. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, (MR RIEKIND), said that the Conference on Disarmament in Europe which had opened in Stockholm on 17 January was the focus of keen international interest as the only significant forum in which East-West security issues were under discussion. The United States President's speech of 16 January calling for a more constructive East-West dialogue had been warmly welcomed by European members of the Atlantic Alliance, and had helped to put the Russians on the defensive; their reaction to it had been predictably negative. But the previous day's bilateral meeting in the margins of the Conference between the United States Secretary of State, Mr Shultz, and the Soviet Foreign Minister, Mr Gromyko, had, according to the Americans, gone better than expected. Mr Gromyko had complained sharply at the earlier statement by Mr Shultz that the United States did not accept the legitimacy of the post-war division of Germany and Europe; but polemics had been avoided and the exchanges had been serious and business-like. Mr Gromyko had made it clear that, although the Soviet Union was not prepared to resume negotiations on Strategic Arms Reductions or on Intermediate Range Nuclear Forces, it did not regard the Vienna negotiations on Mutual and Balanced Force Reductions as being in suspense and expected these to resume shortly. The Foreign and Commonwealth Secretary was having a bilateral meeting with Mr Gromyko that day and expected to cover much the same ground as had been covered in Mr Gromyko's talk with Mr Shultz. The indications were that the Western wish to resume the East-West dialogue and Western pressure on the Soviet Union to return to the arms control negotiating table were putting the Russians in some tactical difficulty. The Russians for their part were concerned to demonstrate that they were not acquiescing in the current Western deployment of new intermediate nuclear weapons.

FOREIGN
AFFAIRS---
East-West
RelationsPrevious
References:
CC(83) 28th
Conclusions,
Minute 1
and
CC(83) 35th
Conclusions,
Minute 2

Falkland Islands
Previous Reference:
CC(83) 34th
Conclusions,
Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, said that the Minister of State, Foreign and Commonwealth Office, (Baroness Young), had just returned from an official visit to the Falkland Islands where she had reassured the Islanders that there was no question of the United Kingdom Government entering into negotiations with the Government of Argentina on the question of sovereignty. She had made it clear that the Government would welcome normal relations with Argentina but would continue to honour its commitment to the Islanders. She had encountered considerable pressure from the Islanders for the early declaration of a 200-mile fisheries zone around the Falkland Islands, as had been recommended in the report of Lord Shackleton's Committee. This was due to be discussed in the Ministerial Committee on Defence and Oversea Policy shortly.

China
Previous Reference:
CC(83) 33rd
Conclusions,
Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, said that there had been a significant improvement in relations between the United States and the People's Republic of China. The Chinese Prime Minister, Mr Zhao, had been in Washington the previous week and President Reagan was due to visit Peking in April. Mr Zhao had made it clear in Washington that the Chinese did not expect any significant improvement in their relations with the Soviet Union and were anxious to develop their relations with the United States: he had said that the question for China was not whether a country was socialist or capitalist, but whether it was friendly or unfriendly. The Chinese were clearly keen to attract technological and financial support from the Western world for their modernisation programme. Both sides appeared to have played down the Taiwan issue; and Mr Zhao's statement that the regime eventually devised for Hong Kong would apply also to Taiwan was useful evidence of Chinese concern to find a solution to the Hong Kong problem which would in the long term set a constructive precedent for Taiwan.

Middle East
Previous Reference:
CC(84) 1st
Conclusions,
Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, said that there had been no major developments in the Middle East during the past week. But the tragic assassination of the President of the American University in Beirut was likely to undermine confidence and stability there still further.

The Cabinet -
Took note.

COMMUNITY AFFAIRS

community budget and United Kingdom refunds
previous reference: C(84) 1st conclusions, minute 3

3. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (MR RIFKIND) said that it seemed likely that France, which had now assumed the Presidency of the Council of Ministers, would continue the negotiations on the future financing of the Community and related issues mainly in the Council of Ministers (Foreign Affairs) and the functional Councils and in bilateral discussions rather than in Special Councils. The United Kingdom had indicated that there must continue to be proper co-ordination of the negotiations as a whole. Some smaller member states were nervous at the risk of their being excluded from bilateral discussion among the major member states. It was still unclear whether the paper on control of Community spending tabled last year by the French Minister of Finance, Monsieur Delors, remained a part of French policy. The speech by the French Foreign Minister, Monsieur Cheysson, in the European Parliament on 18 January had contained little new about Community affairs. On the question of the budget inequity, Monsieur Cheysson had acknowledged the problem and the need for a solution, at least for a certain period. This seemed to indicate that France's own position on a lasting or a time-limited solution remained unresolved. On the regulations necessary for the payment of the United Kingdom's 1983 refunds it was now probable that the European Parliament would give its Opinion in February. This was an acceptable timetable, provided that other difficulties were resolved.

agriculture
previous reference: C(84) 1st conclusions, minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD drew attention to the report that President Mitterrand had dismissed from his post the senior official responsible for law and order in the area in which demonstrators had recently hijacked two British lorries carrying lamb.

The Cabinet -
Took note.

Cabinet Office
19 January 1984