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CABINET

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

THURSDAY 29 MARCH 1984

at 10.00 am

P R E S E N T

The Rt Hon Margaret Thatcher MP  
Prime Minister

The Rt Hon Lord Hailsham  
Lord Chancellor

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

The Rt Hon Sir Keith Joseph MP  
Secretary of State for Education and Science

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 Patrick Jenkin MP  
Secretary of State for the Environment

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

The Rt Hon Lord Cockfield  
Chancellor of the Duchy of Lancaster

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

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 John Gummer MP  
Minister of State, Department of Employment

SECRETARIAT

Sir Robert Armstrong  
Mr P L Gregson (Item 5)  
Mr A D S Goodall (Items 2 and 3)  
Mr D F Williamson (Items 2 and 3)  
Mr M S Buckley (Item 5)  
Mr C J S Brearley (Items 1 and 4)  
Mr R Watson (Items 1 and 4)

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

THE FOREIGN AND COMMONWEALTH SECRETARY said that reports had just been received that a British merchant vessel had struck a mine in Nicaraguan waters. The damage was slight and there were no injuries, but this was the fourth such incident involving merchant shipping off Nicaragua in recent weeks. Responsibility for these incidents lay with the guerilla forces opposed to Nicaragua's Sandinista Government - the so-called "Contras" - who were acting with the support of the United States Central Intelligence Agency (CIA). Action had been taken to convey the British Government's concern to the United States authorities, and it was understood that the CIA had expressed regret that a British ship had been damaged.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the further Iranian offensive in the Gulf war was still expected. Iraq had claimed on 27 March to have attacked two naval targets near Kharg Island using Super Etendard aircraft and Exocet missiles. The use of these aircraft had not been confirmed, but it appeared that the Iraqis had damaged a Greek registered vessel carrying fuel oil to Kuwait and a Saudi Arabian vessel, thus harming their own cause, since both Kuwait and Saudi Arabia supported Iraq. ESSO had advised their tankers not to go into the Gulf for the time being: British Petroleum and Shell had not as yet taken similar action. Spot oil prices and insurance rates so far remained unaffected. The visit to Washington on 19-20 March by the Minister of State, Foreign and Commonwealth Office, Mr Luce, to discuss contingency planning with the American authorities had gone well, and the Americans appeared to have accepted that the first reaction to any closure of the Straits of Hormuz should be confined to diplomatic action. There would be further talks with the Americans in London early in April. The French Foreign Minister, Monsieur Cheysson, and the West German Foreign Minister, Herr Genscher, with whom he had discussed in Brussels on 27 March the situation in the Gulf, took the view (which the Americans appeared also to hold) that the risk of Iranian action to block the Straits of Hormuz might be receding; and Herr Genscher had made the point that public speculation about such a possibility only increased the risk and should therefore be discouraged. The report of the experts sent by the United Nations Secretary-General to Tehran to investigate the use of chemical weapons against Iran had been published on 26 March. It concluded that chemical weapons had been used in the conflict but did not apportion blame. The report was now under consideration at the United Nations where it might be the subject of a Security Council Resolution. The best outcome would be a resolution which passed an adverse judgment on the use of chemical weapons and called on both Iran and Iraq to bring the Gulf war to an early end. The indications were, however, that the conflict was likely to continue until either the Iranian leader, Ayatollah Khomeini, or the Iraqi President, Saddam Hussein, disappeared from the scene.

In discussion, mention was made of the fact that the chemicals used in the manufacture of mustard gas were in common supply for commercial purposes and widely traded. There had been consultation between the Foreign and Commonwealth Secretary and the Secretary of State for Trade and Industry about the desirability of introducing export controls on chemicals of this kind produced in Britain, and it was understood that similar action was under consideration by the United States and Netherlands Governments. But there were evident difficulties about seeking to control the movement of products which were in widespread and legitimate commercial use, and unilateral action by the United Kingdom could be open to misinterpretation. It would therefore be desirable for the United Kingdom to act only in conjunction with other Western countries, especially with her partners in the European Community and with the United States.

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been no progress towards agreement between the parties to the Lebanese dispute since the failure of the reconciliation talks in Lausanne. Syrian efforts to promote agreement continued in Damascus, but further fighting appeared inevitable. The British contingent to the Multinational Force had returned to the United Kingdom on 27 March; the French contingent had begun its withdrawal and the United States withdrawal was likely to begin shortly. Terrorist attacks against Western targets in Beirut continued: the French Cultural Attache there had been shot and wounded on 27 March and there was no news of a United States official who had been kidnapped. There had been attacks against the British Council's premises in Beirut on 21 March and in Baghdad on 20 March, and it must be assumed that the fatal shooting of a British Council official, Mr Whitty, in Athens the previous day was probably part of the same pattern. This latter incident was the last in a series of attacks on foreign diplomats in Athens involving among others officials from the United States, Jordan and Saudi Arabia. It should not therefore be seen as linked to the current visit by Her Majesty The Queen to Jordan. Strong representations were being made to the Greek Government to remind them of their responsibility for the protection of British diplomatic personnel in Athens, and he was in touch with the British Council about possible measures to strengthen the security of British Council premises and personnel abroad. He would also be taking steps to ensure that Mr Whitty's four children, who were at school in the United Kingdom, would be able to complete their education on the same terms as those of a Diplomatic Service Officer who had been killed in similar circumstances. It would not be appropriate for him to make a statement in the House of Commons about Mr Whitty's death.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the official results of the recent general election in El Salvador had not yet been announced but unofficial estimates suggested that the leader of the Christian Democratic Party, Senor Duarte, had received about 45 per cent of the votes cast, and the extreme right wing leader, Senor D'Aubuisson, about 29 per cent. There would be a run-off in about a month's time. The two official United Kingdom observers had not yet submitted their report but had referred in a preliminary message to inefficiencies and irregularities in the mechanics of voting which would have prevented a considerable number of people from taking part. They did not, however, believe that this represented a failure by the authorities to ensure a reasonably free and secure vote: it appeared that the new voting system introduced to eliminate the possibility of fraud had proved too complicated.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the First Deputy Foreign Minister of the Soviet Union, Mr Kornienko, was currently on an official visit to London. He had seen the Ministers of State at the Foreign and Commonwealth Office, Baroness Young and Mr Rifkind, together with senior officials, and talks were continuing that day. These would include detailed discussions on arms control, on which Mr Kornienko was an authority. So far there had been no surprises: Mr Kornienko had been critical of the United States and sceptical about the American wish for an East/West dialogue, but relatively unpolemical. He had been pressed hard on Afghanistan but given no sign of Soviet flexibility. He had, however, been somewhat defensive about recent developments in Mozambique and Angola.

The Cabinet -

Took note.

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that it was now clear that the meeting of the Council of Ministers (Foreign Affairs) on 27 March had been called at German initiative. The French Minister responsible for European affairs, Monsieur Dumas, had not considered the timing to be good. The assumption appeared to have been that the United Kingdom would give further ground on the figures. The negotiating climate had been difficult when he had refused to do so. Nevertheless, the discussion had taken place on a basis which in two respects was more favourable to the United Kingdom. First, all the other member states had been ready to agree that the transitional period should be for one year only, as the Prime Minister had proposed in the European Council, and that the reformed financing system would come into effect thereafter. Secondly, all the other member states had now been ready to accept the reformed financing system as set out in the French Presidency's paper to the European Council. The disagreement on the base figure to be included in the reformed financing system remained and in consequence the other member states had stated that the other offers they had made during

the meeting were withdrawn. In the discussion on the base figure his position had been that the United Kingdom had already moved a long way during the European Council and that it was not for the United Kingdom to make further moves. The Commission had then been invited to make a contribution to the debate but had been unable to do so. There would be further discussion of these issues in the Council of Ministers (Finance) on 2 April, when it was unlikely that there would be substantive negotiation of the major outstanding issue, and again in the Council of Ministers (Foreign Affairs) on 9-10 April. In the meantime the Commission might come forward with some figures. In the further discussions it was important to recognise that the reformed financing system, which we had negotiated into the Presidency document, was of very great value to the United Kingdom. The figure which formed the foundation of the system had to be right: the discussion might now concentrate on the components of this figure. On the regulations necessary for the United Kingdom's 1983 refund the French and Italian reserves remained. One of the reasons for the Commission's request to member states for an early payment of the sums otherwise due in April was to finance the United Kingdom's 1983 refund. Since this refund was not now going to be paid to the United Kingdom by 31 March, the Commission's reason was no longer valid. He had therefore informed the House of Commons that the United Kingdom did not intend to bring forward the legislation which would be required to authorise the early payment requested by the Commission. In the United Kingdom's view there was no legal obligation to make payments in advance of the due date when invited to do so by the Commission.

In discussion of the next steps it was stressed that public and Parliamentary opinion should be made more aware that other member states were making the demand for an increase in the Community's financial resources and that the United Kingdom was responding by insisting that a fair distribution of the budget burden was required. Some Community expenditure was profligate. It was of great importance for the long term that the reformed system should be right, both for financial reasons and to ensure public confidence in United Kingdom membership. It was impossible to say how long the negotiation might take. Time was on the United Kingdom's side, but it would be sensible to be ready to seize on offers by the other member states, particularly since the longer the other member states examined the proposed reformed financing system, the greater would be their comprehension of its advantages for the United Kingdom. The base figure was more important than right at first appear, since it would set the pattern of the division between net contribution and refund in the reformed system. The present negotiating difficulty resulted largely from the bilateral agreement which Germany had conceded to France on monetary compensatory amounts in the agricultural sector. This would not only add to costs in the Community budget but would also involve the German Treasury in a cost of the equivalent of up to £600 million a year compensation to German farmers. In consequence, Germany had at first been unwilling to pay its normal share of the United Kingdom's refunds under a reformed financing system and, even if in the end it was willing to do so, had a strong incentive to hold down the level of those refunds.

In discussion of the United Kingdom's refund for 1983 it was pointed out that, although there was no legal obligation for the refund to be paid by 31 March, there were strong moral arguments based on past undertakings and precedent. His understanding was that these arguments would be reinforced by a legal obligation if the refund were not paid by 31 December. At least in negotiation, the United Kingdom should underline the breach of undertakings and might argue that the payment of interest would be equitable. It had now been made clear in the House of Commons that, despite the breach of the undertakings given to the United Kingdom, the United Kingdom would not be taking action which might impede the possibility of an overall settlement. It must now be apparent to those member states which were blocking the United Kingdom's 1983 refund that their action would not exert pressure on the United Kingdom in the negotiation as a whole.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that the meeting of the Council of Ministers (Agriculture) on 26-27 March had not reached conclusions. Discussion would be resumed at a meeting of the Council beginning on 30 March. A major issue was the demand of the Republic of Ireland to have a higher quantity of milk as their base figure under the proposed quota/super levy scheme. The French Presidency was trying to satisfy the Republic of Ireland, probably by proposing the level of milk deliveries in the Republic of Ireland in 1983 plus 5 per cent. At present this was opposed by Germany, the Netherlands and the United Kingdom. He expected, however, that German opposition would be withdrawn. A contrary vote by the Netherlands and the United Kingdom alone would not be sufficient to block the proposal. There had been no support from other member states for any extra quantity for Northern Ireland. He had maintained in the Council of Ministers on 26-27 March the United Kingdom's specific reserves on monetary compensatory amounts, beef and sheepmeat and the general reserve on the financing of the whole agricultural package. In his view the most politically sensitive issue for United Kingdom farmers would be the ending of the beef variable premium. This must be avoided.

In discussion it was agreed that, if another member state invoked a vital national interest under the so-called Luxembourg compromise, the United Kingdom should continue its established practice of maintaining the Luxembourg compromise and, if a vote were called, of not participating in the vote. On milk it was agreed that favourable treatment for dairy farmers in the Republic of Ireland would be badly received by United Kingdom farmers. If there was likely to be some advantage for the Republic of Ireland, comparable treatment should be sought for Northern Ireland. The difficulties for other regions of the United Kingdom were recognised. If in the end the result were to be too favourable to the Republic of Ireland and a vote were taken on this issue, the United Kingdom should vote against. On the beef variable premium the best chance of success probably lay in keeping the agricultural proposals together as a package and persuading the Commission to include a continuation of the beef variable premium in that package. In the last resort it would be

necessary to consider whether the United Kingdom should itself invoke the Luxembourg compromise on this question. It was important that, at a time when United Kingdom farmers were having to accept difficult changes, they should not be subject to further problems or criticism. The Government should also explain where the United Kingdom, in the interest of United Kingdom farmers, had successfully opposed proposals such as the levy on intensive milk production or favourable treatment for small farmers in other member states.

The Cabinet -

Took note.

4. THE SECRETARY OF STATE FOR EMPLOYMENT said that the March unemployment figures, to be published later that morning, showed a fall of 44,000 in the unadjusted total, but an increase of 11,000 in the seasonally adjusted figure. Unadjusted vacancies had increased by 9,000. These figures were a little more encouraging than those of the last two months. He hoped that the Budget measures would improve confidence and that an improvement in the figures would result.

In discussion the following points were made -

- a. 298,000 people had become unemployed in the period, but 339,000 had left unemployment.
- b. Figures on real personal disposable incomes to be released that afternoon would show an increase of 1½ per cent between 1982 and 1983.
- c. The trade figures, published the previous Tuesday, showed an overall surplus on current account of £819 million. This was composed of a surplus on oil of £823 million, a surplus on invisibles of £250 million and a deficit on manufactured goods of £254 million. This reinforced the recent pattern of alternate good and bad months. There was, however, significant evidence that the volume of exports was rising. The volume of manufactured exports for the last three months was the highest since early 1980.

THE PRIME MINISTER said that, although the unemployment figures were not as good as could have been wished, stress should be laid on the generally improving picture shown by the whole range of economic indicators.

The Cabinet -

Took note.



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5. THE SECRETARY OF STATE FOR ENERGY reported to the Cabinet on the latest position in the coal industry dispute. The Cabinet's discussion is recorded separately.

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INDUSTRIAL  
AFFAIRS  
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The Coal  
Industry  
Previous  
reference:  
C(84) 12th  
conclusions,  
minute 3

Cabinet Office

29 March 1984

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CABINET

LIMITED CIRCULATION ANNEX

CC(84) 13th Conclusions, Minute 5

Thursday 29 March 1984 at 10.00 am

INDUSTRIAL AFFAIRS  
The Coal Industry  
Previous Reference: CC(84) 12th Conclusions, Minute 3

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THE SECRETARY OF STATE FOR ENERGY said that more coal miners were at work than in the previous week; it was hoped that by that afternoon one more pit would be working. There were good prospects that on Monday 2 April at least some pits in Lancashire, and possibly in the Midlands, would reopen. In the intervening period, coal industry management would seek to influence rank and file opinion throughout the coal fields stressing that the industry had excellent prospects if it avoided damaging industrial disputes. Ministers should avoid making any public statements on the dispute during this period so as not to confuse the message that the management would be delivering. If more miners returned to work, a trend of opinion could be expected to build up against the President of the Nation Union of Mineworkers (NUM), Mr Scargill, and his extreme left-wing colleagues on the national executive of the NUM. Pressure for a national ballot on industrial action was growing. Moderate members of the NUM national executive had met during the week and agreed to press for such a ballot. There was now apparently a majority in the executive for a ballot; but the executive was not expected to meet before 12 April, and in the meantime heavy pressure would be brought to bear on some of the moderates to change their position. Many union members were in financial difficulties as a result of industrial action; they too could be expected to demand a national ballot.

The only industry other than the coal industry which was experiencing significant difficulties as a result of the dispute was the steel industry. The steel plant at Scunthorpe had already had to reduce production; and the plants at Ravenscraig and Llanwern were under threat. It was desirable that, if production at steel plants had to be stopped or significantly reduced, workers should be laid off: only so would their trade unions be induced to bring pressure to bear on the NUM to take a more reasonable attitude. The NUM had begun to picket certain power stations; but the power workers were obeying the instructions of their own trade unions and working normally. The Central Electricity Generating Board intended to begin increasing oil burn in order to increase the endurance of the power stations. In any public comment this should be represented as what it was: a normal commercial response to a potential threat to security of supplies.

THE HOME SECRETARY said that the police had been successful in preventing excessive picketing. It was desirable to make public opinion aware of the fact that the pickets had been unsuccessful in their aim in reducing

the number of pits in operation. Apparently in frustration at this lack of success some pickets had resorted to blocking major highways. The police had successfully countered this action, which had tended to alienate public opinion, and prosecutions were being considered. He himself was seeing the Nottinghamshire County Council later that day about the financial consequences of their additional expenditure on policing because of the coal industry dispute and picketing by the NUM. It would soon become known that the Government did not intend to penalise the Council, or other local authorities in a similar position, through the block grant and holdback system for additional expenditure on policing caused by the dispute.

In discussion, the following main points were made -

- a. The position in the steel industry varied from plant to plant. At some the trade unions were being more co-operative in securing supplies of coal and coke than their public statements suggested. The Transport and General Workers' Union (TGWU) had instructed its members not to unload a ship carrying coke for the Teesside steel works. It was likely that the courts would be willing to grant an injunction against the union, requiring them to desist from such action. It was, however, open to question whether it would be tactically wise for the British Steel Corporation to seek such an injunction at this stage. The co-operation of TGWU members would be required for increasing oil burn at power stations; and, more generally, it would not be desirable to induce other trade unions to make common cause with the NUM.
- b. If steel production had to be stopped or significantly reduced, then it would be desirable that the workers concerned should be laid off, as the Secretary of State for Energy had pointed out. There might well, however, be advantages in giving two or three weeks' notice of this possibility, so that the workers could bring pressure to bear on the unions disrupting supplies. For the longer term, it should be pointed out to the steel industry trade unions that if steel plants closed, some of them might not reopen.
- c. There were signs that the railway unions might be preparing to take a more active role in the dispute and to refuse to deliver coal supplies.
- d. It was desirable that the electricity supply industry in both England and Wales and Scotland should maximise oil burn. The financial consequences of increased oil burn should be left for resolution at the end of the coal industry dispute.
- e. If the Director of Public Prosecutions had to consider, in connection with the blocking of major highways by pickets, the possibility of bringing charges which raised difficult issues he would consult the Attorney General who would be entitled to seek the views of colleagues on any public interest aspects of the matter before reaching his decision on whether to prosecute.

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THE PRIME MINISTER, summing up the discussion, said that particularly during the next few days Ministers should avoid any public comment on the coal industry dispute, except for law and order aspects. The future of the coal industry dispute might be significantly affected by the number of miners returning to work on Monday 2 April. The management of the coal industry was handling the dispute well; and it must continue to carry the prime responsibility. Although the response of the steel industry to the consequences of the dispute was essentially a matter for the management of that industry, the Secretary of State for Trade and Industry should keep in close touch with the Chairman of the British Steel Corporation. In the light of the potential attitude of the railway unions, officials of the Department of Transport should be involved in the regular meetings held by the Secretary of State for Energy to review the progress of the coal industry dispute.

The Cabinet -

Took note.

Cabinet Office

30 March 1984

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