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CABINET

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

THURSDAY 24 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 (Items 1 and 2)

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 Rt 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 A D S Goodall (Items 2 and 3)
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 beginning 4 June.

THE PRIME MINISTER said that the Cabinet congratulated the Chief Whip and Ministers in the Department of the Environment on the successful passage of the Local Government (Interim Provisions) Bill through the House of Commons.

THE LORD PRESIDENT OF THE COUNCIL said that several large and controversial Bills were due to be taken in the House of Lords in the next two months. They would present difficult problems for the management of the House, as would two forthcoming debates on defence. These would be used as an opportunity to criticise the proposals for reorganisation in the Ministry of Defence.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the latest information was that nine people had been killed and 31 injured by the explosion at a water pumping station in Abbeystead, Lancashire the previous evening. It was expected that these would be the final figures. Three of those killed were Water Authority officials and six were visitors from a nearby village who were being shown round the station. The Minister of State, Department of the Environment (Mr Gow) was visiting the site that morning, but would return to London in time to respond to a Private Notice Question which was expected later that day. The cause of the explosion was not yet clear; the Water Authority would be mounting an investigation, and the Health and Safety Executive would conduct an inquiry.

The Cabinet -

1. Took note.
2. Agreed that if, for any reason, a Private Notice Question was not asked by the Member of Parliament for an appropriate constituency, the Government should make a statement.

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been no further attacks on shipping in the Gulf since the sinking by the Iraqis of the Panamanian bulk carrier Fidelity south of Kharg Island on 19 May. But Iraq had made it clear that it would not stop its attacks on shipping as long as its own oil exports were blocked, and the Iraqis had declared their determination to put a stop to the Iraqi attacks. The member states of the Gulf Co-operation Council were not prepared to put pressure on Iraq. The Syrian Foreign Minister was in Tehran with a message from President Assad of Syria which might have had some slight impact on Iranian intentions, but its main purpose had probably been to boost Syria's own position. There were reports that Iran's long-delayed

major land offensive was about to be launched which, if correct, could constitute the Iranian response to Iraqi attacks on shipping. Diplomatic activity had been intense: the Government was in close touch with the Gulf States and had urged Turkey, Pakistan, Algeria, India and Japan to use their influence to restrain the Iranians. At the United Nations Security Council debate, initiated by the Gulf States, would start the following day and continue into the next week. In conjunction with the United States the United Kingdom was working for a balanced resolution which would avoid calling for sanctions. Close consultation with the United States authorities continued: British officials had been in Washington earlier in the week and he would himself be seeing the United States Secretary of State, Mr Shultz, on 28 May. It was clear that American and British attitudes to the Gulf War were now closely aligned, and the Americans shared the British view that the emphasis should be on diplomatic activity. It had been helpful that President Reagan had said publicly on 22 May that he did not foresee the United States becoming involved in a shooting war in the Middle East, and that any American military intervention could take place only in response to an explicit request from the Gulf States. The Americans intended to make a further approach to the Soviet Union shortly. At British initiative a demarche on behalf of the member Governments of the European Community had been delivered in Tehran and Baghdad on 20 and 21 May urging restraint and stressing the requirement to maintain freedom of passage in international waters. The French saw no great cause for alarm but were planning to bring French influence to bear at the Security Council through leading member States of the non-aligned movement, ie Pakistan or Egypt. There were disturbing reports that Iraq intended in due course to seek to acquire further military aircraft from France which would increase its capability to deliver Exocet missiles and could thereby lead to a prolongation of the war. He proposed to discuss this with Mr Shultz the following week and subsequently with the French Foreign Minister, Monsieur Cheysson.

THE FOREIGN AND COMMONWEALTH SECRETARY said that an interdepartmental committee under his chairmanship had been examining possible measures in relation to Libya, where five British subjects were now detained apparently as possible hostages for the release of the five Libyans awaiting trial in London. The Italian Embassy in Tripoli had been half-promised consular access but had not so far secured it; and there had been no Libyan response to the letter which the Chairman of British Caledonian Airways, Sir Adam Thomson, had written to the Libyan President, Colonel Qadhafi. It would be important to make clear publicly that there was no change in the British Government's policy of refusing to bargain about the release of people detained in the United Kingdom on serious criminal charges, and he hoped that there would be an opportunity to do this in the House of Commons within the next two days. Following meetings with representatives of firms employing British nationals in Libya, the Foreign and Commonwealth Office had advised the firms that in view of the continuing risk of arbitrary arrest they should gradually and discreetly reduce the number of their staff in Libya. This advice would not be made public but it was important that it should be generally understood that there was no way

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in which the safety of the British community in Libya could be guaranteed. There had been some reduction in Libyan propaganda against the United Kingdom, but Britain still remained a target of Libyan abuse; and reports continued to be received of intended Libyan terrorist operations overseas. All British Diplomatic Missions abroad had been warned of the risk and also of the possibility of increased co-operation between the Libyans and the Irish Republican Army. In consultation with the Home Secretary he was giving careful consideration to the problem of Libyans in the United Kingdom, with particular reference to the significant number undergoing training as aircraft pilots and aircraft engineers, in the light of the possibility that pilot training could have a military application. Although it remained the Government's policy not to interfere with commercial relations between the United Kingdom and Libya, defence contracts with Libya were being reviewed and training of Libyans by the Ministry of Defence had been discontinued. Such powers as were available to the Home Secretary to discourage Libyan dissidents in the United Kingdom from statements or actions which could put the British community in Libya at risk were being taken unostentatiously and indirectly so as to avoid damage to commercial relations or closing off possible sources of useful intelligence.

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Argentina
Previous
Reference:
CC(84) 19th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the French had disclosed in confidence that they had supplied a further ten Exocet missiles to Argentina between November 1983 and January 1984 in fulfilment of a contract negotiated before Senor Alfonsin's Government came to power. Delivery and presumably payment had, however, taken place since Senor Alfonsin became President of Argentina, and efforts were being made to establish the nature of the decisions for which his Government had been responsible, bearing in mind that he had been elected on a pledge to reduce military expenditure. As to the proposed bilateral talks between the United Kingdom and Argentina aimed at normalisation of relations, a further British message to the Argentines had been delivered by the Swiss on 16 May. This reiterated the British position that sovereignty of the Falkland Islands could not be discussed at any stage in the proposed talks and pointed out that the British proposal for a statement on sovereignty before the talks and separate from them was designed to meet the joint objective of getting the talks under way. The Argentines had returned an oral reply that they could not enter into discussions from which the question of sovereignty was specifically excluded, and had turned down the idea of a separate statement on sovereignty. A written Argentine reply was still awaited and exploratory contacts between the Argentines and the Swiss continued. The latest developments showed that the British approach had been well judged and would stand up to examination as a serious attempt to get normalisation talks started. It seemed likely that the Argentines would before long make public their version of the state of play in the negotiations, and contingency arrangements were in hand to ensure that allied and friendly Governments had a proper understanding of the British position and the seriousness of the Government's efforts to promote normalisation of relations with Argentina.

THE CHANCELLOR OF THE EXCHEQUER, noting that the Argentine purchase of Exocet missiles had implications for the participation of British commercial banks in international loans to Argentina, said that a loan of \$1.5 billion by a consortium of mainly American commercial banks with some British participation had been negotiated the previous year, only \$0.5 billion of which had been disbursed. Argentina had so far failed to comply with the conditions required by the banks for releasing the balance, although the Americans showed signs of weakening on this point. Meanwhile Argentina was seeking additional funds from the International Monetary Fund (IMF), although there was no indication that the Argentine Government would accept the IMF's conditions as Mexico and Brazil had both done. Here again it would be important to ensure that the Americans were robust in maintaining conditionality. The Argentine economy was in disorder and Argentina was the weakest element on the international debt scene.

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THE PRIME MINISTER, summing up a short discussion, said that participation by British commercial banks in loans to Argentina could not be justified when Argentina continued to spend the money on building up its military capability. She noted that no disbursements by British banks under the existing \$1.5 billion loan to Argentina would be made without consultation with the Government and that no new loan arrangements for Argentina would be entered into without Argentine acceptance of the conditions imposed by the IMF.

THE FOREIGN AND COMMONWEALTH SECRETARY said that Mr Gouk, a First Secretary at the Soviet Embassy in London, had been expelled from the United Kingdom on 14 May because of his activities as an intelligence officer. The Soviet Union had retaliated on 21 May by expelling a First Secretary at the British Embassy in Moscow, Mr John Burnett. The Soviet reaction so far had not been immoderate and the aim should be to draw a line under the episode as quickly as possible. As had been publicly made clear, press speculation about a triangular relationship between the expulsions, the inquest on the Midland Bank's Moscow representative, Mr Dennis Skinner, and the recent conviction of a member of the Security Service on espionage charges was entirely without foundation.

The Cabinet -

Took note.

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3. THE FOREIGN AND COMMONWEALTH SECRETARY said that progress on the reform of the Community's finances and United Kingdom refunds was unlikely before the European Parliamentary elections. He would be taking opportunities, however, to continue to present the United Kingdom's case in bilateral contacts and in speeches.

The Cabinet -

Took note.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that, after discussion with the Chief Secretary, Treasury, he intended to announce today by Written Parliamentary Answer that there would be an outgoers scheme for milk producers. Payment, which would be spread over five years, would be at the rate of £650 a cow. The intention was that this scheme would take out about 2 1/4 per cent of British milk production. This would enable quotas to be redistributed to small dairy farmers with 40 cows or less. It was estimated that by this means about 40 per cent of British milk producers could have their quotas restored to the level of their 1983 milk deliveries. This would do much to reduce the hostile reception which the milk quota/superlevy scheme had received from United Kingdom farmers.

In discussion the importance was stressed of ensuring that those who benefitted from the proposed milk outgoers scheme should not simply come back into milk production after a short period of time. This would give rise to justifiable public criticism. It would also be desirable to exclude those who had already benefitted under the earlier Community scheme. It was important, if criticism was to be avoided, to distinguish between the proposed new scheme and those cases in the industrial sector where requests for similar action had been refused. The complications of the milk quota/superlevy scheme and the proposed outgoers scheme showed once again that the right way to restrain agricultural production was by the price mechanism, although it was recognised that in the milk sector it had not been possible to persuade other member states to accept the United Kingdom's view on this point. It was also a cause of concern that, when such drastic steps were having to be taken to restrain surpluses, there were continuing reports of land being brought into agricultural production with the aid of grants or subsidy. In view of the present problems in the milk sector, however, the outgoers scheme should be announced at once. The legislative basis for the scheme was under discussion. On the separate question of the treatment of hard cases, a Statutory Instrument would be laid soon after the Parliamentary Recess.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that in the present difficult circumstances there should be a milk outgoers scheme. There should be an immediate announcement and the scheme should be presented positively. The legislative basis for the scheme should be settled quickly. The scheme must be drawn up in such a way as to avoid abuses such as the early return of beneficiaries to milk production.

The Cabinet -

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

3. Invited the Minister of Agriculture, Fisheries and Food, in consultation with the Secretary of State for Northern Ireland, the Secretary of State for Scotland, the Secretary of State for Wales and the Chief Secretary, Treasury, to announce a milk outgoers scheme and to complete the preparations for its introduction on the lines set out in the Prime Minister's summing up of their discussion.

THE CHANCELLOR OF THE EXCHEQUER said that the United Kingdom had succeeded in getting an agreed entry in the European Council minutes which made clear that the Commission's unconditional use of its overdraft powers was restricted to the case of a loan default. This fully protected the United Kingdom's position on the ceiling on the Community's own resources.

The Cabinet -

4. 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

24 May 1984

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CABINET

LIMITED CIRCULATION ANNEX

CC(84) 20th Conclusions, Minute 4

Thursday 24 May 1984 at 10.00 am

THE SECRETARY OF STATE FOR ENERGY said that coal production continued at broadly its previous level. The coal that was produced was being delivered to customers; and stocks at power stations were falling only very slowly. Forty-four pits were now working normally compared with 43 in the previous week, and at some pits workers had reported for duty for the first time since the dispute began.

There had been a meeting the previous day between the National Coal Board (NCB) and the National Executive of the National Union of Mineworkers (NUM). It had become apparent during the meeting that all members of the NUM Executive, except the President, Mr Scargill, were under instructions not to speak. The NCB had given two substantial presentations, one on marketing prospects and one on the physical condition of the pits which were in danger of deteriorating because of the strike. At the end of each presentation, the NUM representatives had declined to comment or to ask questions. Mr Scargill had then made a prepared statement. He had insisted that there could be no discussion of pit closures, other than closures because of exhaustion of reserves. He had justified this attitude by alleging, wrongly, that the 'Plan for Coal' made no provision for pit closures on economic grounds. The Chairman of the NCB, Mr MacGregor, had made some brief remarks to the effect that he saw no purpose in commenting on such an intransigent statement: the brevity of his remarks had unfortunately been taken amiss by some of the moderate members of the NUM Executive. Mr MacGregor had gone on to suggest that two senior members of the NCB, including the Deputy Chairman, and two senior representatives of the NUM should discuss the application of the 'Plan for Coal' to the current situation: in the hopes that it might ease these discussions, neither he nor Mr Scargill would be involved. Mr Scargill had again insisted that withdrawal of all closure plans was a pre-condition of any talks. The meeting then ended. The NUM representatives asked to be allowed to use the room in which the meeting had taken place for a discussion among themselves; and the NCB representatives withdrew. This had been falsely represented as a 'walk out' on the part of the NCB. The NCB had, however, made the facts known to the media; and, after some initial inaccuracy, reporting in both the newspapers and on television had been satisfactory. The NCB were sending a letter that day to the NUM to repeat the proposal of a small working group, and suggesting that it was desirable to have talks without pre-conditions on either side.

INDUSTRIAL
AFFAIRSCoal Industry
DisputePrevious
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Minute 4

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that steel production was running at about 90 per cent of pre-strike capacity; and there appeared to be no problems in other coal-using industries. Problems were, however, beginning to appear among the NCB's suppliers, some of whom were having to lay off workers.

THE SECRETARY OF STATE FOR TRANSPORT said that there were good prospects that British Rail would very shortly conclude a pay settlement with the National Union of Railwaymen and the Associated Society of Locomotive Engineers and Firemen. The Board's essential productivity requirements had been maintained but presented in a way which caused less difficulty for the unions. Their pay offer gave most employees increases worth 4.9 per cent. The lowest paid would receive additional increases which would bring the cost of the proposed settlement to 4.98 per cent.

In discussion, the following main points were made -

- a. It was unfortunate that the media were implying that a prime cause of the coal industry dispute was a clash of personalities between Mr MacGregor and Mr Scargill, and even that both were almost equally inflexible in their attitudes. The NCB was united behind Mr MacGregor, and had repeatedly made it clear that it was willing to discuss the phasing of closure plans with the trade unions. The Board's offer of talks involving neither Mr MacGregor nor Mr Scargill, and without pre-conditions on either side, should help dispel misunderstandings in the media.
- b. Many people sympathised with the argument that it was necessary to protect mining communities and future generations from the effects of pit closures. The NCB should be encouraged to develop and extend its initiatives to meet this concern, as the British Steel Corporation had done in areas affected by closures of steel works and British Leyland had done in Bathgate. More publicity, for example, might be given to the advisory services offered by the NCB to former mineworkers seeking new employment or self-employment. It was for consideration whether redundant mineworkers might be offered employment for a period reclaiming derelict land in their area; but it was argued that there was a danger that this might arouse false hopes. Land reclamation was capital-intensive and could employ only a handful of redundant mineworkers. If too much was made of this type of scheme in public debate, it would seem inconsistent with the contention that no miner faced compulsory redundancy, at least in the current year. The right course was to continue to point out that miners earned good wages; that there was very substantial investment in the industry from public funds; that there was no current prospect of compulsory redundancy; and that those accepting voluntary redundancy would be treated extremely generously.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet had every confidence in the way Mr MacGregor and the NCB were handling the dispute; the Government should continue to resist attempts to involve it in the dispute. The Secretary of State for Energy should, however, discuss with Mr MacGregor whether it would be right for the Board to produce new schemes, or to improve the presentation of existing schemes, for helping redundant mineworkers to find new employment or self-employment and to do work of benefit to their local community.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Secretary of State for Energy to hold discussions with the Chairman of the National Coal Board on the lines indicated by the Prime Minister in her summing up; and to report.

Cabinet Office

29 May 1984