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CABINET

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

THURSDAY 3 MAY 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 Sir Keith Joseph MP
Secretary of State for Education and Science

The Rt Hon Peter Walker MP
Secretary of State for Energy

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

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

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THE FOLLOWING WERE ALSO PRESENT

The Hon John Wakeham MP
Parliamentary Secretary, Treasury

Mr John Gummer MP
Minister of State, Department of Employment

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson (Item 4)
Mr D F Williamson (Items 2 and 3)
Mr M S Buckley (Item 4)
Mr C J S Brearley (Item 1)
Mr D E J Jago (Items 2 and 3)
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 during the following week.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he expected a difficult progress for the Local Government (Interim Provisions) Bill during its Committee Stage on the Floor of the House on Wednesday and Thursday 9 and 10 May. Some 50 Conservative Members were known to have doubts about various aspects of the Bill, although there was no single issue on which they coalesced. Wednesday's debate might run well into Thursday morning and it would be necessary for the Government to muster maximum support. He thought, however, that the Government were beginning to win the argument on the main issue about the cancellation of elections. There was some danger that the Greater London Council leadership might attempt to use The Queen's opening of the Thames Flood Barrier on Tuesday 8 May for propaganda purposes; but any such attempt could well rebound on those concerned.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that The Queen's visit to Liverpool the previous day to open the Liverpool International Garden Festival and the new Crown Court building had been a great success. Following the local government elections that day the difficulties in Liverpool with the fixing of a legal rate were likely to reach a head on 15 May when the annual meeting of the newly elected council was to be held.

THE PRIME MINISTER, summing up a brief discussion, said that the success of the Liverpool International Garden Festival was a tribute to the initiatives begun by the present Secretary of State for Defence. It was notable that the preparations for the Festival had been completed largely by Liverpool contractors and workforce, without disputes, in about half the time normally required by an international festival of this size. On the Liverpool rate, Ministers appearing on the media should react cautiously to the results of the local elections being held that day. The hope must continue to be that the council would set a legal rate. The situation would continue to be considered in a small group of Ministers under her chairmanship.

The Cabinet -

Took note.

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the campaign for an independent inquiry into the events leading up to the shooting incident at the Libyan People's Bureau on 17 April 1984 remained strong. Libya continued to detain three British citizens: one had been serving a 12-year sentence for financial offences from November 1982 and another had been detained before the shooting for financial irregularities. The third, Mr Ledingham, British Caledonian Manager in Tripoli, had been detained after the shooting for no known reason. The Italian Ambassador had followed up representations made before the break in diplomatic relations, demanding information and consular access to Mr Ledingham, and it was hoped that a report of the outcome would be available that day. Meanwhile, all possible steps were being taken to increase the chances of securing Mr Ledingham's release. There were no other signs of retaliation against British interests so far. Colonel Qadhafi's reaction had been relatively restrained, but he had renewed threats to resume support for the Irish Republican Army. When the full impact of measures taken by the United Kingdom was appreciated, his reaction might become more severe. There was a continuing risk of terrorist attack, and all overseas posts had been warned of this. The Libyans had thoroughly searched the British Embassy building in Tripoli. The Italians had been present throughout and there had been no damaging results.

The Foreign and Commonwealth Secretary reported that a full review was being undertaken of possible ways of tightening up the provisions of the Vienna Convention. This was being raised with Community partners, but there should be no illusions about the difficulty of introducing changes, given their serious implications elsewhere, for example for Western Embassies located in Eastern Bloc countries. There had been a number of public expressions of support from other countries but there was evidence of widespread international reluctance to risk incurring Colonel Qadhafi's ill-will by making such statements.

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The Cabinet -

1. Took note.

THE SECRETARY OF STATE FOR DEFENCE said that, as announced by the Foreign and Commonwealth Secretary, no new defence contracts or new licences to export arms to Libya were now being permitted. Action was being taken to prepare a comprehensive list of sales for which licences had already been agreed. Although the work was not complete, the present estimate of the total value of sales involved was £130 million, of which £93 million arose from the proposed sale of air defence radar equipment in which Marconi was the principal United Kingdom supplier. The remaining orders covered a wide range of equipment, concentrated mainly in communications equipment, radar and vehicle supplies. The major air defence radar order was a particularly

difficult case since Marconi was acting as a sub-contractor to a Yugoslavian concern, and withdrawal by Marconi would lead to a collapse of the Yugoslavian bid with obvious international repercussions. There was little doubt that a foreign competitor would step in and supply the order if the United Kingdom withdrew. He proposed that the current examination of all the defence export orders concerned should continue in consultation with the Foreign and Commonwealth Secretary and the Secretary of State for Trade and Industry; where there was disagreement, cases could be the subject of wider Ministerial consultation where necessary.

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY emphasised the importance of maintaining a consistent approach towards the sanctity of existing contracts. This had been an important element in the United Kingdom's attitude towards arms exports to Iran and towards the Federal Republic of Germany's arms exports to Argentina. He believed that very strong grounds were necessary for breaking existing contracts. The United Kingdom's total of exports to Libya amounted to £274 million in 1983 and there was a good deal of new business in prospect. In addition the air transport route to and from Tripoli was of considerable importance to British Caledonian, which had already been adversely affected by the loss of routes to Buenos Aires. There were therefore important commercial arguments for maintaining our trading relations with Libya so far as was possible.

THE PRIME MINISTER, summing up a short discussion, said that the case-by-case review of existing defence contracts and licences should continue in the way proposed by the Secretary of State for Defence. No arms exports should be allowed which involved equipment of potential value to terrorist activities, even where contracts had been signed. Where this restriction did not apply the aim should be to allow existing contracts and licences to be maintained.

The Cabinet -

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

THE FOREIGN AND COMMONWEALTH SECRETARY reported that the negotiations during his visit to Peking between 15 and 18 April 1984 had been chiefly concerned with the future of Hong Kong. Although the negotiations had been predictably tough, the atmosphere of the discussions had suggested that the Chinese wanted agreement and their response had been more encouraging than he had expected. An important concession had been made by the Chinese on the timetable with their acceptance that the aim should be to publish a draft agreement in September 1984, allowing for Parliamentary consideration in November and signature by the end of the year. Much hard negotiation lay ahead on putting sufficient substance into this agreement, and meanwhile both British and Chinese drafts would remain on the table. The

discussions had also identified real differences of view about arrangements in Hong Kong up to 1997. While the Chinese were very concerned about the risk of capital outflow during this period, they did not seem to grasp that the confidence needed to prevent this could be built only on detailed assurances from them about future autonomy. During his visit to Hong Kong between 18 and 20 April there was evidence of great concern on the issues of nationality and the right of settlement in the United Kingdom as an insurance against a failure to reach agreement with the Chinese. There were signs that the key elements of the business community in Hong Kong were intent on trying to establish their right to live elsewhere; if they were able to do that as an insurance policy, they might well be ready to continue to do business in Hong Kong in the meantime. A significant number held British passports, and Parliamentary attention was already beginning to focus on the question of access to the United Kingdom for those wishing to leave Hong Kong. The way ahead in negotiations with the Chinese was being considered in the Defence and Overseas Policy Sub-Committee on Hong Kong later that day.

THE FOREIGN AND COMMONWEALTH SECRETARY reporting on the remainder of his Far East tour between 14 and 28 April, said that in Japan his discussions had been chiefly concerned with trade and economic questions. It was clear that Japan was becoming more and more a politically-conscious world power. In South Korea he had been impressed by the fast rate of economic growth and by the efficiency of industry in such areas as steel production. There was a considerable fund of goodwill towards the United Kingdom, stemming from the lead which this country had taken in giving military support at the time of the Korean War. Some significant contracts had been secured by British companies, but in his view considerable opportunities for United Kingdom industry remained to be exploited.

THE FOREIGN AND COMMONWEALTH SECRETARY reported that, following recent unwelcome developments in the Turkish approach to Cyprus, it was possible that there might be moves to settle Turkish Cypriots in the northern part of Varosha, a section of Famagusta, or to interfere with the working of the United Nations Force in Cyprus. There was also some evidence that the Turks had increased the numbers of their troops in Northern Cyprus. A Security Council debate was due to take place that day. The United Nations Secretary General was playing a helpful role, and the United Kingdom's efforts were directed towards gaining agreement to a Security Council Resolution, aimed at restraining the Turkish Government.

THE FOREIGN AND COMMONWEALTH SECRETARY reported that there had been little recent ground activity in the Iran/Iraq war. As regards the United Kingdom's efforts to deny chemical weapons to Iran or Iraq, the Political Committee of the Ten had agreed to extend controls to five of the eight chemicals proposed by the United Kingdom. This restriction would be applied to exports to all non-Community destinations.

The Cabinet -

3 Took note.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that, despite the eleven months' work undertaken by the four political parties within the New Ireland Forum, the Report published on 2 May was a shallow document with (predictably) a strong nationalist bias. The Report's more positive aspects were its strong condemnation of violence and its recognition of the strong sense of British identity in the Unionists in Northern Ireland. The Report made the entirely unrealistic assumption that agreement on Irish unity would be forthcoming, and then concentrated on discussing possible bases in which this could be achieved. There was no reference in the Report to the possibility of an amendment of Articles 2 and 3 of the Republican Constitution which would give recognition to the present status of Northern Ireland. Despite these obvious shortcomings, there were difficulties in presenting the United Kingdom's position on the Report, given that 40 per cent of the population of Northern Ireland would be in favour of its recommendations and that it would be well received in the United States. It was also important to maintain the present level of security co-operation with the Republic of Ireland and to avoid encouraging any further advance of Sinn Fein. The best course would be to indicate that the United Kingdom was taking the Report seriously. His initial efforts had therefore been directed towards welcoming those features which were acceptable while expressing disappointment at obvious shortcomings. He considered that time should now be taken to study the Report in detail and to carry out necessary consultations. It was possible that the time taken for this further study would ease the United Kingdom's position, since the present uneasy unity in Dublin on the Report's recommendations might begin to erode during that period.

The Cabinet -

4. Took note with approval of the course proposed by the Secretary of State for Northern Ireland.

3. THE FOREIGN AND COMMONWEALTH SECRETARY reported that the Commission had put forward proposals for dealing with the Community budget shortfall in 1984. It was right for the United Kingdom to go on challenging the Commission's forecast of the shortfall and questioning the proposal. There was no question of going in the direction proposed by the Commission until the major problems of reforming the Community's finances and the United Kingdom's budget refund were settled in a manner satisfactory to the United Kingdom. In discussion it was pointed out that the Federal German Chancellor, Herr Kohl, in his discussion with the Prime Minister on 2 May at the Anglo-German Summit had shown some inclination to move towards a settlement of the reform of the Community's finances, but it was too early to draw conclusions.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that there had been further discussion in Brussels of the administrative arrangements for the quota/superlevy scheme for milk. The Commission would be implementing their proposal. There might, however, be some further discussion in the Council of Ministers (Agriculture) on 7-8 May. In discussion it was pointed out that the Commission had been slow in bringing the detailed arrangements to the point of decision and that this was open to criticism.

The Cabinet -

Took note.

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.

Cabinet Office

3 May 1984

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CABINET

LIMITED CIRCULATION ANNEX

CC(84) 17th Conclusions, Minute 4

Thursday 3 May 1984 at 10.00 am

INDUSTRIAL AFFAIRS
The Coal Industry
Previous reference: CC(84) 16th Conclusions, Minute 5

THE SECRETARY OF STATE FOR ENERGY said that production and movement of coal now amounted to about 120,000 tonnes a day, the highest level since the current strike had begun. This had been achieved despite heavy picketing in Lancashire, which had reduced two pits from full to partial working, and at Harworth colliery in Nottinghamshire. There was little difficulty in moving coal by rail. The President of the National Union of Mineworkers (NUM), Mr Scargill, had appealed to leaders of trade unions in the transport industries to stop coal and coke movements, and to leaders of unions in the electricity supply industry to prevent the use of other fuels in substitution for coal. These appeals had been ineffective. On 1 May 6,500 miners in the Nottinghamshire area had marched on the NUM headquarters of that area in support of their right to work, and this had had a good effect on the morale of the moderates both in Nottinghamshire and other areas. Production in the area was now at record levels. If existing levels of production and coal movements continued, the endurance of the power stations would be significantly extended beyond the present estimates.

Mr Scargill was now facing serious difficulties. Many miners were losing enthusiasm for the strike and were ceasing to believe his forecasts of power station endurance. He was finding increasing difficulty in securing pickets: even miners from the Yorkshire area were disinclined to picket outside that area. He had increased the allowance paid to pickets, and was now believed to be enlisting pickets from outside the coal industry. The proportion of non-miners among those arrested appeared to be increasing. It might be advantageous to make these facts public if convincing evidence could be obtained. It was thought that a rift was opening between Mr Scargill and the General Secretary of the NUM, Mr Heathfield, and between Mr Scargill and the leader of the Yorkshire miners, Mr Taylor. The recent letter from Mr Heathfield indicating a willingness to talk to the National Coal Board (NCB) had now been followed by a letter restating Mr Scargill's position that he was not prepared to discuss closures. Events at the steel plant at Ravenscraig, where the NUM had tried to reduce coal deliveries to one train load a day but the local steel industry unions had co-operated with management in supplementing the deliveries by road, illustrated Mr Scargill's problems.

He faced a considerable dilemma: if the coal strike continued to have no perceptible effect on other industries, striking miners would begin to lose heart: if it led to lay-offs or redundancies in other industries he would generate resentment among the workers and unions affected. It was likely that Mr Scargill would seek to manufacture some issue which could be used as a pretext for escalating the dispute. Ministers should be extremely cautious in all public statements in order to avoid giving him the material for this.

The Durham area had voted by only a narrow majority in favour of striking. Moderate opinion in the area was strong. It could be further strengthened by current commercial developments. First, Imperial Chemical Industries had intended to convert a chemical plant in the area to coal-burning, but had deferred a decision because of the strike. If conversion went ahead, it would require about 450,000 tonnes of coal a year. Secondly, the NCB had secured an order from the United States for 170,000 tonnes of coke, equivalent to about 400,000 tonnes of coal. If the NCB carried out this order satisfactorily, there were good prospects for follow-on orders for higher amounts. Mr Scargill had refused to allow the order to be met from the Durham area. The NCB were making it plain that these developments meant that strike action was jeopardising production in the Durham area of the order of 1 million tonnes a year. If necessary, the order would be met by purchasing coke from the Ruhr in the Federal Republic of Germany.

THE HOME SECRETARY said that the NUM appeared to have changed their picketing tactics. Mr Scargill, who seemed to have taken personal charge of the tactics, was now trying to deploy large numbers of pickets at individual pits in a way which achieved the maximum surprise. The police would need to maintain higher levels of manpower in readiness to counter this threat, but were confident that they could deal with it. Besides picketing, there was a good deal of intimidation in mining villages. Unfortunately it was difficult to gather enough evidence to support court action against it. He would be putting forward proposals shortly about the costs of extra policing falling on police authorities during the current financial year.

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that, apart from certain steel plants, coal-using industries were experiencing few problems. Industrial stocks of coal were falling, however, and difficulties would start to emerge at some stage. Representatives of the refractory industry had expressed concern about the possible effects on their industry of the reduction in steel output. The movement of coal by road to Ravenscraig would inevitably create both logistic and policing problems; but it was hoped that they could be overcome. The Chairman of the British Steel Corporation was keeping under review the possibility of legal action against secondary picketing, but would not take such action without consulting him.

THE PRIME MINISTER, summing up the discussion, said that it was important to give the national leadership of the NUM no pretext for escalating the dispute. The Government should maintain its existing stance. Public

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comment should continue to stress levels of earnings and investment in the coal industry; the fact that no coal-miner currently faced compulsory redundancy; and that extremely generous terms were available for those accepting voluntary redundancy. It might also be helpful to point out that other important industries in the public sector, such as gas and electricity supply and the water industry, had concluded moderate pay settlements without industrial action. Any problems which had arisen for police authorities over the costs of extra policing in the current financial year would need to be dealt with promptly and sympathetically.

The Cabinet -

Took note.

Cabinet Office

4 May 1984

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