CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 18 OCTOBER 1973
at 11.00 am

PRESENT

The Rt Hon Edward Heath MP
Prime Minister

The Rt Hon Sir Alec Douglas-Home MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Anthony Barber MP
Chancellor of the Exchequer

The Rt Hon Lord Carrington
Secretary of State for Defence

The Rt Hon James Prior MP
Lord President of the Council

The Rt Hon Geoffrey Rippon QC MP
Secretary of State for the Environment

The Rt Hon Gordon Campbell MP
Secretary of State for Scotland

The Rt Hon John Davies MP
Chancellor of the Duchy of Lancaster

The Rt Hon Joseph Godber MP
Minister of Agriculture, Fisheries
and Food

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon William Whitelaw MP
Secretary of State for Northern Ireland

The Rt Hon Robert Carr MP
Secretary of State for the Home Department

The Rt Hon Sir Keith Joseph MP
Secretary of State for Social Services

The Rt Hon Margaret Thatcher MP
Secretary of State for Education and Science

The Rt Hon Peter Walker MP
Secretary of State for Trade and Industry

The Rt Hon Peter Thomas QC MP
Secretary of State for Wales

The Rt Hon Sir Geoffrey Howe QC MP
Minister for Trade and Consumer Affairs

The Rt Hon Lord Windlesham
Lord Privy Seal
ALSO PRESENT

The Rt Hon Francis Pym MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir John Hunt
Mr H F T Smith
Mr P Benner
Mr K T Barnett
Mr H F Ellis-Rees
Mr R J O'Neill
Mr J B W Robins

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1. The Cabinet were informed of the business to be taken in the House of Commons during the following week. It was intended that Prorogation should take place on 25 October; and the new Session was due to be opened on 30 October.

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the student riots in Thailand had led to many casualties and the political and security situation had deteriorated badly. With the departure of leading members of the corrupt military regime and the introduction of largely civilian government, calm had returned. The King had played an important role in securing a return to order.

The Cabinet -

Took note of the statement by the Foreign and Commonwealth Secretary.

The Cabinet resumed their consideration of the latest developments in the Middle East. Their discussion and the conclusions reached are recorded separately.
3. THE SECRETARY OF STATE FOR TRADE AND INDUSTRY informed the Cabinet that following the abortive negotiations between the Organisation of Petroleum Exporting Countries and the oil companies in Vienna the previous week, the six major Gulf producers had unilaterally announced increases of some 70 per cent in the posted price of oil, and had included provisions for increasing the price to reflect the price of oil on the free market, which they could then influence by limiting supplies. The immediate increase would add some £420 million to the United Kingdom balance of payments in a full year; it would put up the cost of petrol at the pump by 1.5p a gallon probably rising to 2p by the end of the year; and would add 0.4 of a point to the retail price index. The member states of the Organisation of Arab Petroleum Exporting Countries had further announced that with effect from the end of September they would cut back production by a minimum of 5 per cent every month for an indefinite period until the objectives of the Arab states against Israel had been achieved. This action was aimed principally at the United States; but the dependence of other countries on United States oil companies meant that the effect on Europe generally would be severe. For the United Kingdom a reduction of 5 per cent in supplies of Arab oil was equivalent to a reduction of 3.5 per cent of total supplies. But given that something like a month's supplies were in transit at any time, the first impact of this cut could be expected towards the end of November; and by mid-January our total supplies might be reduced by some 7 per cent, and so on progressively. In the face of this threat, economies in the use of oil could be achieved by publicity and exhortation; but if the Arab states' campaign continued, it would be necessary by the New Year to consider the introduction of schemes of rationing and allocation.

THE LORD PRESIDENT OF THE COUNCIL said that the Cabinet would wish to know the position regarding contingency planning. There were clear advantages in having a Bill to confer the necessary powers, rather than relying on the Emergency Powers Act. The Bill was being printed forthwith and would be ready for introduction, if needed, on the following Monday. It would be necessary to have Regulations under the Bill to indemnify the oil companies against claims for breach of contract, and other matters; and these were being prepared. Preparations were also being made for the oil companies to impose initial cuts of up to 10 per cent on consumers, for administrative instructions to public sector bodies on ways of achieving economies, (e.g. reduction in heating standards, speed limits, etc), and for exhortations to private industry and the public at large. Preparations for motor fuel rationing were being brought to
immediate readiness. Some 17 million vehicles would be involved, and this would necessarily be a complex operation which would take time to introduce. He had authorised consultations to be held with the postal unions, and the necessary work of printing and distribution to be completed, so that if necessary rationing could begin in about five weeks' time. The Prime Minister's Chief Press Secretary would co-ordinate arrangements for publicity.

In discussion it was suggested that the public presentation of the Government's plans should not convey the impression that rationing was imminent, as this might lead to panic buying and hoarding by the general public. The emphasis should be on the precautionary nature of these measures against the possibility that the Arab states might persist in their campaign over a period of time. It would be important to ensure that the oil companies did not raise their prices within the next three months. But an application by the companies to the Price Commission on the basis of allowable costs must be expected to have a reasonable prospect of succeeding; and if the price were to be held it might be necessary to take powers under the Liquid Fuels Bill to control them. It was further suggested that these developments were likely to presage a period of growing stringency in the supply of oil; and that in addition to the contingency preparations now being made urgent consideration should be given to other measures, such as the control of oil exports from the United Kingdom, the possibility of advancing the supply of oil from the North Sea, and future policy with regard to energy supplies, in particular the balance to be struck between oil and coal.

THE PRIME MINISTER, summing up the discussion, said that the Lord President would arrange for the Civil Contingencies Unit to press ahead the contingency/preparations to deal with a reduction in the supply of oil; and that the Secretary of State for Defence would arrange for the Task Force on Oil Supplies to give urgent consideration to ways in which oil supplies could be maintained. The Minister for Trade and Consumer Affairs, in consultation with the Lord President, should examine ways of controlling the prices charged by the oil companies in the light of the increases now announced by the producing countries.

The Cabinet -

Took note, with approval, of the summing up of their discussion by the Prime Minister.
4. THE CHANCELLOR OF THE DUCHEY OF LANCASTER

informed the Cabinet that the meeting of the Council of Ministers at Luxembourg on 15 October had discussed the mandate to be given to the Commission for the negotiations which had now opened for a new Convention of Association between the Community and the present Associated States and the eligible developing Commonwealth countries. It had not proved possible to reach agreement on the policy the Community should adopt on requiring trade reciprocity from the developing countries or on measures to help stabilise their earnings from exports of primary commodities, but a decision on these issues would soon become urgent. A short discussion by the Council of the Commission's proposals for the establishment of a Community Regional Development Fund (RDF) had been of note only for a statement by the Irish Foreign Minister in which he had gone some way towards threatening that the Irish Government would reject proposals for the Fund unless these were amended to give much improved benefits to Ireland. The Italian Minister for Regional Development had given some support to the Irish criticisms. Discussion of the RDF would be resumed in the Council in November.

In a brief discussion, it was noted that the opening position taken by the Irish on any issue was never to be regarded as their final position.

The Cabinet -

Took note of the statement by the Chancellor of the Duchy of Lancaster.
5. The Cabinet had before them notes by the Lord President of the Council (CP(73) 99 and 101), to which were annexed drafts for The Queen's Speech on the Opening of Parliament.

The Cabinet considered the draft speech paragraph by paragraph.

THE PRIME MINISTER, summing up the discussion, said that they agreed that it would be necessary to include a reference to the situation in the Middle East and that the terms of paragraph 8 about the dispute with Iceland over fisheries would have to be kept under review so that account could be taken of any further developments. Further consideration should be given to the passage on housing with a view, if possible, to clarifying the reference to the development of land for housing. There was at present no reference to agricultural policy and a passage on this subject should be prepared. The draft speech should be amended accordingly and, with the incorporation of the other amendments which had been suggested in the course of discussion, should be circulated to the Cabinet for further consideration at their next meeting.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Lord President of the Council to proceed accordingly.

Cabinet Office

18 October 1973
THE FOREIGN AND COMMONWEALTH SECRETARY said that activity in Sinai suggested that a major battle might be about to begin. There were however encouraging signs that the United States and the Soviet Union were now pursuing the search for peace. They were in close touch with each other, and the Soviet Prime Minister, Mr Kosygin, was in Cairo. We ourselves had continued our efforts with the Arabs. He had seen the Soviet Ambassador that morning. There were indications that the Government of Israel might well be prepared to accept a cease-fire, including an arrangement for demilitarised zones. Our policy over the coming days must be related to these efforts to obtain a cease-fire. In view of the continuing criticism of our embargo on the supply of ammunition and equipment to the battle-field countries and, in particular, of the allegations that we were denying to Israel supplies which that country had a right to expect, and which she badly needed, he wished to inform his colleagues that there was not the slightest shortage in Israel of any of her essential requirements, and that no shortage was at present foreseen. If we were to lift the embargo we would be obliged to send to Jordan twice as much as we would send to Israel, and we would have to send to Egypt important military equipment of a kind which they did not hold at present. The Arab oil producing states had announced their intention to cut the supply of oil. It was possible, however, that it would take them some time to put this decision into effect and he intended to use all the available devices of diplomacy to persuade them not to do so. We were possibly the only Western country in a position to influence them. We would sacrifice our ability to influence the peace moves and Arab policy on oil if we were to reverse our decision on the embargo. He was therefore convinced that the embargo must be maintained. In the debate which was to be held later that day, there would no doubt be strong criticism of this policy from both sides of the House. He would listen carefully to all the arguments that might be advanced, but he would urge the House to view the
matter in the light of our total national interest, which was in the first place to get the war stopped, would repeat his assurance that our policy, including the embargo policy, would be kept continuously under review, and would ask the House to allow maximum room for the exercise of our diplomacy over the coming days and not to fetter the Government.

In discussion it was agreed that the forthcoming debate would be conducted in an emotional atmosphere with divisions within the Opposition ranks as well as on the Government side. The outcome was uncertain. It was suggested that for the sake of both Parliamentary and public opinion the Government should make it clear that it was a matter of the deepest concern to them that neither side in the war should be overwhelmed, and that if there were a danger of that happening, there would have to be a radical reconsideration of our policy. This was necessary in order to counter the fear that we had insufficient regard for Israel's interest. The Government must also be prepared to deal with the complaint that by continuing to send arms to Arab countries outside the battlefield area, we were failing to follow an even-handed policy as between the Israelis and the Arabs. It was also argued that while it was important that we should have the greatest possible room for diplomatic manoeuvre our ability to take an initiative would be gravely impaired if the Government were defeated in Parliament, or succeeded only by a very narrow margin. While, therefore, the Government should not reverse its policy, it would be important to give the maximum reassurance to its critics that the policy was not immutable if circumstances changed. It might be useful to link the maintenance of the present policy with the fact that peace moves were currently afoot in which we were closely involved, with the implication that our policy would be reviewed if they failed. It was also suggested that since the Opposition were not united, their leadership might be interested in avoiding a vote if the Government could make some move towards them. In this way a form of national policy might develop and last at least over the coming days while the active search for a cease-fire was being pursued. In this connection it was noted that the Leader of the Opposition apparently had it in mind to suggest that the lists of the embargoed items should be examined with a view to authorising the supply of some of them, not limited to one side alone. It was felt, however, that this proposal, as it stood, presented difficulties as formidable as those which would attend a decision to lift the embargo altogether. On the other hand, it might be possible to ask for time to consider the Opposition's proposals, subject always to the overriding consideration that our first aim must be to persuade the Arabs and the Israelis to stop fighting; to welcome further consultation with the Leader of the Opposition, and to undertake to make a further statement the following week.
THE PRIME MINISTER, summing up the discussion, said that although there was undoubtedly much Parliamentary and public concern about the Government's policies, and Israeli propaganda had achieved some success in this connection, the measure of support for those policies should not be underestimated. There would no doubt have been as much criticism if we had continued to supply ammunition and equipment to both sides. If we changed our policy at this critical moment, when some tentative moves towards restoring peace were being made, we would sacrifice the opportunity to assist those moves. The immediate problem was for the Government to emerge credibly from the debate. The Foreign and Commonwealth Secretary would give further consideration to the line he should take in the debate in the light of the points made in the Cabinet's discussion. While there were difficulties in accepting the proposals of the Leader of the Opposition as they stood, there might be advantage in avoiding commitments either way about our future policy. For the time being our present stance was clearly right but it would have to be kept under review in the light of developments. In view of the critical importance of the debate it seemed desirable that the Foreign and Commonwealth Secretary, who was to open it, should also wind up.

The Cabinet -

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