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CC(83) 23rd
Conclusions

COPY NO 77

CABINET

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

THURSDAY 14 JULY 1983

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 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 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 Employment

The Rt Hon Cecil Parkinson 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 Transport

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

The Rt Hon Peter Rees QC MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

The Rt Hon Baroness Young
Minister of State, Foreign and
Commonwealth Office

SECRETARIAT

Sir Robert Armstrong
Mr A D S Goodall (Items 2-3)
Mr D F Williamson (Items 2-3)
Mr D H J Hilary (Item 1)
Mr R Watson (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.

Parliamentary
Pay and
Allowances

Previous
Reference:
CC(83) 22nd
Conclusions,
Minute 6

THE LORD PRIVY SEAL said that the motions relating to increases in Parliamentary pay and allowances had been tabled and would be debated on Tuesday 19 July. It would be difficult to secure Parliamentary acceptance of the Government's proposal for a 4 per cent increase in Members' salaries. Those Members who were still undecided would be influenced by what he could say about future increases; but the only comfort he would be able to offer was by reference to the earlier resolution of the House that there should be an annual review of Members' salaries in the light of the average change in pay for appropriate public service groups. If an amendment to his motion on Members' salaries was carried and the House of Commons approved a figure higher than 4 per cent, he would withdraw all his subsequent motions and say that the Government would reconsider the matter in the light of the vote and that he would table further motions in due course. The position on Ministerial salaries could then be reassessed. It would not be helpful for him to suggest the possibility of any change in the methods of pay determination: the debate would have to be handled on the basis of the present system.

The Cabinet -

Took note.

FOREIGN
AFFAIRS
Gibraltar

Previous
Reference:
CC(83) 22nd
Conclusions,
Minute 2

2. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (BARONESS YOUNG), said that the Government of Gibraltar had significantly modified its position over the Gibraltar dockyard and were now seeking a deferment of closure for only one year, to 31 December 1984 (as against the six months deferment which the British Government had already offered). In return, they were asking for certain pieces of prime land at present owned by the Ministry of Defence to be transferred to them, with discussions about the possible transfer of further land later; and for assurances of economic support from the British Government if the privatised dockyard was not viable by 1987. The Governor of Gibraltar took the view that this was the minimum package which the Chief Minister of Gibraltar, Sir Joshua Hassan, could persuade his colleagues to accept. From the British point of view, the package offered a basis for agreement. Deferring privatisation for one year should be manageable: it would involve spreading work which the Ministry of Defence had already agreed to provide rather than increasing it. There could be no question of offering the Gibraltar Government a blank cheque, and it would be important not to link any commitment of financial support to the viability (or otherwise) of the privatised dockyard. It would also be essential to obtain from the Gibraltar Government a clear public commitment to commercialisation of the dockyard by a given date. The aim would be to reach final agreement at a meeting with Sir Joshua Hassan in London, possibly as early as the end of the following week.

Hong Kong

Previous Reference: CC(83) 22nd Conclusions Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, said that the opening round of the second stage of talks with the Chinese Government about Hong Kong had taken place in Peking on 12-13 July in a friendly atmosphere. The opening Chinese statement had been firm in substance but not aggressive in tone. The Chinese had been tougher on the second day, stressing the danger of deadlock if the United Kingdom sought to insist on maintaining British administration in Hong Kong after 1997. Having moved from their original position of no talks without prior British acceptance of the principle of Chinese sovereignty, they were now insisting that the question of administration was inseparable from that of sovereignty. It remained to be seen how far this was an initial negotiating tactic: unfortunately it appeared that those in authority in Peking still had little or no understanding of the basis on which Hong Kong's prosperity rested. The Chinese had however agreed to two further rounds of talks, on 25-26 July and 2-3 August. The talks had attracted considerable media interest in Hong Kong, but confidence was holding up and the Hong Kong dollar was steady.

Falkland Islands

Previous Reference: CC(83) 21st Conclusions Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, said that no formal reply was required from the Government to the draft report on the Falkland Islands which had been published by the Select Committee on Foreign Affairs. Although the press had concentrated on the unhelpful aspects of this uncompleted report, it also contained a number of helpful points and took the view that formal negotiations with Argentina would for the present be counter-productive.

Brazil

THE CHANCELLOR OF THE EXCHEQUER said that the financial situation in Brazil was very worrying. Although rich in natural resources the country had, in effect, gone bankrupt as a result of the 1978/79 rise in oil prices, imprudent lending by Western, and particularly American, banks and bad economic management. An effective rescue operation had been mounted by the International Monetary Fund (IMF) but it was conditional on the Brazilian Government cutting public expenditure and ending wage indexation. A \$400 million bridging loan by the Bank for International Settlements fell due the following day and would not be extended unless the President of Brazil, General Figueiredo, made a statement of intent to meet the IMF conditions. The Managing Director of the IMF, Monsieur de Larosiere, was reasonably optimistic that the President would comply, but the Brazilian Government continued to see great political difficulty about doing so. If they did not, Brazil would be formally in default. Contingency plans to meet this development were in hand, but its consequences would be grave. It was however vital that the IMF should insist on its conditions being met: it would be the end of the IMF's disciplinary regime if Brazil were able to obtain financial relief without submitting (as Mexico had done) to the IMF's conditions.

The Cabinet -

Took note.

COMMUNITY AFFAIRS

Fisheries

Previous Reference:

CC(83) 22nd

Conclusions,

Minute 3

3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that the Council of Ministers (Fisheries) on 11-12 July had failed to resolve the outstanding problems of North Sea herring. Once again nine member states had been ready to agree, but Denmark had remained opposed to the proposals and had invoked the Luxembourg compromise. The Council of Ministers would meet again on 25-26 July. In the meantime herring fishing in the North Sea, including Norwegian fishing, had been stopped. The West of Scotland herring fishery, however, would be open again shortly.

Export Credit

THE CHANCELLOR OF THE EXCHEQUER reported that at the Council of Ministers on 11 July the new consensus on export credit, which was already supported in the Organisation for Economic Cooperation and Development except by the French, was again blocked by the intransigent attitude of France. The existing arrangements had therefore been rolled over for the time being. The question would be reconsidered at an informal meeting of Community Finance Ministers on the island of Kefallinia on 10-11 September.

Community Budget and United Kingdom Refunds

Previous Reference:

CC(83) 21st

Conclusions,

Minute 3

THE PRIME MINISTER said that it was satisfactory that at the special Council of Ministers on 8 July agreement had been reached on the procedures and work programme leading up to the Athens European Council in December, and that no link had been made with the United Kingdom's 1983 budget refund.

The Cabinet -

Took note.

Cabinet Office

14 July 1983