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CABINET

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

THURSDAY 12 APRIL 1984

at 10.00 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Sir Geoffrey Howe QC 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 Michael Heseltine MP
Secretary of State for Defence

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon John Biffen MP
Lord Privy Seal

The Rt Hon Lord Cockfield
Chancellor of the Duchy of Lancaster

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

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

THE FOLLOWING WERE ALSO PRESENT

The Hon Adam Butler MP
Minister of State, Northern Ireland Office
(Item 3)

SECRETARIAT

Sir Robert Armstrong
 Mr P L Gregson (Item 4)
 Mr A D S Goodall (Items 2, 3 and 5)
 Mr D F Williamson (Items 2 and 3)
 Mr M S Buckley (Item 4)
 Mr C J S Brearley (Item 1)
 Mr R Watson (Item 1)

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1. The Cabinet were informed of the business to be taken in the House of Commons in the week after Easter.

THE SECRETARY OF STATE FOR DEFENCE said that a statement would be made that afternoon by the Minister of State for Defence Procurement announcing the decision to purchase an American Surface-to-Surface Guided Weapon (Harpoon) for the Royal Navy. The decision would disappoint British Aerospace, who had offered an alternative (Sea Eagle). The purchase of Harpoon was, however, at about £200 million substantially less expensive than that of Sea Eagle, and the agreement with the manufacturers, McDonnell Douglas, was included an offset proposal for 130 per cent of the cost of purchase. This would provide employment in the United Kingdom, some of which would be in areas of high technology. McDonnell Douglas had a good reputation for honouring offset agreements. It would not be possible to specify the precise employment consequences of Harpoon until the offsetting contracts had been awarded. The Minister of State would also announce the award to British Aerospace of an order for vertical launch Sea Wolf worth £250 million.

THE PRIME MINISTER, summing up a brief discussion, said that there would inevitably be criticism of the failure to award the contract to British Aerospace. It would be important for the statement and other Ministerial comment to stress the size of the orders already awarded to British Aerospace and the amount of launching aid provided by the Government for British Aerospace's contribution to the Airbus A320, and to emphasise the highly favourable nature of the agreement with McDonnell Douglas and their good record on offsetting arrangements. More generally, Ministers should take particular care over the timing and presentation of announcements in the next few weeks during the run-up to the local elections and the several Parliamentary by-elections which were pending.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of the discussion.

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Swiss Ambassador in Buenos Aires had conveyed to the Argentine Foreign Minister, Senor Caputo, on 6 April the Government's response to the Argentine message of 17 February. The response reiterated British readiness for talks aimed at normalising relations and emphasised that sovereignty of the Falkland Islands could not be discussed in the course of such talks: any exchange of documents stating the position of the two countries on the question of sovereignty would have to be completely separate from the talks. A considered Argentine response was now awaited, and it was not possible to judge how

PARLIAMENTARY
AFFAIRS

Purchase of a
Surface-to-
Surface
Guided Weapon
for the
Royal Navy

FOREIGN
AFFAIRS

Argentina

Previous
Reference:
C(83) 37th
Conclusions,
Minute 2

positive this was likely to be. No publicity was being given to the content of the Government's response and it was hoped that the Argentines would also observe confidentiality.

Falkland Islands
Previous Reference: CC(84) 7th Conclusions, Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that eight civilians had died in a fire at the King Edward Memorial Hospital at Port Stanley on 10 April. The causes of the fire were to be investigated by an inquiry set up by the Civil Commissioner, Sir Rex Hunt, in which a member of Her Majesty's Inspectorate of Fire Services would participate. Reports on the question of hospital services on the Islands since 1982 had referred to fire hazards, and the inquiry would need to address the extent to which these warnings had been acted on. In consultation with the Secretary of State for Defence, he would be establishing an interdepartmental group in London to ensure that the various measures which would be required following the fire were implemented, and to encourage close co-ordination between the military and civilian authorities on the Islands. It would, however, be important to avoid transferring responsibility to London for decisions which ought to be taken in consultation between civil and military authorities on the ground.

Hong Kong
Previous Reference: CC(84) 14th Conclusions, Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that he would be visiting China from 15 to 18 April and Hong Kong from 18 to 20 April. In Peking his aim would be to impress on the Chinese the importance (if a sufficient degree of confidence was to persist in Hong Kong) of a binding bilateral agreement which spelt out in detail what the post-1997 arrangements for Hong Kong would be. He would also make it clear that, while the Government hoped to achieve an agreement in the course of the current year, they could not be bound by Chinese insistence that the agreement should be signed by September, since this would allow insufficient time for consideration by Parliament and in Hong Kong. His talks in Peking would also cover a number of important issues on which agreement had not yet been reached in the negotiations with the Chinese, including nationality and the question of a Chinese military presence in Hong Kong after 1997. In Hong Kong he would be aiming to reassure the population that the Government was fighting hard for their essential interests. For this purpose he would need to make a public statement, about which he would have informed the Chinese beforehand, to some extent lifting the veil on the negotiations and giving a foretaste of the sort of arrangement which the Government was now seeking to negotiate: ie one providing for Hong Kong's autonomy for a period of at least 50 years but without continued British administration. His talks in Peking would be critical for the future course of the negotiations with China. Although the Chinese had a strong interest in reaching an agreement with the United Kingdom, there was a real risk that their terms for such an agreement would prove unacceptable. In that event there

would be a natural demand from the people of Hong Kong that Britain should find other ways of ensuring that they could continue to live in freedom and security. He had briefed senior members of the Opposition and of the Select Committee on Foreign Affairs about his objectives in Peking and Hong Kong, and there was a wide measure of understanding for what the Government was seeking to achieve.

Depending on the outcome of his visits, there would probably be advantage in the House of Commons having an opportunity to debate Hong Kong soon after the Easter Recess.

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been an unsuccessful attempt at a coup d'etat in Cameroon on 6 April. A number of people had been killed but there had been no known British casualties. The Government of President Biya had re-asserted control and the prospects for increased trade with the United Kingdom remained promising.

THE FOREIGN AND COMMONWEALTH SECRETARY said that discussions had continued with the representative in London of the Union for the Total Independence of Angola (UNITA) about the release of the British hostages being held at a UNITA base at Jamba in southern Angola. Having earlier said that, if a British Government emissary went to Jamba for discussions with the UNITA leader, Dr Savimbi, this would be followed by the immediate release of the hostages, the UNITA representative had subsequently said that he would have to check this with his leadership in Jamba. He was expected to return to London shortly, and the Government would maintain pressure for the hostages' unconditional release. The prospects of this happening before Easter appeared to be receding.

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been no significant developments in the Iran/Iraq war. A further useful round of discussions with the Americans on contingency planning had taken place at official level in London on 9 April. The Government had decided to impose export controls to Iran and Iraq on a number of chemicals which could be used in the manufacture of chemical weapons, and the question had been discussed at a European Political Co-operation meeting on 10 April. Although it had not been possible for the member states of the European Community to take collective action, a number of member states were considering controls similar to those to be introduced by the United Kingdom.

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had seen the Spanish Foreign Minister, Senor Moran, in Luxembourg on 10 April. This had been the latest in a series of bilateral talks which had taken place in the margins of multilateral meetings in recent months. With the agreement of the Chief Minister of Gibraltar, Sir Joshua Hassan, he had proposed reciprocal advance implementation as between Spain and Gibraltar of those European Community rights which would apply to Spaniards and Gibraltarians from the date of Spain's accession to the European Community, in return for the lifting of Spanish restrictions on the frontier. He had made it clear that reciprocal advance implementation would not affect the transitional arrangements (expected to be seven years) limiting the freedom of movement of labour between Spain and Gibraltar. If agreement were reached with Spain on the basis proposed, it would be in the context of the Lisbon Agreement of 1981 whereby Spain would then be free to raise the question of sovereignty while the United Kingdom stood by the wishes of the people of Gibraltar. Senor Moran had made it clear in the Spanish Parliament that Spain would not wish to receive Gibraltar against the wishes of the people. In the British Government's view the most promising way forward would be to concentrate on developing ways of promoting practical co-operation between Spain and Gibraltar, for example in the field of civil aviation. In response to British disappointment at the Spanish Government's decision not to buy Rapier, Senor Moran had said that the decision had been taken on technical and financial grounds: he personally had advised in favour of Rapier and wanted to explore other areas for bilateral collaboration with the United Kingdom over defence procurement.

The Cabinet -

Took note.

3. THE FOREIGN AND COMMONWEALTH SECRETARY reported that the Council of Ministers (Foreign Affairs) on 9-10 April had dealt satisfactorily with a number of current issues. They had reached agreement on the common commercial policy regulation and a number of directives which had been linked with it. They had made progress on some outstanding issues in the accession negotiations with Spain and Portugal and had held good meetings with Ministers from the member countries of the European Free Trade Association and from Egypt. On the outstanding question on the reform of the Community's finances the United Kingdom had been endeavouring since the last meeting of the Council of Ministers to promote some movement on the basic figure in dispute. There had been some success in involving the Commission in this process. This had not been reflected, however, in the attitude taken by the Chairman of the Council, who had presented the question simply

in terms of a disagreement between nine member states and the United Kingdom. Nor had it been possible to persuade the Commission to take a positive role in the Council. It was necessary now to consider how to regain some momentum in the negotiation. There was an impression in the Community that the United Kingdom did not want the issue resolved before the European parliamentary elections. An early settlement which secured the system of compensation, however, would be in the United Kingdom's interest.

The Cabinet -

Took note.

Agriculture

Previous
Reference:
CC(84) 14th
Conclusions,
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that, together with the Netherlands and Germany, the United Kingdom had pressed the Republic of Ireland in the Council of Ministers (Foreign Affairs) on 9-10 April to agree to a full five year arrangement, with specific quantities, for the import of New Zealand butter into the Community. The Republic of Ireland would be considering its position on this point.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that agreement on all the details of the milk quota/superlevy scheme had not yet been reached in Brussels. It was necessary, however, to give guidance to United Kingdom milk producers. Both his Ministry and the Milk Marketing Board planned to write to milk producers next week. The scheme would be operated on a dairy basis. There was, however, a problem on the division of the quota between England and Wales, Scotland and Northern Ireland, on which Ministers had not been able to reach agreement. The Community had divided the quota between member states on the basis of 1981 figures. Those who had expanded the most from this base should get the most. Northern Ireland should, of course, have the advantage of the additional quantity of 65,000 tonnes of milk which had been negotiated.

In discussion it was pointed out that in the earlier negotiations it had been understood that, while the allocation to member states would be on the 1981 basis, the allocation to individual farmers within the United Kingdom would be in relation to 1983 figures. In any event 1981 had been a bad year for milk production in Scotland. It was also pointed out that it would be remarkable if, after the United Kingdom had pleaded a specific case in Brussels on behalf of Northern Ireland, Northern Ireland had a bigger percentage cut than England, Wales and Scotland.

THE PRIME MINISTER, summing up a brief discussion, said that it was confirmed that the benefit of the extra quantity of 65,000 tonnes of milk should go to Northern Ireland. The Cabinet could not, however, decide on the other issues in the absence of detailed figures. They

should be examined and, if possible, decided at a meeting of the Minister of Agriculture, Fisheries and Food, the Secretaries of State for Northern Ireland, Scotland and Wales, the Lord Privy Seal and the Chief Whip.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Minister of Agriculture, Fisheries and Food to arrange for an early meeting of the Ministers referred to in the Prime Minister's summing of the discussion.

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.

THE SECRETARY OF STATE FOR ENERGY said that the unions representing power station workers had agreed a pay settlement equivalent to 4.6 per cent on earnings (5.2 per cent on rates).

The Cabinet -

Took note.

5. The Cabinet had before them a memorandum by the Secretary of State for Defence (C(84) 14) seeking approval for the draft of the Statement on the Defence Estimates 1984.

THE SECRETARY OF STATE FOR DEFENCE, introducing his memorandum, said that a number of amendments had been made to the text of the draft Statement following discussion in the Defence and Overseas Policy Committee. The Statement sought to underline the continuing need for a policy of robust defence, whilst making it clear that the Government remained strongly committed to working for progress on arms control and for a better understanding with the Soviet Union.

INDUSTRIAL AFFAIRS

The Coal Industry

Previous Reference: CC(84) 14th Conclusions, Minute 4

Electricity Supply Industry

STATEMENT ON THE DEFENCE ESTIMATES 1984

Previous Reference: CC(83) 15th Conclusions, Minute 4

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He had been at particular pains to explain the programme upon which he had embarked to ensure that the most cost-effective use was made of the very substantial resources (of both men and money) which were being devoted to defence. Criticism was likely to be directed not only to the size of the defence programme but to the fact that the Government would not be seeking to meet the target of a 3 per cent annual increase in defence expenditure after 1985-86. He had therefore sought to emphasise the increased output which would be obtained as a result of a more efficient management of existing resources. Eight destroyers and frigates which were to have been placed in a standby squadron would now remain operational within the manpower ceilings approved earlier; in the Army 4,000 men would be transferred from support to front-line functions, and there would be a continued enhancement of Royal Air Force capability. The increased cost of the Trident programme had already been announced, and was therefore unlikely to be a main focus of interest when the Statement was published.

THE PRIME MINISTER, summing up a short discussion, said that the Cabinet would wish to congratulate the Secretary of State for Defence on a positive and constructive Statement, and agreed that it should be published as soon as practicable. It would be helpful if he would consider including in the Statement a reference to the decision to purchase Harpoon Surface-to-Surface Guided Weapons for the Royal Navy.

The Cabinet -

Invited the Secretary of State for Defence:

1. To arrange for the publication of the Statement on the Defence Estimates, taking account of points made in the Cabinet's discussion, in the earlier discussion in the Ministerial Committee on Defence and Oversea Policy (OD(84) 6th Meeting, Minute 1), and in the Prime Minister's summing up.
2. To examine, in consultation with the Lord Privy Seal, the possibility of bringing forward publication of the Statement from the presently planned date of 23 May.

Cabinet Office

12 April 1984

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CABINET

LIMITED CIRCULATION ANNEX

CC(84) 15th Conclusions, Minute 4

Thursday 12 April 1984 at 10.00 am

INDUSTRIAL AFFAIRS
The Coal Industry
Previous reference: CC(84) 14th Conclusions, Minute 4

THE SECRETARY OF STATE FOR ENERGY said that the outcome of the meeting of the National Executive Committee of the National Union of Mineworkers (NUM) that morning could not be predicted. Thirteen members were said still to be likely to press for a national ballot. The NUM President, Mr Scargill, would however strive hard to secure a decision in favour of a national delegate conference, possibly either just before or just after Easter, in which left-wing influence would predominate. Such a conference could not, under the NUM's constitution, call a national strike but would be a means of bringing pressure to bear on the non-striking areas. The main propaganda line of the militants was increasingly that the closure of uneconomic pits was the prelude to privatisation which would threaten miners' pensions and concessionary coal. It was difficult for the Government to counter this allegation without giving it further prominence, but the Deputy Chairman of the National Coal Board would be telling the unions that it was a fabrication. Meanwhile the number of miners at work had increased gradually throughout the week. Forty-six pits were working normally and a further pit might resume normal operation the following day. The movement of coal by train had been badly affected at the beginning of the week but had recovered substantially. The build-up to maximum oilburn had so far gone well. If oil supplies were not interrupted and some movement of coal continued, power station endurance would be greater than six months. There had been a disappointing result in the ballot by the National Association of Colliery Overmen, Deputies and Shotfirers where 54 per cent had voted to support national strike action, but this fell short of the two-thirds majority required. The pay settlement the previous day for the electricity power workers and the recent union recommendation to accept the pay offer by the water industry employers had been helpful in isolating the miners' dispute.

THE HOME SECRETARY said that there had been major demonstrations that morning outside the NUM's headquarters in Sheffield where the National Executive Committee meeting was being held. The latest reports suggested that 10 policemen had been hurt and 24 arrests made.

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In discussion it was mentioned that, largely as a result of dispensations agreed locally by the miners, steel production at the British Steel Corporation's major plants seemed likely to be maintained at its present level until the end of the following week but might then decline unless further arrangements were made.

There were so far few difficulties for industry except for those dependent on forgings, and the paper industry in Scotland, which had suffered particularly from picketing. Businessmen in Wales were showing increasing signs of frustration about picketing and two haulage companies would be seeking injunctions in the courts in the following week.

THE PRIME MINISTER, summing up the discussion, said that a small group under her chairmanship would review tactics in the light of the outcome of the NUM National Executive meeting. If the wish of the majority of miners for a national ballot was frustrated, the drift back to work might grow and some areas might want to reconsider the overtime ban. This would depend on the strength of pressures from moderates in the NUM leadership and from rank and file miners, particularly in those areas where local ballots had already shown inadequate support for strike action. It would be necessary for the Government to consider in due course whether anything could or should be done to reinforce these pressures.

The Cabinet -

Took note.

Cabinet Office

13 April 1984

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