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CC(83) 5th
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 17 FEBRUARY 1983
at 11.00 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

The Rt Hon Sir Geoffrey Howe QC 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
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 Cecil Parkinson MP
Chancellor of the Duchy of Lancaster and
Paymaster General

The Rt Hon Lord Cockfield
Secretary of State for Trade

The Rt Hon Tom King
Secretary of State for the Environment

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

The Rt Hon Douglas Hurd MP
Minister of State, Foreign and
Commonwealth Office

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson (Item 4)
Mr A D S Goodall (Items 2-4)
Mr D H J Hilary (Item 1)
Mr G Stapleton (Items 2 and 3)
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.

Reports
of the
Parliamentary
Boundary
Commissions

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

THE HOME SECRETARY said that the Opposition had adopted a policy of deliberate obstruction in the House of Commons the previous evening to prevent the approval of the draft Order implementing the recommendations of the Parliamentary Boundary Commission for Wales. A long time had been taken up with spurious points of order and other delaying tactics before the debate began, and further points of order had been raised during the debate itself, for which 90 minutes had been allowed. In the end the Deputy Speaker had agreed not to put the question and the debate would consequently be resumed on Monday 21 February. It was clear that the Opposition intended to deploy similarly disruptive tactics when the English and Scottish draft Orders were debated. Points of order on the handling of the English Boundary Commission's report were expected to be raised that afternoon. He believed that he could show that it had been handled with complete propriety throughout. In December 1982, he had acceded to the Commission's request for authority to arrange for the eventual printing of their report by the Stationery Office. When, on 25 January, the Court of Appeal had dismissed the action brought by the Leader of the Labour Party, Counsel for the Commission had told the Court that the report was then ready for signature. The Court had taken note of this without comment, but had granted a further temporary injunction restraining the Commission from submitting their report to him, in order to allow the applicants to petition the House of Lords for leave to appeal. The report had then been signed and printed, and put into a secure warehouse. After leave to appeal had been refused by the House of Lords on Friday 11 February, the Commission had submitted the report formally, and he had seen it for the first time the following day. He had read it in its entirety over the weekend, and had decided that he should not propose any modifications. The Attorney General had confirmed that his decision to lay the report and the draft implementing Order before Parliament on Monday 14 February was in strict accord with the law, which required the documents to be laid "as soon as may be" after receipt of the report. There might be some criticism of the fact that the draft Order had been prepared and printed before the formal submission of the report; but the substance of the Commission's recommendations had been public knowledge since November 1982, and there was no reason why advance preparations should not have been made. The allegation made in a letter from Dr Edmund Marshall MP to the Lord Chancellor that the Home Secretary had had advance knowledge of the decision of the Appeal Committee of the House of Lords was entirely without foundation and should be robustly refuted; he had been informed by his office of the Committee's decision by telephone late on Friday 11 February.

THE PRIME MINISTER, summing up the discussion, said that the failure to secure approval for the Welsh draft Order would be greeted by the Opposition as a major success, and would encourage them to continue their disruptive tactics during the resumed debate on the Welsh draft Order, and on the subsequent draft Orders for England and Scotland. The Home Secretary and other Ministers concerned had behaved with complete propriety throughout, and no opportunity should be lost of stressing

publicly the undemocratic nature of the campaign being mounted by the Opposition. The Lord President of the Council, in consultation with the Home Secretary and the Chief Whip, should consider further, in the light of the Cabinet's discussion, the handling of future debates on the Boundary Commissions' recommendations.

The Cabinet -

1. Invited the Lord President of the Council, in consultation with the Home Secretary and the Chief Whip, to consider further the handling of debates in the House of Commons on the reports of the Parliamentary Boundary Commissions.

Protection
of Sensitive
Documents

THE SECRETARY OF STATE FOR SOCIAL SERVICES drew attention to articles in The Guardian that morning which included a detailed report of discussions taking place in the Family Policy Group. The same newspaper had earlier carried reports clearly based on inside information of papers circulated to the Ministerial Group which was considering proposals on a scheme for educational vouchers.

THE PRIME MINISTER, summing up a brief discussion, said that there would be an inquiry to try to establish the source of these leaks. In the meantime it was of the utmost importance that Ministers should take steps to keep to an absolute minimum the numbers circulated in their Departments of copies of documents on sensitive issues issued by her Office and by the Cabinet Office. Cabinet Ministers should make themselves personally responsible for the security of any such documents sent to their Private Offices, and should lay down firm rules for their protection. If necessary, officials who had to advise on papers of this kind, should be required to read them in Private Offices.

The Cabinet -

2. Invited all Cabinet Ministers to review the arrangements for protecting sensitive documents in their Departments, as indicated in the Prime Minister's summing up of their discussion.

FOREIGN
AFFAIRS

Australian
Bush Fires

2. THE PRIME MINISTER said that, with the Cabinet's concurrence, she proposed to send the Prime Minister of Australia, Mr Malcolm Fraser, a message in which she would convey their deep sympathy on the tragic loss of life and extensive damage to property caused by the current bush fires in Southern Australia.

The Cabinet -

1. Took note.

Middle East
 Previous
 Reference:
 CC(83) 4th
 Conclusions,
 Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, MR HURD said that there was no progress to report in the negotiations for the withdrawal of foreign troops from the Lebanon. The British contingent to the multinational force in Beirut was now operational and had established a satisfactory liaison with the adjacent Israeli units. At the wish of the Lebanese Government there would be some small increase in the area of the city for which the British contingent was responsible, following the Lebanese Army's assumption of control over East Beirut. The arrangements for the proposed visit to London by the Arab League delegation headed by King Hassan of Morocco remained uncertain. King Fahd of Saudi Arabia had not reacted as helpfully as had been hoped to the Prime Minister's message, and was still withholding his agreement for visits to Saudi Arabia by the Secretary of State for Trade and the Secretary of State for Energy as well as by the Foreign and Commonwealth Secretary. There would be an opportunity to explore the way forward with King Hussein of Jordan when he visited London in the coming week. Meanwhile, although there was still no hard evidence of damage to British commercial interests in the Arab world as a result of the difficulties which had arisen over the Arab League delegations's visit, the situation remained uneasy.

Soviet
 Union

Previous
 Reference:
 CC(82) 50th
 Conclusions,
 Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, said that one of the Deputy Foreign Ministers of the Soviet Union, Mr Ryzhov, was making a routine visit to London for official talks with his opposite number in the Foreign and Commonwealth Office, Sir Julian Bullard. Such contacts had taken place regularly in previous years, although there had been none in 1982 in the aftermath of the declaration of martial law in Poland. He would himself be seeing Mr Ryzhov. Their talk would concentrate on arms control and disarmament. Other matters which would be raised with Mr Ryzhov were the position of Mr Sakharov and Mr Scharansky, and the payment of rates on the premises of the Soviet trade delegation in the London Borough of Camden. The visit would demonstrate that working contacts with the Soviet Union were taking place which enabled the British Government to put its views to the Soviet Union clearly and robustly.

Falkland
 Islands

Previous
 Reference:
 CC(83) 3rd
 Conclusions,
 Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, said that the Minister for Overseas Development, Mr Raison, accompanied by members of both Houses of Parliament (including Lord Shackleton and Lord Buxton of Alsa), would be visiting the Falkland Islands for the forthcoming celebrations to mark the 150th anniversary of the Islands coming under the British Crown.

THE SECRETARY OF STATE FOR DEFENCE said that some 600 next-of-kin (and their families) of servicemen killed in the Falkland Islands campaign would be visiting the Islands from 9 to 11 April. They would be flying to Montevideo and completing the journey by ship. There was likely to be keen Press and media interest which would require careful handling.

The Cabinet -

2. Took note.

CONFIDENTIAL

International
Financial
Situation

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

THE CHANCELLOR OF THE EXCHEQUER said that the meeting in Washington the previous week of the Interim Committee of the International Monetary Fund (IMF) had gone well. The tactic of advancing it had proved successful and made it possible to reach agreement much sooner than could otherwise have been hoped for on a number of useful measures. In addition to the decisions taken in Paris in January to expand the General Arrangements to Borrow (GAB) from SDR 6.5 billion to SDR 17 billion, the meeting had agreed to increase the IMF quotas from SDR 61 billion to SDR 90 billion; and, provided that the United States Congress agreed, the quota increase would be implemented by the end of 1983, which was two years ahead of the previous schedule. As a result of his recent visit to Riyadh, the Saudi Arabian Government would also be making additional funds available in association with the enlarged GAB. The effect of all these arrangements would be to double the usable facilities available to the IMF to help countries facing serious debt problems such as Mexico. The part which the United Kingdom had played in achieving these arrangements would demonstrate to public opinion that the Government was taking effective action in response to the concerns expressed in the second Brandt Report.

The Cabinet -

3. Took note.

COMMUNITY
AFFAIRS

Japan

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

3. THE SECRETARY OF STATE FOR TRADE reported that the Community had reached an export restraint agreement with Japan covering a wide range of products. There would be specific ceilings for video cassette recorders and large colour television tubes, but only a general undertaking on export moderation for other products such as machine tools and fork lift trucks. At the United Kingdom's insistence, the agreement permitted the import of the kits that were needed to start manufacture of video cassette recorders here. It was of course welcome that the Commission had taken any action, but the agreement did not amount to much, and certainly did not justify ending the Community's complaint against Japan under Article XXIII.2 of the General Agreement on Tariffs and Trade (GATT).

In discussion, it was noted that the agreement would not affect the United Kingdom's existing voluntary restraint arrangements, although it would provide some minor reinforcement. The Japanese agreement to price their exports at a level with Community products should not apply to video cassette recorder kits, because this would remove any incentive to import them into this country. The television manufacturers were likely to be disappointed that the specific ceiling was restricted to large tubes, since this was likely to be of greater benefit to manufacturers in France and Germany.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the result of the Community's talks with Japan was unlikely to bring very much benefit to this country and that the Commission was not entitled to take much pleasure in the outcome. The Community's action against Japan under Article XXIII.2 of the GATT should be maintained.

The Cabinet -

1. Took note.

Trade with
Spain

Previous
Reference:
CC(83) 2nd
Conclusions,
Minute 3

THE SECRETARY OF STATE FOR TRADE reported that, after very heavy pressure had been brought to bear on the Spanish Government by his officials, in the absence of any effective action by the Commission, a possible deal between the European Community and Spain to improve access to the British market for British cars had been reached the previous day. This provided for duty quotas for the Community for two categories of cars:

10,000 cars of 2,000 to 2,600 cc at a reduced tariff of 25 per cent instead of 36 per cent;

4,000 to 5,000 cars of 1,300 to 1,600 cc at a reduced tariff of 20 per cent instead of 36 per cent.

As a quid pro quo the Spaniards wanted the Government to persuade British Leyland to discuss future industrial collaboration with their Spanish subsidiary, and to do its best to prevent any interference with future exports of Spanish cars here; they also sought an undertaking that the United Kingdom would not raise any new issues relating to the 1970 Agreement. The arrangement had been deliberately aligned to favour British Leyland as against French and German manufacturers, and Spain had indicated that they were ready to give British Leyland some preference. Overall, however, the proposals were very disappointing; they applied only 15,000 cars from the whole Community, and there would still be large tariff disparities, since the Community's tariff was only 4 per cent. The agreement would be worth accepting only if it were likely to be regarded by the industry and trade unions here as reasonable. If it was not, an attempt would have to be made to secure a better deal, though he saw little prospect of pushing the Spaniards further. The problem was that the United Kingdom had no independent ability to do anything about the inequalities under the 1970 Agreement; action had to be taken by the Community, and the Commission had probably been pushed as far as was possible. The only alternatives were those which had previously been discussed of either legislating to secure the necessary powers to act or taking illegal action.

In discussion, it was suggested that, while it was something to have wrung any deal out of Spain, the present proposals were unsatisfactory. There had been skilful negotiations on the type of cars that would be covered, which would be helpful to the United Kingdom, but the quotas themselves were small and the tariff disparities still too great. It was also noted that nothing had been done for automobile components whose manufacturers were also very concerned and on which there were also tariff disparities. The agreement could not be presented as offering any assistance to the automobile industry in the West Midlands. It was suggested that a further effort should be made to improve the agreement; the United Kingdom had potential sources of leverage in the Spanish desire for British help in their accession negotiations with the Community, in substantial British imports of Spanish wine and horticultural products, and in the importance to Spain of tourists from this country. Since the prospects of success were not good, as the Madrid Embassy had noted, it was important that public expectations of substantial results should not be aroused.

THE PRIME MINISTER, summing up the discussion, said the Cabinet agreed that the Spanish proposals represented an inadequate response to the inequalities in the Community's 1970 Agreement with Spain which would not be acceptable to the interests in this country, and that officials should press for further improvements, both on the size of the quotas and on the tariff reductions to be applied.

The Cabinet -

2. Invited the Secretary of State for Trade to arrange for negotiations between the European Community and Spain to be pursued with a view to securing improvements in the Spanish proposals, as indicated in the Prime Minister's summing up of the discussion.

4. THE SECRETARY OF STATE FOR THE ENVIRONMENT said that a Committee of Inquiry on the water industry pay dispute had now been set up under the auspices of the Advisory Conciliation and Arbitration Service (ACAS). The Chairman was Dr Tom Johnston, Principal of Heriot-Watt University, Edinburgh; the member nominated by the employers was Mr Michael Bett, the industrial relations board member of British Telecom; and the member nominated by the trade unions was Mr Bill Keys, Joint General Secretary of the Society of Graphical and Allied Trades. It was hoped that the Committee's findings would be made known on Sunday 20 February, and that a final meeting of the National Joint Industrial Council would take place the following day to resolve the dispute and restore normal working. ACAS had secured assurances, which had been made public, from the employers and the trade unions that both would accept the resolution of the dispute through the process of the Committee of Inquiry. In view of the past history, however, it remained to be seen whether the trade unions would abide by the assurances which they had given. Meanwhile the number of households required to use standpipes had been increasing steadily and had now reached 72,000; the number of those advised to boil water was remaining at around 7½ million.

In discussion, there was general agreement that it had been right to avoid the appointment of a judge as Chairman of the Inquiry. It was hoped that the employers' nominee, although drawn from the public sector, would be made aware of the very different pay climate in many parts of the private sector, which was illustrated by the recent agreement of workers at the Hyster plant in Scotland to take a pay cut in order to preserve jobs. It was regrettable that two Wages Councils had recently proposed high awards, on which representations were now being considered. Their Chairmen would need to be reminded of the link between pay levels and employment. The recently published average annual increase in earnings of 8.25 per cent was still too high by comparison with pay increases in West Germany and Japan.

INDUSTRIAL
AFFAIRS

Water
Industry
Pay
Negotiations

Previous
Reference:
CC(83) 4th
Conclusions,
Minute 4

THE PRIME MINISTER, summing up the discussion, said that all Ministers, and particularly those who did not have economic responsibilities and might not normally comment on such matters, should take every opportunity to underline the importance of pay restraint. At an appropriate stage it would be desirable to demonstrate how long it would take the water industry workers to recoup the loss of earnings resulting from the strike. When the water industry dispute was over, it would be useful for a small group of Ministers to consider the lessons which might be drawn from it.

The Cabinet -

1. Took note.

Oil Prices

Previous
Reference:
CC(83) 2nd
Conclusions,
Minute 4

THE SECRETARY OF STATE FOR ENERGY said that the British National Oil Company (BNOC) had now telexed its customers to inform them that a new price for North Sea oil would be fixed on Friday 18 February. Overseas posts had been briefed. The delay by BNOC in reducing its prices should prove to have been helpful in relations with other oil producers.

The Cabinet -

2. Took note.

Cabinet Office

17 February 1983