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Conclusions

CABINET

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

THURSDAY 19 MARCH 1987

at 10.00 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Viscount Whitelaw
Lord President of the Council

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Douglas Hurd MP
Secretary of State for the Home Department

The Rt Hon Peter Walker MP
Secretary of State for Energy

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

The Rt Hon Norman Tebbit MP
Chancellor of the Duchy of Lancaster

The Rt Hon Tom King MP
Secretary of State for Northern Ireland

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

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

The Rt Hon Lord Young of Graffham
Secretary of State for Employment

The Rt Hon Kenneth Baker MP
Secretary of State for Education and Science

The Rt Hon Kenneth Clarke QC MP
Paymaster General

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry

The Rt Hon John Moore MP
Secretary of State for Transport

ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

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SECRETARIAT

Sir Robert Armstrong
Mr D F Williamson (Items 2-4)
Mr C L G Mallaby (Items 2-4)
Mr A J Langdon (Items 1 and 2)
Mr M J Eland (Items 1 and 2)

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PARLIAMENTARY
AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week and that subject to the progress of business the House would rise for the Easter Adjournment on Friday 10 April until Wednesday 22 April.

HOME AFFAIRS

The Budget

2. THE PRIME MINISTER said that the Cabinet would wish to congratulate the Chancellor of the Exchequer on the success of his Budget Statement and on his presentation of it on the media.

Unemployment

Previous
Reference:
CC(87) 5.3

THE SECRETARY OF STATE FOR EMPLOYMENT said that he would later that day announce the unemployment figures for February, which showed the largest fall since records had been kept. The unadjusted figure had fallen by 71,000. The seasonally adjusted figure had fallen by 44,000. The seasonally adjusted figure had now fallen by 150,000 in seven months. The seasonally adjusted figure for January had been revised: instead of showing a very small increase in unemployment, it now showed a fall of 2,000. Vacancies for jobs had fallen slightly in February. These figures were encouraging. They were for a five-week period, which included a time of particularly cold weather. The figures had fallen despite there having been no increase in the number of people starting work under the Government's special employment measures. On the other hand, the "re-start" programme, which helped unemployed people to find work again, and the programme of testing, to ensure that people were available for work when they first registered for unemployment benefit, were clearly having positive effects on the unemployment figures. The availability tests were now being undertaken at the great majority of benefit offices. The seasonally adjusted unemployment figure was likely to continue to fall at an average rate of about 20,000 a month. It would be widely expected that the total number of people unemployed would fall below 3 million some time during the summer months of 1987. He would not himself make predictions of this kind, but equally would not discourage them.

In discussion, the following points were made:

- a. The economy was now generating jobs at a much faster rate than in recent times.
- b. The fall in unemployment in February had been nation-wide. Wales had had the greatest fall of any part of the United Kingdom. In Scotland, there had been the largest monthly fall in the seasonally adjusted figure since April 1978.
- c. The fall in vacancies for jobs in February had been concentrated in south eastern England; in Wales and other areas the number of vacancies had increased.

d. The Government's practice had been to assume that the number of registered job vacancies should be increased by a multiple of three in order to indicate the likely number of jobs available in the country. It was possible that the number of registered job vacancies was falling as a proportion of total vacancies available, and it would be worth considering whether to undertake market research in order to establish whether the multiple needed to be revised.

It was also noted that the Retail Price Index, which would be published later that week, was not likely to be greatly changed from the previous month.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Finland

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that, in the general elections in Finland on 15-16 March, the Centre-Right parties had won a majority for the first time since the Second World War. Coalition governments based on various combinations of parties were possible. Whatever the composition of the new Government, British interests were unlikely to be affected.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Trade
Relations
with Japan
and the
United States
Previous
Reference:
CC(86) 42.4

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Foreign Affairs Council on 16 March had discussed trade relations with Japan, with a view to further action to open up the Japanese market. The Japanese response to the Community's pressure on alcoholic drinks had been inadequate, and this was being pursued under the procedures of the General Agreement on Tariffs and Trade (GATT). The Council had now invited the Commission to examine the scope for better access to the Japanese market for other specific sectors, in particular automobiles and medical equipment, and to follow this up with the Japanese Government. At United Kingdom initiative the Commission would report progress to the Council in July so that the Council could consider what further action might be needed. The Council had also made clear that, if the United States were to take further protectionist measures affecting Community exports, action would be taken. This was intended to strengthen the hand of the United States Administration in resisting protectionist pressures from Congress or particular interest groups. In discussion it was said that the recent Japanese record in providing opportunities for foreign suppliers to compete in their market was very unsatisfactory. It appeared that the Japanese authorities were now

taking steps to squeeze Cable and Wireless plc out of a good share in the opening up of telecommunications in Japan. It was important that Japan should make a greater contribution to the open trading system from which she drew so many advantages. It was for consideration whether the United Kingdom Government should use its own powers on financial services to exert some pressures on the Japanese. Ministers would need to look further at the question of trade relations with Japan.

The Cabinet -

Invited the Secretary of State for Trade and Industry, in consultation with the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer, to submit a further memorandum to the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Economic Affairs on ways of improving United Kingdom opportunities in the Japanese market.

Commission
Proposal for
a Tax on Oils
and Fats

THE FOREIGN AND COMMONWEALTH SECRETARY said that, on a United Kingdom initiative, the Foreign Affairs Council had discussed on 16 March the external aspects of the Commission's proposal for a tax on oils and fats. The member states supporting the tax had taken a low profile. The United Kingdom's opposition to the proposed tax had been strongly supported by the Federal Republic of Germany and Portugal and slightly less strongly by the Netherlands and Denmark. It was satisfactory that the Dutch Cabinet, despite some apparent differences of view among Ministers, had now decided to oppose the proposal.

In discussion it was pointed out that there were two strong arguments of trade policy against the tax: the effect on the trade of a number of developing countries and the prospect of retaliation by the United States against Community exports. In the agricultural price package, however, there would be pressure on the Federal Republic of Germany, which was particularly concerned with agri-monetary proposals, to change its view on the tax in order to achieve its other objectives.

Air Transport
Previous
reference:
C(86) 37.4

THE SECRETARY OF STATE FOR TRANSPORT said that Commissioner Sutherland had now persuaded the Commission to take legal action against Alitalia, Lufthansa and Olympic Airways, this action being suspended for three weeks in order to maintain pressure on them. This action was welcome, and improved the chances of making progress on further liberalisation and lower air fares.

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Rover Group

THE FOREIGN AND COMMONWEALTH SECRETARY reported that the Commission had now given its agreement to the £680 million of aid associated with the disposal of the truck and bus operations of Rover Group. It was very satisfactory that the agreement between the Secretary of State for Trade and Industry and Commissioner Sutherland had brought this to a conclusion without controversy.

Central
Electricity
Generating
Board
Ordering
from British
Firms

THE SECRETARY OF STATE FOR ENERGY said that it appeared that the Commission services were probing the extent to which the Central Electricity Generating Board (CEGB) was placing orders with British firms. He considered that the Commission should be pressed to desist and that Lord Cockfield should be approached.

In discussion it was pointed out that questioning of CEGB action by the Commission seemed particularly inappropriate in view of the difficulty experienced by United Kingdom companies in obtaining certain orders, such as that for a ferry for Brittany Ferries, on which other Governments had apparently brought pressure to bear in favour of their own companies.

The Cabinet -

2. Took note.

Cabinet Office

19 March 1987

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