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CM (71)
46th Conclusions

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CABINET

*CONCLUSIONS of a Meeting of the Cabinet held at
10 Downing Street, S.W.1, on Thursday, 9 September, 1971
at 11.45 a.m.*

Present:

The Right Hon. EDWARD HEATH, M P, Prime Minister

The Right Hon. REGINALD MAUDLING,
M P, Secretary of State for the
Home Department

The Right Hon. LORD HAILSHAM OF
ST. MARYLEBONE, Lord Chancellor

The Right Hon. ANTHONY BARBER,
M P, Chancellor of the Exchequer

The Right Hon. WILLIAM WHITELAW,
M P, Lord President of the Council

The Right Hon. LORD CARRINGTON,
Secretary of State for Defence

The Right Hon. SIR KEITH JOSEPH,
M P, Secretary of State for Social
Services

The Right Hon. GEOFFREY RIPPON,
Q C, M P, Chancellor of the Duchy
of Lancaster

The Right Hon. ROBERT CARR, M P,
Secretary of State for Employment

The Right Hon. MARGARET THATCHER,
M P, Secretary of State for Education
and Science

The Right Hon. GORDON CAMPBELL,
M P, Secretary of State for Scotland

The Right Hon. THE EARL JELlicoe,
Lord Privy Seal

The Right Hon. PETER WALKER, M P,
Secretary of State for the Environ-
ment

The Right Hon. JAMES PRIOR, M P,
Minister of Agriculture, Fisheries
and Food

The Right Hon. JOHN DAVIES, M P,
Secretary of State for Trade and
Industry and President of the Board
of Trade

Also present:

The Right Hon. FRANCIS PYM, M P,
Parliamentary Secretary, Treasury

Secretariat:

SIR BURKE TREND
Mr. N. F. CAIRNCROSS
SIR PHILIP ADAMS
Mr. P. J. HUDSON

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Oversea
Affairs
Malta
Previous
Reference :
CM (71) 45th
Conclusions,
Minute 2

1. *The Chancellor of the Duchy of Lancaster* recalled that since the Cabinet had last discussed our relations with the Government of Malta on 2 September it had been agreed to increase by £250,000 our offer of financial support to Mr. Mintoff largely as encouragement to some of our North Atlantic Treaty Organisation (NATO) allies who were only prepared to contribute, or to raise the level of their proposed contributions, if we increased ours. The proposed total United Kingdom contribution at present stood at £1 $\frac{3}{4}$ million in cash and £3 $\frac{1}{2}$ million of development aid per annum. Mr. Mintoff had accordingly been informed that the total amount in cash which might be contributed by ourselves and our NATO allies was now close to £10 million and that there would be substantial economic aid in addition. Mr. Mintoff's reply had been characteristically intemperate; he argued that the important matter of bilateral aid had been left very vague and that, pending clarification he would be obliged to take retaliatory measures against us. These had taken the form of the withdrawal of the right of our forces, conferred in the Anglo-Maltese Defence Agreement, to draw their requirements of petrol and oil without payment of customs duty. The cost to us would be of the order of £15,000 a month; but, more importantly, it would imply that our aircraft would be virtually grounded and that we should be required to continue negotiations under duress. The NATO Council was meeting urgently; and it was proposed to try to ascertain how much our allies were prepared to contribute in the form of bilateral arrangements with Malta and to ask them, if possible, to quantify the aid which they were ready to offer. It should be made clear to the Government of Malta that any proposals for economic support would be based upon the conclusion of a satisfactory new Defence Agreement and that all sanctions would have to be removed before negotiations were resumed.

In discussion it was agreed that the events of the past two weeks indicated the basic weakness of Mr. Mintoff's position. In fact he had repeatedly had to abandon the successive ultimata which he had sought to impose; and ways could be found to ensure that the relatively mild sanctions which he had now invoked against us would not become too burdensome. Nevertheless, it would be prudent not to provoke him to take further retaliatory measures by increased Service activity at the present juncture. It was reasonable that Mr. Mintoff should ask for an indication of the amount of economic aid which he might expect to obtain from members of NATO; and, if bilateral negotiations could be started, it ought to be possible for sanctions to be suspended. At the same time we could not submit to repeated pressures to negotiate under duress; nor could we contemplate any further increase in our financial contribution. We should take account of the risk that Mr. Mintoff would seek to play one ally against another; and his action in the matter of the oil duties suggested that in any event he could not be trusted to observe any agreement which we might finally negotiate with him.

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The Prime Minister, summing up the discussion, said that the Cabinet agreed that, while doing nothing to provoke a breach with the Government of Malta, we ought to make it clear that we were not prepared either to increase the amount of our financial contribution or to negotiate under threat. This and the other points made in discussion would be reflected in the instructions which would now be sent to the British High Commissioner and to the United Kingdom Delegation to NATO.

The Cabinet—

- (1) Took note, with approval, of the Prime Minister's summing up of their discussion.

HM
Ambassador,
Montevideo
Previous
Reference :
CM (71) 28th
Conclusions,
Minute 2

The Chancellor of the Duchy of Lancaster said that the Cabinet would have noted Press reports that the Tupamaros might be preparing to release Mr. Geoffrey Jackson, HM Ambassador to Uruguay. There was so far no reliable confirmation of these reports. But there were grounds for hoping that they might prove to be substantially true; and HM Embassies in Montevideo and Santiago were keeping in close touch with developments.

The Cabinet—

- (2) Took note, with satisfaction of the statement by the Chancellor of the Duchy of Lancaster.

International
Monetary
Situation
Previous
Reference :
CM (71) 45th
Conclusions,
Minute 1

*2. *The Chancellor of the Exchequer* said that his discussions with the French Finance Minister, M. Giscard d'Estaing, in Paris on 7 September had confirmed him in the view that early international agreement on a return to fixed currency parities was unlikely. Nor was it probable that the six Finance Ministers of the countries of the European Economic Community (EEC) would be able to agree in the near future on fixed exchange rates as between their own currencies. The Six had decided that at their resumed meeting on 13 September they would concentrate on determining their tactics at the group of Ten meeting on 15 September rather than on seeking to make progress on currency parities within the EEC. It appeared likely that they would strongly press the United States Government to make a positive contribution towards resolving the problems precipitated by United States actions in August, for example by increasing the dollar price of gold. The French Finance Minister believed that, if all the other members of the Group of Ten, together with the authorities of the International Monetary Fund, pressed strongly enough, the United States Government would give way on this issue. He himself believed this view to be over sanguine, in that President Nixon's own commitment to maintaining the present dollar price of gold made it politically all but impossible for the

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* Previously circulated as a Confidential Annex.

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United States Administration to yield to such pressure. Nevertheless, he intended at the meeting of the Group of Ten to press the United States representatives strongly, in concert with other members of the Group, to increase the dollar price of gold; but he would seek to avoid a situation in which the other members of the Group made United States action on this matter a necessary pre-condition of any action on their part to resolve the present difficulties.

The Cabinet—

Took note, with approval, of the statement by the Chancellor of the Exchequer.

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3. The Cabinet discussed the situation in Northern Ireland; the conclusions reached, were separately recorded and circulated only to The Queen, the Prime Minister and those Ministers who had to take action.

The conclusions are recorded separately in the standard file held by the Secretary of the Cabinet.

4. The Cabinet considered a request which had been made by the Opposition on the previous day for the recall of Parliament in order to debate the situation in Northern Ireland.

In discussion it was agreed that, while the recall of Parliament in response to the Opposition's earlier suggestions would not have been justified, the situation was now such as to make it proper to accede to the request. The business should be confined to a debate on Northern Ireland; and the most suitable days were 22 and 23 September. It was recognised that the House of Lords might not need to devote more than one day to the debate.

The Cabinet—

Invited the Lord President of the Council and the Lord Privy Seal to make the necessary arrangements for the recall of both Houses of Parliament on 22 September.

Cabinet Office

9 September, 1971.