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CABINET

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

THURSDAY 20 SEPTEMBER 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 Peter Walker MP
Secretary of State for Energy

The Rt Hon John Biffen MP
Lord Privy Seal

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry

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

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

The Rt Hon Earl of Gowrie
Chancellor of the Duchy of Lancaster

The Rt Hon David Young
Minister without Portfolio

THE FOLLOWING WERE ALSO PRESENT

Mr John Gummer MP
Paymaster General

SECRETARIAT

Sir Robert Armstrong
 Mr P L Gregson (Items 3 and 4)
 Mr D F Williamson (Items 1 and 2)
 Mr B G Cartledge (Items 1 and 2)
 Mr M S Buckley (Items 3 and 4)

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1. THE FOREIGN AND COMMONWEALTH SECRETARY said that six leaders of Opposition Parties in South Africa remained in the British Consulate in Durban, which they had entered on 13 September. Their presence in the Consulate, which was small and lacking in facilities, was giving rise to considerable inconvenience. The six men clearly could not be allowed to stay in the Consulate indefinitely; but it would be wrong for the British Government to compel them to leave or to become involved in negotiations on their behalf with the Government of South Africa. A lawyer representing the Opposition leaders, Mr Yacoob, had arrived in London on 16 September and had asked to see both the Prime Minister and himself. The Government's position had been explained to him by a senior Foreign and Commonwealth Office official. There had been some suggestion from the South African side of a deal by which the South African authorities would rescind detention orders on the six Opposition leaders if court proceedings against four South Africans in the United Kingdom were to be dropped, but this suggestion seemed unlikely to be pursued. Given time, the situation was likely to resolve itself and ways were being considered of easing the problem gradually towards a solution.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Treaty of Federation concluded between Libya, Morocco and Chad in August amounted to a marriage of convenience which was unlikely to prove durable. Meanwhile, France had reached an agreement with Libya, without consulting the Chad Government, on the withdrawal of French and Libyan forces from Chad in the very near future.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Royal Navy force which was assisting in the search for mines in the Red Sea had discovered an object on the seabed which appeared to be a Soviet mine of a hitherto unknown type. This discovery would not be publicised until the object had been properly identified. After defusing, it could be recovered from the seabed and examined in consultation with the Egyptian Government.

THE HOME SECRETARY, referring to the press conference given in Moscow on 18 September by the recent Soviet defector, Mr Oleg Bitov, said that there was, of course, no substance in allegations that he had been kidnapped and brought to the United Kingdom against his will. Furthermore, the evidence suggested that his return to the Soviet Union had been voluntary: he was much attached to his daughter, who had not been permitted to leave the Soviet Union to join him. The British authorities had made the fact of his

disappearance from the United Kingdom known in order to pre-empt Soviet publicity. The story which Mr Bitov had given out in Moscow would command little credence. An assessment of the implications of the disclosure of certain names, addresses and telephone numbers had concluded that this was embarrassing, but not seriously damaging to British security. The main consequence of the episode might be to deter other potential Soviet defectors.

THE FOREIGN AND COMMONWEALTH SECRETARY said that it was difficult to predict how the Soviet Union would choose to pursue the matter: a prolonged campaign of distortions could not be excluded. During his forthcoming meeting with the Soviet Foreign Minister, Mr Gromyko, in New York, he would himself adopt a dismissive line. He considered Mr Bitov to have been a genuine defector who changed his mind, possibly under pressure involving his family, and decided to return to the Soviet Union.

THE SECRETARY OF STATE FOR DEFENCE said that the major NATO exercise, Operation LIONHEART, was going well and was receiving sympathetic publicity in Western Europe. It was particularly encouraging that, despite the dock strike in the United Kingdom, the process of reinforcing the British Army of the Rhine by sea had proceeded smoothly. In view of bad weather in the exercise area, some aspects of its scenario had been adjusted in order to minimise any possible damage to local land and property. Despite the weather, however, the level of damage so far (and consequently the likelihood of large claims for compensation) had been very low.

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had just received a report that Her Majesty's Ambassador in Beirut, Mr David Miers, had been involved in a car bomb explosion in the vicinity of the United States Embassy in Beirut. Preliminary indications were that he was suffering from shock but was not seriously injured.

The Cabinet -

1. Took note.

The Cabinet had before them a minute, dated 19 September 1984, from the Foreign and Commonwealth Secretary to the Prime Minister on the future of Hong Kong, covering the latest draft of a White Paper which would embody the text of a draft agreement between the British Government and the Government of the People's Republic of China.

Operation
LIONHEART

Lebanon

Previous
Reference:
CC(84) 13th
Conclusions
Minute 2.

Hong Kong

Previous
Reference:
CC(84) 30th
Conclusions,
Minute 2

THE PRIME MINISTER, inviting the Foreign and Commonwealth Secretary to open a discussion of the draft White Paper, explained that it had been decided that it would be helpful if she were to see the Unofficial Members of the Hong Kong Executive Council (EXCO), before the draft White Paper and draft agreement were formally considered by Cabinet. She had accordingly met the Unofficial Members of EXCO on the previous evening, 19 September. It was for this reason that, although it was not usual to disclose in advance the content of agenda for Cabinet, it had on this occasion been made known that Cabinet would be considering the draft White Paper and agreement at its meeting on the following day.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the discussions with the Unofficial Members of EXCO had been candid and comprehensive. Inevitably, they still had some reservations about the draft agreement on the future of Hong Kong, but Sir S Y Chung and his colleagues had concluded that they could and would commend the agreement to the people of Hong Kong in good conscience and would recommend that it should be endorsed. They had expressed their satisfaction with the Government's conduct of the negotiations with the Chinese and were particularly pleased that the key points which had been identified by the Unofficial Members of the Executive and Legislative Councils (ULELCO) in May had largely been met. The outcome of negotiations was the draft of a fully binding international agreement, setting out the arrangements for Hong Kong after 1997 in considerable detail, the terms of which would be stipulated in the Chinese Basic Law. The ULELCO were pleased, in particular, that the Liaison Group would continue to function for three years after 1997. The negotiation had produced a good outcome in the difficult fields of land and civil aviation. The constitutional arrangements would provide for an elected legislature to which the Executive would be accountable. Even in civil aviation matters, the Draft agreement would afford to Hong Kong, after 1997, a greater degree of autonomy than it had enjoyed hitherto as a Crown Colony. The Foreign and Commonwealth Secretary said that some difficulties still remained, so far as the Chinese were concerned, over the shape and form of the proposed White Paper and especially over that part of it which explained the provisions of the agreement. These remaining problems had been discussed on the previous evening with the Unofficial Members of EXCO. It was accepted that a public disagreement with the Chinese over the contents of the White Paper would be highly undesirable at this stage and, although he proposed to make one final attempt to secure the withdrawal of Chinese objections, he was prepared in the last resort to drop the explanatory notes which made up the third part of the draft White Paper. He said that the Unofficial Members of EXCO had recognised that the draft agreement was a historic document, embodying a historic solution to a post-colonial problem. He believed that it could lead to significantly improved relations between the United Kingdom and the People's Republic of China. He hoped that members of the Cabinet, and in due course Members of Parliament, would consider the draft agreement to be acceptable, and that his colleagues would now agree that he

should summon the Ambassador of the People's Republic of China to inform him that the draft agreement had been endorsed by Cabinet and that he should instruct Her Majesty's Ambassador in Peking to proceed with the initialling of the draft.

In discussion it was noted that under the terms of the draft agreement Hong Kong people who elected to leave Hong Kong before 1997, with the status of British Dependent Territory Citizens, would, like those who remained, be unable to transmit that status to children born to them before 1997; the British Nationality Act, however, provided that no person should be left stateless. On a different point, concerning paragraph 7 of the Joint Declaration by the United Kingdom and Chinese Governments, it was pointed out that its provision for "free flow of capital" was crucial and that there might be a risk of discrimination by the Chinese Government against Hong Kong Chinese who wished to move their capital out. It was noted, however, that Section VII of Annex 1 to the agreement specifically provided that the Government of the Hong Kong Special Administrative Region (SAR) should safeguard the free flow of capital within, into and out of the SAR. It was noted that preliminary discussions so far with most sectors of United Kingdom Parliamentary opinion offered substantial grounds for optimism as to how the draft agreement would be received by Parliament as a whole.

THE PRIME MINISTER, summing up the discussion, said that the draft agreement represented a remarkable achievement. As the discussion which she and the Foreign and Commonwealth Secretary had had with the Unofficial Members of EXCO had shown, they and the Unofficial Members of the Legislative Council were satisfied with the extent of the consultation which had been conducted with them. She wished to place on record the Government's appreciation of the constructive and statesmanlike role which the UMELCO had played during the negotiations, reflecting as they had the views of Hong Kong people forcibly and consistently. Although the draft agreement did not meet their requirements in every particular, the fact that Sir S Y Chung, speaking for them, had said on the previous evening that the draft agreement was one which they could commend to the people of Hong Kong in good conscience testified to the fact that the British Government had fulfilled their responsibilities to the people of Hong Kong to the greatest extent possible. The real interest of the Government of the People's Republic of China in the prosperity and stability of Hong Kong gave grounds for optimism that the agreement would be honoured, but it would be up to the British Government of the day to do all it could to ensure this. She had indicated to EXCO that circumstances permitting, she would be prepared to go to Peking herself to sign the agreement, and it would be registered with the United Nations. The Prime Minister said that members of the Cabinet would wish to join her in congratulating the Foreign and Commonwealth Secretary, the Governor of Hong Kong (Sir Edward Youde), Her Majesty's Ambassador in Peking (Sir Richard Evans), and the previous British Ambassador in Peking (Sir Percy Cradock) who had in

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his present capacity played a prominent part in the final stages of the negotiation, on their remarkable and successful achievement. The Cabinet would wish to agree that the draft agreement should now be initialled in Peking and that the procedures leading up to its signature should move forward. The Foreign and Commonwealth Secretary should convey this information to the Chinese Ambassador, as he had proposed; she wished herself to send a message to the Unofficial Members of EXCO before they left London.

The Cabinet -

2. Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Foreign and Commonwealth Secretary to proceed accordingly.

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2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the discussions in the informal meeting of Finance Ministers on 15-16 September had moved forward on budget discipline. This question had now been remitted to the high level group of finance officials and would come back to the Council of Ministers on 1 October. Considerable progress had been made on the drafting of appropriate guidelines, but it would be difficult to make them as fully binding as the United Kingdom wanted. There was some evidence that the French were trying to draw back from the position they had taken on 15-16 September. The Council of Ministers (Foreign Affairs) on 17-18 September had discussed the text of the revised Own Resources Decision, in the context of the proposals for the 1984 supplementary budget and the preliminary draft budget for 1985. On this question the United Kingdom had avoided being isolated and, together with more than half the member states in the Council, had been able to accept the Presidency's compromise. It was now for the Germans to consider whether they could move to accept the possibility of some new finance being available to the Community through the revised Own Resources Decision during 1985. There would be further bilateral contacts with the Germans during the next few days. In discussion it was pointed out that Community budget discipline was a significant point for the United Kingdom Parliament, and it was important that the arrangements agreed should carry some authority.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that at the Council of Ministers (Agriculture) on 17-18 September he had been satisfied that there was a general determination among member states to respect the rules applying to the milk quotas, although the Italians were the slowest to take action. Some phasing of the levy payments for technical reasons was not entirely ruled out. All member states were having similar difficulties with their dairy farmers to those experienced in the United Kingdom. This applied, in particular, to Germany, the Netherlands and Denmark, where dairy farmers were being required to cut milk production, in comparison with the level in 1983-84, by more than dairy farmers in the United Kingdom. The fall in United Kingdom milk output made it unlikely that any supplementary levy would be payable by British farmers in the immediate future. The Council of Ministers (Agriculture) had also discussed wine. It was important to take early decisions to bring the production of table wine more into balance with consumption, with the prospect of the enlargement of the Community to include Spain and Portugal. The Commission's proposals on aid for grubbing up vineyards were sensible. There were, however, profound disagreements between France and Italy on production policy for table wine and between Germany and Italy on the question of additional sugar in wine.

Distribution
of Respons-
ibilities
in the New
European
Commission

THE PRIME MINISTER said that the next President of the Commission, Monsieur Delors, would be in London during October for discussions which would no doubt cover the possible distribution of responsibilities within the new Commission. The United Kingdom continued to have a strong interest in the budget portfolio and in an industrial or related portfolio. In discussion it was pointed out that there was also a strong interest in seeking to ensure that the Commissioners appointed to certain key responsibilities within the Commission, in particular agriculture, were in sympathy with the United Kingdom's broad approach. Attention should also be given to a possible portfolio for the second United Kingdom Commissioner. Since the development portfolio had been held for too long by a French Commissioner, this might be considered.

The Cabinet -

Took note.

INDUSTRIAL
AFFAIRS

Dock Strike

Previous
Reference:
CC(84) 30th
Conclusions,
Minute 4

3. THE SECRETARY OF STATE FOR TRANSPORT said that the national dock strike had now been settled. The settlement had involved no concessions of substance by the port employers. The local agreement at Hunterston between the British Steel Corporation and the trade unions had required no change in previous working practices. The ports affected by the strike could well lose some trade to their competitors and this would aggravate their problems of surplus labour. One effect of the previous strike had however been to accelerate severances among registered dockworkers (RDWs). Some RDWs had apparently thought that the National Dock Labour Scheme might be abolished, and that in this event they would receive a substantial sum in compensation. Now that it was clear that the Scheme was not under immediate threat, those who wished to leave the industry had no reason to delay. No Ministerial comment on the settlement was called for: it spoke for itself.

The Cabinet -

Took note.

Coal
Industry
Dispute

Previous
Reference:
CC(84) 30th
Conclusions,
Minute 4

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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4. THE CHIEF SECRETARY, TREASURY said that at the start of the week there had been heavy flows of money on the foreign exchange markets into the United States dollar, probably because of a belief that President Reagan's chances of re-election had further improved. The pound had weakened not only against the dollar but also to some extent against other major trading currencies, probably because of the collapse of talks between the National Coal Board and the National Union of Mineworkers. It had subsequently been helped by the settlement of the dock strike. Although the markets were still nervous, the situation was different from that in July, when there had been a sharp increase in interest rates which had later been only partly reversed. In July, unfavourable monetary figures had been published, whereas now the movements of the monetary aggregates were within the target range. It was significant that the Halifax Building Society had deferred a decision on an increase in its mortgage interest rate.

The Cabinet -

Took note.

Cabinet Office

20 September 1984

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Sir Robert Armstrong (Round Volume)

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CABINET

LIMITED CIRCULATION ANNEX

CC(84) 31st Conclusions, Minute 3

Thursday 20 September 1984 at 10.00 am

THE SECRETARY OF STATE FOR ENERGY said that three of the 45 pits working normally were now on holiday; they would return to work on Monday 24 September. Of those pits where some miners were present there were four pits with attendances of between 15 and 20 people, a number which might be large enough to encourage a more general return to work at those pits. In the previous week, movements of coal had reached their highest level since the start of the strike. The position in the current week, after allowing for the fact that the three pits which he had mentioned were on holiday, was equally satisfactory. There were good prospects, particularly if the trade unions in the transport industries were not provoked, that current levels of coal movements could continue indefinitely. If so, there would be no difficulty in lasting through the forthcoming winter, should the strike continue, without power cuts. Shortages of domestic coal would soon start to appear. In most areas the trade and the National Coal Board (NCB) had been able to set up arrangements to deal with cases of severe difficulty; but they would not operate in Yorkshire or the North East of England, where there were serious problems of coal distribution. Even outside Yorkshire and the North East there might be complaints.

Representatives of the Advisory, Conciliation and Arbitration Service (ACAS) continued to be in touch with both the NCB and the National Union of Mineworkers (NUM), but neither they nor the NCB considered that they could usefully intervene in the dispute at its present stage. This would be reported to the Chairman of ACAS on his return to the United Kingdom the following week. The NCB would meet representatives of the Trades Union Congress (TUC) on Monday 24 September in order to explain to them their current offer to the NUM. It was clearly understood by all concerned that the sole purpose of the meeting was explanation: no question of negotiation arose. Recent meetings between the NUM and trade unions in the electricity supply industry had been inconclusive. Leaders of the Transport and General Workers' Union and the General, Municipal, Boilermakers and Allied Trade Union had suggested that their members in the industry might take action to support the NUM; but, even if the national leadership called for such action, there were indications that the local membership would refuse to obey. The Finance and

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INDUSTRIAL
AFFAIRS

Coal
Industry
Dispute

Previous
Reference:
CC(84) 30th
Conclusions,
Minute 4

General Purposes Committee of the TUC was meeting on 21 September to consider a request from the NUM for financial assistance. It was likely that several unions would agree to give loans, but not grants.

The National Association of Colliery Overmen, Deputies and Shotfirers (NACODS) was holding a ballot on strike action on 26 September: the result would be known on 28 September. The National Executive of the union were trying hard to secure a mandate for strike action. They had stated that, at least initially, they would use such a mandate not to call a strike but to strengthen their hand in discussion with the NCB. They had also given their members the false impression that the NCB was refusing to hold discussions with them. To refute this the NCB had publicly offered the Executive a meeting during the current week; the Executive seemed to be trying to delay its taking place. The outcome of the ballot was hard to predict. Even if it went in favour of strike action, however, there were good chances that members of NACODS in Nottinghamshire would remain at work and ignore any strike call.

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that coal-using industries were experiencing few difficulties, though there would be problems as the weather worsened over supplies of coal for space-heating. Some suppliers of the NCB were also getting into financial difficulty. Supermarkets and other retailers in strike-bound areas were experiencing a marked reduction in their takings.

THE HOME SECRETARY said that the level of activity by pickets had not changed much since the Cabinet's previous discussion. There had been a significant increase in the number of prison sentences imposed for offences arising out of the dispute; and the police were enjoying greater success in making arrests for offences of intimidation. Two stipendiary magistrates were now sitting to help deal with cases arising out of the dispute; a further one would shortly begin hearing cases; and there were good prospects of two more being asked for. As a result, useful inroads were being made into the backlog of cases.

In discussion, the following main points were made -

- a. The possibility of an adverse result in the NACODS strike ballot was a matter for concern. The National Executive of the union was making a strong effort to persuade even moderate members to support strike action and apparently intended to set out on the ballot form three reasons for strike action, one of which would go wider than the immediate issues in dispute between NACODS and the NCB.
- b. It was arguable that the NCB was not bringing sufficient pressure to bear on the strikers. At present, the Board seemed to intend to keep pits open, even if their future working was jeopardised by withholding of safety cover by the NUM. Those who had taken strike action would therefore be shielded from one of its main consequences, and might think that they had

little to lose from prolonging the dispute. Against this, it was argued that it would be irresponsible for the NCB to risk appearing deliberately to leave coal faces to collapse when they could be worked economically.

c. It would be salutary if publicity could be given to severe sentences imposed for acts of violence arising from the dispute. This would both deter the repetition of such violence and hearten working miners who were being threatened. It would also be helpful to remind magistrates that recent legislation empowered them to make violent offenders subject, as part of their sentence, to a compensation order in favour of their victims. There were grounds for believing that some magistrates were unaware of this legislation.

d. Many of the Government's supporters were concerned at the apparent failure of the legislation which the Government had promoted to deter secondary picketing and other unlawful conduct in support of industrial action. There was a belief, influential even if unfounded, that the Government had discouraged employers from seeking to enforce their rights of civil action under this legislation. Many of the Government's critics failed to take account of the fact that the public sector employers most closely concerned, such as the NCB, the British Steel Corporation and the British Railways Board, had very properly weighed against the benefits of taking civil action the risk that it would provoke other trade unions to give more active support to the NUM. If such action led, in particular, to a reduction in the current level of coal movements it would seriously reduce the chance of a satisfactory outcome to the dispute. For this reason, it would be best if action were taken by small private sector employers whose financial and other interests were directly affected by unlawful conduct in a way which the public could readily understand and sympathise with. Action of this nature had been successful in South Wales. Whether to take it was, of course, entirely a matter for the employers themselves.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the Government should continue to take the same line as before. It should especially emphasise the point that uneconomic pits had been closed in the past and must continue to be closed if management judged closure necessary. There was understandable public disquiet that, even though the strike had lasted for some six months, relatively few cases of alleged violence or other serious offences had been brought to trial. The Home Secretary should do what was possible to ensure that magistrates' courts did not impose artificial or unreasonable delays on the relevant committal proceedings. He should also draw to the attention of magistrates that recent legislation gave them power to make compensation orders against violent offenders for the benefit of their victims; and that they should consider in all appropriate cases whether to make such an order.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Home Secretary, in consultation with the Lord Chancellor -
 - i. to do what was possible to ensure that magistrates' courts did not impose artificial or unreasonable delays on committal proceedings in connection with cases of alleged violence or other serious offences arising out of the coal industry dispute; and
 - ii. to take appropriate action to remind magistrates of their power to make compensation orders against violent offenders for the benefit of their victims; and that they should consider in all appropriate cases whether to make such an order.

Cabinet Office

21 September 1984