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CC(82) 32nd
Conclusions

COPY NO 79

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

WEDNESDAY 9 JUNE 1982

at 11.15 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 John Nott MP Secretary of State for Defence	The Rt Hon Peter Walker MP Minister of Agriculture, Fisheries and Food
The Rt Hon Michael Heseltine MP Secretary of State for the Environment	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

SECRET

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP
Attorney General (Item 1)

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 1 - 3)
Mr R L L Facer (Item 1)
Mr L J Harris (Items 4 and 5)
Mr R M Whalley (Items 4 and 5)

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FALKLAND
ISLANDS

Previous
Reference:
CC(82) 31st
Conclusions,
Minute 1

1. The Cabinet considered the situation in the Falkland Islands. Their discussion is recorded separately.

FOREIGN
AFFAIRS

Arab/Israel

Previous
Reference:
CC(82) 26th
Conclusions,
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the potential consequences of the Israeli invasion of Lebanon were grave. The next few days would be critical. Israel's declared objectives had already been achieved, but Israeli forces were continuing their advance and were within reach of Beirut. So far there had been no major clash between Israeli and Syrian forces but the risk of this was increasing. The United Kingdom had voted in favour of the draft United Nations Security Council Resolution calling for a ceasefire and Israeli withdrawal and had made public statements in support of Lebanon's territorial integrity. The United States, who alone were in a position to exercise effective pressure on the Israeli Government, were not doing so. It was not yet possible to say what might be the price of achieving an eventual Israeli withdrawal or the best way to seek to bring stability to the area thereafter.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Council of
Ministers
(Industry)
8 June

Previous
Reference:
CC(82) 24th
Conclusions,
Minute 3

Common
Fisheries Policy

3. THE SECRETARY OF STATE FOR INDUSTRY said that the Industry Council had agreed to renew the steel industry anti-crisis measures at its meeting on 8 June. The decision did not constitute a major change of policy and he was thinking of announcing it to the House by means of a Written Answer. To make an oral statement might arouse unhelpful speculation about the future plans of the British Steel Corporation.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the negotiations on the Common Fisheries Policy would be resumed at a Council meeting on 15 June. As a result of an accident to the Fisheries Commissioner, the President of the Commission, Monsieur Thorn, had taken charge of the subject. On access the countries principally concerned now seemed to be much closer to agreement. The Commission's present proposals on quotas were less helpful to the United Kingdom than those which had been envisaged last year.

The Cabinet -

Took note.

PARLIAMENTARY
AFFAIRS

Salaries and
Allowances of
Members of
Parliament

Previous
Reference:
CC(82) 29th
Conclusions,
Minute 4

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

THE LORD PRESIDENT OF THE COUNCIL said that the Opposition had tabled amendments to the Government's motion on the salaries and allowances of Members of Parliament which were due to be debated on 10 June. The effect of the amendments was to raise Members' salaries by nearly 6 per cent rather than by the 4 per cent provided in the Government's motion and to require the annual adjustment of Members' salaries between periodic reviews to be based on the nearest percentile in the Department of Employment's New Earnings Survey (NES), as the Select Committee on Members' Salaries had recommended in their Report, rather than on the average change in the rates of pay of appropriate groups in the Public Service over a relevant period, as the Government had proposed. The latter amendments were likely to be supported by all Members of the Select Committee, including the Chairman, Mr Peter Thomas, despite his known personal reservations about the use of the NES.

THE PRIME MINISTER, summing up a short discussion, said that the effect of the Opposition amendments and of the Select Committee's recommendations on the use of the NES would be to give Members of Parliament the automatic benefit of increases earned by other groups through their own efforts. This was unacceptable, and every effort should be made to mobilise the Government's supporters to ensure that all the Opposition amendments were defeated.

The Cabinet -

1. Invited the Parliamentary Secretary, Treasury to make arrangements to secure the defeat of the Opposition amendments to the motions on the salaries and allowances of Members of Parliament.

THE LORD PRIVY SEAL said that the Second Readings of the Criminal Justice, Employment and Transport Bills, the Report Stages of the Local Government Finance (No 2) and the Oil and Gas (Enterprise) Bills and the Third Reading of the Social Security and Housing Benefits Bill were all due to be taken in the course of the next two weeks. Although everything possible was being done to expedite Government business, the legislative timetable was likely to remain tight, especially if it proved necessary to repeat any statements made in the House of Commons about the Falkland Islands and the Middle East.

The Cabinet -

2. Took note.

5. THE CHANCELLOR OF THE EXCHEQUER said that the reduction in base rate by half per cent to $12\frac{1}{2}$ per cent had been strongly influenced by the publication of the latest figures showing the growth in money supply to be broadly in line with Government targets. Commercial and financial confidence had been reinforced by the growing belief that the Government would be re-elected for a further term. The exchange rate was firm, and other economic indicators were encouraging. There had been a constructive atmosphere at the meeting of the National Economic Development Council earlier in the week, and the presentation given by the Secretary of State for the Environment had been warmly received. He would himself be bringing a memorandum before the Cabinet in the near future discussing how the present momentum could be maintained, and concentrating on small businesses.

In discussion, it was argued that although the current indicators were good, there were worrying signs that longer-term growth was not recovering after the seasonal slowing down which had occurred in December and January. Domestic order books were shortening, and although there had been an improvement in non-oil exports, there was evidence that future export orders were slowing down. Some influential commentators were now maintaining that the signs of economic recovery earlier in the year were the result of re-stocking, and could not be maintained without further stimulus from the Government. There had been a sharp downturn in capital investment in the North Sea, where the tax regime, particularly as it affected the development of marginal oil and gas fields, was widely regarded as hostile. Unemployment continued to be a major problem, particularly in areas such as Merseyside where the demoralising influence of extensive and apparently permanent unemployment was proving socially corrosive.

THE PRIME MINISTER, summing up the discussion, said that there had been general agreement at the recent Versailles Summit that the major industrialised nations could not hope to accelerate recovery from the world-wide recession by massive increases in Government spending. The overriding need at the present time was to ensure that any increases in Government expenditure were deployed in the most effective way possible. The Cabinet noted that the Chancellor of the Exchequer would shortly be announcing some minor modifications to the North Sea tax regime, and that he had agreed to hold further discussions with the oil industry about encouraging the development of marginal fields; but it would be unrealistic to assume that any action by the Government could offset the dramatic changes which had recently occurred in the world oil market. Other pressures permitting, there should be a further opportunity for the Cabinet to review the economic situation before the summer holidays.

The Cabinet -

Took note.

Cabinet Office

10 June 1982

Sir R. Armstrong
(BV)

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COPY NO 31

CABINET

LIMITED CIRCULATION ANNEX

CC(82) 32nd Conclusions, Minute 1

Wednesday, 9 June 1982 at 11.15 am

FALKLAND
ISLANDS

Previous
Reference:
CC(82) 31st
Conclusions,
Minute 1

THE SECRETARY OF STATE FOR DEFENCE briefed the Cabinet on the military situation. He said that, as had now been announced publicly, the 5th Brigade was established on East Falkland to the south-west of Port Stanley. During a series of Argentine air force raids on the previous day the frigate HMS Plymouth had suffered damage but was still operational, while two Landing Ships Logistic (LSL) had been seriously damaged: one of them might be a total loss. The attacking Argentine aircraft had suffered heavy losses. Argentine aircraft had also attacked and damaged a Liberian-registered tanker, the Hercules, in the South Atlantic while it was engaged in a normal commercial voyage around Cape Horn to load with crude oil in Alaska. The Ministry of Defence would be making a statement shortly which would clearly establish that the attack had been carried out by Argentine aircraft. Relations between the Ministry of Defence and the British Broadcasting Corporation (BBC) remained uneasy. The BBC had reported a view attributed to British troops on the Islands that prior information had been made public in London of the attack on Darwin and Goose Green. In fact no such announcement had been made by the Ministry of Defence, nor had he any reason to believe that a leak had occurred. The explanation probably lay in premature Press speculation about the attack which had been reported by the Overseas Service of the BBC and heard in the Falkland Islands. Every statement made by his Department to the Press was checked first with the Commander-in-Chief.

THE PRIME MINISTER said that the Heads of Government of the seven leading industrialised states meeting in Versailles on 5 - 6 June had unanimously expressed support for the United Kingdom's position. There had been no suggestion that the United Kingdom should make a further attempt to secure a negotiated solution before the recapture of Port Stanley. The main concern had been to ensure that hostilities with Argentina ended once Port Stanley had been recovered. The countries of the European Community represented at the Summit had expressed willingness to inform Argentina that they would lift sanctions if a general armistice were agreed.

In discussion it was suggested that the fragility of international support for the United Kingdom had been shown by the Japanese vote in favour of the Panamanian and Spanish draft resolution in the United Nations Security Council, by the French abstention and by the belated attempt by the United States to change its veto into an abstention. If Argentina seemed determined to continue hostilities following the fall of Port Stanley, the United Kingdom would need to retain the political support of her allies and Community partners by demonstrating the reasonableness of the British position, as had been successfully achieved after the failure of the earlier negotiations involving the Secretary General of the United Nations. It would be necessary to bear in mind that many of our allies and Community partners had strong reasons for wishing to see an early end to the hostilities. The United States hoped that the Islands could be brought to some form of self-government: the Americans were still interested in the possibility of a multinational force to guarantee the Islands' security, but would probably be reluctant to participate as long as the Islands remained under British control. The defence of the Islands might remain a British responsibility for a considerable time. It would be important to ensure full international support during the period required to establish a land-based garrison capable of dealing with any further Argentinian aggression. It might be advisable not to return Argentine prisoners of war until a complete end to hostilities had been agreed.

The Cabinet -

Took note.

Cabinet Office

10 June 1982