

**SECRET**

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CC(83) 2nd  
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 27 JANUARY 1983  
at 10.00 am

P R E S E N T

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 (Items 3 and 4)

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 Nigel Lawson MP  
Secretary of State for Energy

The Rt Hon Norman Tebbit MP  
Secretary of State for Employment

The Rt Hon Lord Cockfield  
Secretary of State for Trade

The Rt Hon Tom King MP  
Secretary of State for the Environment



**SECRET**

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP  
Attorney General

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 2-4)  
Mr D H J Hilary (Item 1)  
Mr L J Harris (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.

Immigration  
Rules

Previous  
Reference:  
CC(82) 53rd  
Conclusions,  
Minute 1

THE HOME SECRETARY said that on 16 December the House of Commons had passed a motion disapproving the Statement of Changes in Immigration Rules which he had laid before Parliament. He was obliged to lay a revised Statement of Changes within 40 sitting days of the passing of the motion, and to meet this deadline the content of the Statement would have to be settled within the next week. He and the Chief Whip had consulted widely with the Executive Committee of the 1922 Committee and with individual Government supporters. It was now generally recognised that a further defeat on this issue and a prolongation of the damaging division within the Conservative Party would be unacceptable; but there were still differences of view about the merits and the likely electoral consequences of particular courses of action. It was not practicable either to seek to maintain the Rules in the form disapproved on 16 December, or to go back to the substance of the Rules in force up to the end of 1982. If he laid a Statement reverting to the proposals in the White Paper of 25 October 1982, the main Opposition Parties would almost certainly abstain on a motion to disapprove it, though individual Opposition backbenchers might vote against the Government and it was not clear how many Members on the Government side would also vote against. An alternative course, suggested by Mr Marcus Fox MP, would be to add to the proposals in the White Paper the safeguard of reversing the burden of proof on the acceptability of a marriage for immigration purposes, which had been proposed in the Statement disapproved on 16 December, while dropping the extension to two years, also proposed in that Statement, of the probationary period for a marriage. Mr Fox thought that a revised Statement on these lines would command the support of most of the Conservative Members who had previously voted against the Government. The Opposition spokesman on home affairs had been equivocal about the Labour Party's likely response to such a compromise, but the Labour Party might well vote against it. The Home Secretary said that he would be continuing his consultations with Government supporters as a matter of urgency, but he invited the Cabinet to agree that he might lay a revised Statement of Changes on either of the two bases which he had outlined.

The Cabinet -

1. Agreed that the revised Statement of Changes in Immigration Rules should be based on the proposals in the White Paper published on 25 October 1982, either without amendment or incorporating an additional safeguard against the use of marriage for immigration purposes, as proposed by the Home Secretary.



Report of the  
Parliamentary  
Boundary  
Commission  
for England

Previous  
Reference:  
CC(82) 48th  
Conclusions,  
Minute 1

THE HOME SECRETARY said that on 25 January the Court of Appeal had upheld the Divisional Court's dismissal of the Leader of the Labour Party's application for an injunction to prevent the Parliamentary Boundary Commission for England from forwarding its report to him, but had continued the temporary injunction restraining the Commission from doing so, in order to allow seven days for the applicants to petition the House of Lords for leave to appeal. The House of Lords might decide on the petition on 3 February or, perhaps more probably, on 10 February. If leave to appeal was granted, the appeal might be heard in the following week and the result might be known before the end of February. The merits of the case had already been fully considered in the lower courts, and it should be possible to dispose of any hearing quite quickly. Nevertheless, these further delays would make it much more difficult to achieve the Government's aim of completing the Parliamentary procedures on the Orders in Council and making the necessary administrative arrangements by the end of March. The Home and Social Affairs Committee had envisaged eight days as a reasonable time for him to consider the report between receiving it and laying it before Parliament; but it might now be better to shorten that period, so as to reduce the likelihood of legal proceedings being taken against himself.

THE ATTORNEY GENERAL said that it was not necessary for a period of as long as eight days to elapse between the date the report was received by the Home Secretary and the date it was laid before Parliament. It was likely that the courts would give short shrift to any application for an injunction against the Home Secretary, and that they would decline to issue any temporary injunction pending the hearing of such an application.

The Cabinet -

2. Agreed that the report of the Parliamentary Boundary Commission for England, together with a draft implementing Order in Council, should be laid before Parliament as soon as possible after receipt by the Home Secretary.

3. Invited the Home Secretary:

i. to consult the Attorney General further on the precise timing for laying the report before Parliament;

ii. to consult the Lord Chancellor on possible ways of expediting the hearing by the House of Lords of the Leader of the Labour Party's application for leave to appeal, and of any subsequent appeal.



FOREIGN  
AFFAIRS  
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Middle East

Previous  
Reference:  
CC(83) 1st  
Conclusions,  
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been little progress over the prospective visit to London of the Arab League delegation led by King Hassan of Morocco. King Hassan had apparently failed to obtain Mr Arafat's endorsement for Mr Milhem's membership as representing the interests of the Palestine Liberation Organisation (PLO). King Hassan had welcomed the suggestion of a separate meeting between the Minister of State, Foreign and Commonwealth Office, Mr Hurd, and Mr Qaddoumi of the PLO; but Mr Arafat's response had been cool and a definitive reaction from the Arab states was still awaited. It was important that the delegation's visit to London should take place on 7 and 8 February as planned, since thereafter The Queen would be away from London until 12 March.

Belize

Previous  
Reference:  
CC(82) 10th  
Conclusions,  
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the talks in New York between Guatemala, the United Kingdom and Belize about Guatemala's dispute with Belize had broken down. The Guatemalan representatives had offered no advance on their previous position and had continued to insist on cession of territory by Belize, which was unacceptable to the Government of Belize. There seemed no prospect of Guatemala being willing to take part in further talks for the time being. He had received a letter from the United States Secretary of State, Mr Shultz, about the continued retention of the British garrison in Belize, which consisted of some 1,500 men and four Harrier aircraft. As long as the British garrison remained, Guatemala was unlikely to attack Belize: but the garrison had already stayed longer than the 12 months originally agreed. The matter was to be considered at an early meeting of the Defence and Oversea Policy Committee on the basis of an up-to-date assessment of the situation to which the Ministry of Defence, the Foreign and Commonwealth Office and the Joint Intelligence Committee were contributing.

The Cabinet -

1. Took note.

Falkland  
Islands

Previous  
Reference:  
CC(83) 1st  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the plethora of Argentine denials of any intention to attack the Falkland Islands did not alter the current assessment of the risk of harassment or commando raids by Argentine units against the Islands or their Dependencies: indeed there was some fresh evidence highlighting that risk. A wide range of Governments had, however, made representations to Argentina warning against any renewed use of force: the United States Government had been particularly helpful in this regard. A warning against possible Argentine military action in the Antarctic had also been given by the British representative at the recent meeting in Wellington of the signatory states of the Antarctic Treaty; in reply, the Argentine representative had asserted his Government's intention of continuing to comply with the Treaty. The question of arms sales to Argentina was also causing some concern. There were indications that the United States Government was considering lifting its embargo, and strong representations were being made in Washington to discourage this. Meanwhile a naval frigate manufactured by Blohm and Voss of Hamburg, and containing Rolls-Royce engines, was about to be handed over to Argentina by the Germans. It now appeared that under the terms of their contract Rolls-Royce were obliged to supply an engineer to take part in the sea trials which would be conducted by the Argentine Navy. There was likely to be strong, public criticism if it became known that a British engineer was participating in sea trials of an Argentine warship.



THE PRIME MINISTER, summing up a short discussion, said that it would be unacceptable to have a British engineer in the position described. The matter should be further considered by the Ministers concerned with a view to avoiding such an outcome, perhaps by encouraging Rolls-Royce to supply an engineer of other than British nationality.

The Cabinet -

2. Invited the Secretary of State for Industry, in consultation with the Secretary of State for Defence and the Secretary of State for Trade, to pursue the matter with Rolls-Royce in the light of the Prime Minister's summing up.

Gibraltar  
Previous  
Reference:  
CC(82) 52nd  
Conclusions,  
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that under the terms of the Lisbon Agreement Britain and Spain each had the right to raise any subject it wished in the forthcoming talks between the Spanish Foreign Minister and himself. This was the background to the reported statement by the Spanish Foreign Minister, Senor Moran, that there would be no talks with Britain unless it was accepted that the issue of sovereignty should be covered. He had earlier made the British position clear to Senor Moran. Although the Spanish side would be free to raise the question of sovereignty, the position of the people of Gibraltar was completely protected by the terms of the Lisbon Agreement. It was an important British interest that the talks should take place so that the Lisbon Agreement could be implemented and full freedom of communication be restored between Gibraltar and Spain. The implications of the latest developments for British policy were to be considered shortly by the Defence and Oversea Policy Committee.

The Cabinet -

3. Took note.

COMMUNITY  
AFFAIRS  
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The  
Community  
Budget: 1982  
Refunds

Previous  
Reference:  
CC(83) 1st  
Conclusions,  
Minute 3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Council of Ministers (Foreign Affairs) on 24 January had discussed the problem posed by the European Parliament's insistence that 1982 should be the last budget year for which the United Kingdom would receive refunds and that a structural solution to the problem should be implemented with effect from 1983. He had come under strong pressure from other member states to agree that the Council should endorse such a proposition in order to get the Parliament to vote the money for the 1982 refunds. He had resisted this pressure on the grounds that to say such a thing would be to mislead the European Parliament: it was quite unrealistic to suppose that a structural solution could be implemented so quickly. In the end, the Council had agreed to an entry in the minutes confirming that there was no intention to change the agreement reached at their meeting on 26 October 1982, which had clearly envisaged further refunds to the United Kingdom.

THE CHANCELLOR OF THE EXCHEQUER said that the Council of Ministers (Budget) on 26 January had failed to adopt the 1983 Supplementary Budget, which provided for the refunds in respect of 1982, because no qualified majority had been established to classify the energy measures in that budget either as non-obligatory or as obligatory. The German President would be meeting



the Budget Committee of the European Parliament on 27 January to explain the position and to seek certain assurances on behalf of the Council of Ministers. If the outcome of that meeting was satisfactory, it should still be possible that 90 per cent of the refunds would be paid over before the end of the 1982-83 financial year; but a satisfactory outcome was not assured.

Uniform  
Electoral  
Procedure

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Council of Ministers (Foreign Affairs) had agreed that it would not be possible to create a uniform electoral procedure before the elections of the European Parliament in 1984 but that a further attempt should be made to try to reach agreement about the voting rights of Community citizens living outside their own countries.

Trade with  
Spain

THE SECRETARY OF STATE FOR TRADE said that discussions were continuing with the Spanish Government and with the motor manufacturers to try to find a solution to the problem created by the lack of balance in the tariff arrangements applied under the Community's 1970 Agreement with Spain.

Agricultural  
Prices

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that he had been told by German contacts that, if the Christian Democrats won the election on 6 March, the new German Government would not be formed until 31 March. The present Minister of Agriculture, Herr Ertl, would continue in office until the end of the month, and it would be a major objective of German policy to secure the 1983 Farm Price Agreement before the new Agriculture Minister took over in April. They would arrange continuous meetings of the Council of Ministers (Agriculture) if necessary to secure their goal. This German plan could be relevant to the handling of the Community budget negotiations.

Previous  
Reference:  
CC(83) 1st  
Conclusions,  
Minute 3

Food Sales  
to the  
Soviet  
Union

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that, although the Commission had ruled that the French agreement with the Soviet Union was illegal, they were not planning to take France to court but were merely asking for information about the way in which the French Government intended to implement the agreement. This weak Commission response was perhaps in part because the Director General of the Agricultural Division was a Frenchman. It would be important to take every possible precaution to ensure that the relevant Deputy Director General post continued to be occupied by someone from the United Kingdom, when the present incumbent returned to London to take up an appointment in the Cabinet Office later in the year.

Previous  
Reference:  
CC(82) 50th  
Conclusions,  
Minute 3

In discussion it was remarked that the Government's choice of members of the Home Civil Service to put forward for appointment to Commission posts was confined to volunteers and this might in some circumstances make it difficult to propose a candidate of sufficient calibre. It was also



suggested that the United Kingdom was placed at a disadvantage in Community negotiations because other member states did not have the same respect for the law.

The Cabinet -

Took note.

INDUSTRIAL  
AFFAIRS  
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Water  
Industry Pay  
Negotiations  
  
Previous  
Reference:  
CC(83) 1st  
Conclusions,  
Minute 4

4. THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the employers had broadly accepted the mediator's recommendation in the water industry dispute of a general increase of 7.3 per cent over 16 months, together with certain other improvements. After discussion this had been rejected by the unions, who were now consulting their membership on the employers' offer and would meet on 29 January to consider the outcome of the consultation. Preliminary indications were that rejection of the employers' offer could well be confirmed. It would be for consideration at that point whether the Government should encourage the employers to accept arbitration, to which both sides in the dispute were formally committed as a last resort by the terms of their agreement with the Advisory Conciliation and Arbitration Service. For the moment the employers were reluctant to have recourse to arbitration in case it jeopardised the mediator's clear and helpful finding against the unions' claim for "upper quartile treatment". Public presentation of the employers' case, which rested on the intrinsic fairness of the offer and the fact that it was based on the findings of a mediator accepted by both sides, would be particularly important over the next two days during which the unions' consultation with their membership was taking place. Television and radio, in particular, had so far given greater publicity to the unions. In seeking to give the employers' case effective public support, he had to bear in mind that (in contrast to the National Health Service dispute) the Government was not itself the employer in the water industry and that a confrontational approach was liable to be counter-productive, at least until the unions had decided whether to continue the strike beyond 29 January. In the country, the effects of the strike were being felt gradually: a relatively small number of properties (10,000 out of a total of 20 million with piped water) were now without water, and 5 million people - or 10 per cent of the population - were being recommended as a precautionary measure to boil their drinking water. Supervisors, and to a large extent craftsmen, in the water industry were working normally; picketing was good-humoured, and with certain exceptions, eg in Cornwall, strike action so far had been in a relatively low key. There had been no request from any water authority for service assistance, and he had made it clear that the use of troops would be authorised only in the very last resort.

THE SECRETARY OF STATE FOR EMPLOYMENT said that he shared the Secretary of State for the Environment's pessimism about the outcome of the unions' consultation with their membership. There was evidence that the union leadership, which had so far broken every agreement it had made and, in the case of the General and Municipal Workers Union, had embarked on a strike apparently without proper authority in terms of its own rule book, was determined to take industrial action for reasons unconnected with the interests of their membership. From the employers' point of view, it



would be crucial to retain the co-operation of the supervisors if the strike were prolonged. A decision to call on service assistance, with the consequent risk of forfeiting the co-operation of the supervisors, would have to be very carefully weighed.

THE HOME SECRETARY said that, although the strike was in a low key, this could change very quickly if there were a major incident. Public anger with the unions would be directed at the Government as well unless contingency plans to deal with such an incident were promptly and effectively implemented. The main body of servicemen involved was now at 24 hours' notice, and the emergency repair teams at six hours' notice or less. The Civil Contingencies Unit (CCU) would be meeting that evening to review the whole range of contingency plans. It would at the same time consider the presentational aspects of the dispute, with a view to deciding how best to marshal public opinion in support of the employers' case.

THE PRIME MINISTER, summing up the discussion, said that attempts by unions to make the denial of water to industry a condition of their carrying out their obligations not to endanger public health must be firmly resisted. She noted that, if the employers' offer were accepted, the average wage of the waterworkers taking industrial action would rise by £10 per week to £145 per week. Every effort must be made to impress on the public the fairness of this offer and to ensure that the employers stood firm and offered no further concessions to the unions. Contingency plans for service assistance and arrangements for handling the public relations aspects of the dispute should be kept under review by the CCU as the Home Secretary had indicated.

The Cabinet -

1. Took note.

Local Authorities

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that it appeared that certain local authorities hostile to the Government were refusing to place contracts with firms employed on construction and other work at the ground-launched cruise missile site at Greenham Common. The legality of this action by the local authorities concerned was being investigated.

The Cabinet -

2. Took note.

Road Haulage

THE SECRETARY OF STATE FOR TRANSPORT said that there might be some industrial action on 31 January by drivers of road haulage vehicles in London and the South East, who had rejected a wage settlement which had been accepted by drivers elsewhere. But the action, if it occurred, would be sporadic and confined to the areas he had named.

The Cabinet -

3. Took note.



Oil Prices

THE SECRETARY OF STATE FOR ENERGY said that the impending fall in international oil prices posed a difficult problem for the British National Oil Corporation (BNOC), which was obliged under its constitution to accept the entire output of the British North Sea oilfields and thus to find markets for it. At the recent meeting of the Organisation of Petroleum Exporting Countries, the Saudi Arabians had succeeded in getting agreement to reduce production quotas, but Nigeria in particular had prevented agreement on price reductions. Sheikh Yamani, the Saudi Arabian Minister for Petroleum and Mineral Resources, was hoping that at the end of the ensuing period of disorder on the international oil market, oil prices would stabilise at about United States \$30 per barrel - ie \$4 lower than at present. If BNOC were to appear to be leading the market downwards, there could be severe consequences for the United Kingdom's relations with the Arab world. But the downward trend had already begun, and certain Gulf countries were already offering discounts. Failure or delay by BNOC to lower its prices in accordance with the current trend could cost it as much as £10 million per week in oil revenues. He hoped that the position could be held at least until 31 January, when it might be necessary to issue a temporising statement indicating that some reduction in BNOC's prices was under consideration.

THE PRIME MINISTER, summing up a short discussion, said that difficult calculations had to be made about the impact on inflation and the rate of exchange as well as on oil and tax revenues. It would also be important to avoid giving the Saudi Arabian Government any pretext for picking a synthetic quarrel with Britain over oil prices. It would be helpful if the Secretary of State for Energy could discuss the implications urgently with the Chancellor of the Exchequer in order to agree on the best way forward.

The Cabinet -

4. Invited the Secretary of State for Energy, in consultation with the Chancellor of the Exchequer, to proceed in accordance with the Prime Minister's summing up.

Cabinet Office

27 January 1983