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CC (87) 14th
Conclusions

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CABINET

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

THURSDAY 9 APRIL 1987

at 10.30 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 Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs

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 Clark QC MP
Paymaster General

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

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

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 (Item 1)
Mr S S Mundy (Item 1)

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PARLIAMENTARY
AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons in the week beginning 20 April.

Westland plc

THE SECRETARY OF STATE FOR DEFENCE said that he would make a statement in the House of Commons that afternoon about support helicopters and Westland plc. The Chairman of Westland plc, Sir John Cuckney, would at the same time be announcing to the workforce that there would be a restructuring of the company involving a loss of capacity and job losses which might amount to some one-third of the current workforce of 6,000. Sir John Cuckney would make clear that these retrenchments (which reflected previous over-manning and restrictive practices) were unavoidable, regardless of the level of orders which the Government might realistically place. Indeed, the Government's orders of 16 Lynx helicopters, 25 utility EH101 helicopters and 7 Sea King helicopters, together with work already in hand, had been instrumental in preventing larger losses of jobs. There might be criticism in some quarters about the Government's position to pull out of the NH90 collaborative helicopter project. The Government's position on this was readily defensible: the fact was that there was no requirement for medium-sized helicopters of that nature. Even if orders for NH90 helicopters had been placed by the Government, this would not have produced any jobs at Westland over the next four or five years, and would not therefore have alleviated the cutback in employment by the company which would be concentrated over the next two years.

HOME AFFAIRS

Industrial
Action in
the Civil
Service

2. THE SECRETARY OF STATE FOR EMPLOYMENT drew attention to the implications of threatened industrial action in the Civil Service for the payment of unemployment benefits. The effect of the action could well be to inflict serious hardship on unemployed people and others dependent upon social security benefits.

The Cabinet -

1. Invited the Secretary of State for Social Services and the Secretary of State for Employment to consider urgently ways in which any hardship created by industrial action in unemployment benefit and social security offices for those dependent upon benefits could be mitigated.
2. Invited the Chief Secretary, Treasury (in the absence of the Chancellor of the Exchequer) to co-ordinate with the Secretaries of State for Social Services and Employment the presentation of the Government's position in relation to the industrial action.

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FOREIGN
AFFAIRS

Opening the
Japanese
Market

Previous
Reference:
CC(87) 13.5

3. The Cabinet resumed their discussion of the problems of opening the Japanese market to overseas, and particularly British, trade and investment. In the discussion the following main points were made -

a. Public hopes had been raised of early and favourable developments. The apparent absence of such developments was giving rise to criticisms in the media of the Government's handling of the subject.

b. The Government could make no comprehensive statement of the subject until various matters had been further considered and in particular until the Parliamentary Under Secretary of State, Department of Trade and Industry (Mr Michael Howard) had returned to this country after his visit to Japan. There was a need for the greatest possible urgency in reaching decisions and pressing for decisions to be reached by the European Community (EC).

c. The aim of policy should be to persuade Japan to behave more fairly in economic relations, while avoiding unfavourable side effects from the methods used to achieve this. The Government had been trying for a long time to advance along this path. The appreciation of the yen could be expected to be the biggest single factor tending to change the pattern of the balances of Japanese trade and payments, although its effects were taking some time to work through.

d. The three main areas of current interest were, first, the attempt by Cable and Wireless plc (C&W) to secure involvement in the operation of telecommunications in Japan; second, financial services, where British institutions were not securing access to Japan nearly as easily as Japanese ones were securing access to the United Kingdom; and third, the overall imbalance in visible trade between this country and Japan.

e. On C&W, the Government must be careful not to adopt a more ambitious position on the company's behalf than the company itself would be prepared to accept. Discussions between C&W and the Japanese authorities on the share that the former might obtain in a new consortium to operate telecommunications were continuing. It was possible that the company might secure arrangements which it could accept as satisfactory.

f. In the financial field, the Government had moved to bring the reciprocity provisions of the Financial Services Act into force as soon as possible. That would provide greater leverage for helping British institutions to gain access to Japanese financial markets and in particular the stock exchange. It was important to bear in mind the risk that Japanese institutions might choose to locate in Paris rather than in London, to the detriment of London as an international financial centre.

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g. On trade matters, the Foreign and Commonwealth Secretary, following the discussion in Cabinet on 2 April, had obtained agreement at an informal meeting of EC Foreign Ministers the previous weekend to rapid consideration of four matters: proposals to impose anti-dumping duty on electronic components from Japan, rapid action to avoid the diversion of Japanese exports of semi-conductors to Europe if the United States took retaliatory action on these products, an early decision on the EC's position on negotiations with Japan under Article XXIV.6 of the General Agreement on Tariffs and Trade (GATT), which might involve the binding of tariffs, and re-examination of the Community's case against Japan under Article XXIII of the GATT. Trade experts from the Community countries would study further action on these matters at a meeting on 10 April.

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h. The work already commissioned from officials concerning new Japanese products such as digital audio tape players, which might soon be exported in bulk to the United Kingdom, should be completed as soon as possible. It would be necessary to deal with the risk that, if the United Kingdom made the import of such products difficult, they might nevertheless reach this country through other countries in the EC. That underlined the importance of persuading other Community countries to take action as well.

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THE PRIME MINISTER, summing up the discussion, said that the criticism in the media about the Government's handling of the subject was an additional reason for work on the matters discussed to be taken ahead as fast as possible, with a view to moves by the EC and the United Kingdom which would help to persuade Japan to take early and effective action.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Secretary of the Cabinet to ensure that the study by officials of new Japanese products, which might soon be exported in large volume to the United Kingdom, be rapidly completed.

Pakistan

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THE SECRETARY OF STATE FOR DEFENCE said that there had been discussions with the delegation accompanying the Prime Minister of Pakistan, Mr Mohammad Khan Junejo, on his current visit to Britain about the sale of three frigates to Pakistan. The delegation appeared to have arrived without any united view. They had pressed for concessions regarding financial arrangements for the sale of frigates, and it had proved possible for the Government to offer slightly more attractive terms within the existing policy decided by Ministers. The most likely arrangement would be for two frigates to be supplied to Pakistan and a third to be constructed there. His aim was to secure from the Pakistani Prime Minister's delegation a public commitment to this sale so that

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detailed contractual arrangements could be worked out afterwards. He would report back to colleagues.

In discussion, it was pointed out that it would be advantageous to place a time limit on the cover offered for the frigate sale by the Export Credits Guarantee Department, so that other exporters who wished to take advantage of the credit could do so if the frigate sale was not concluded within a reasonable time.

Lebanon

Previous
Reference:
CC(87) 12.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that Syria had deployed troops at two camps of Palestinian refugees in Beirut. This should ease access to the camps and provide some relief of the suffering there. But such relief was not certain to last. The United Nations Relief and Works Agency were refusing to send in more convoys until they received guarantees of safety. There was concern in Parliament at the plight of the Palestinians in the camps and also about the safety of a British doctor, Dr Pauline Cutting, who worked for Medical Aid for Palestine in the camp at Bourj al-Barajneh. There had been reports of death threats against Dr Cutting. She had refused to leave the camp until a replacement doctor was allowed in. The Government was ready to help with arrangements for her departure when she wished and conditions allowed. The visits to the United Kingdom of King Fahd of Saudi Arabia and Mr Walid Jumblatt, the Leader of the Lebanese Druze Community, had not produced news about the plight of Mr Waite or of other Western hostages held in Lebanon. The Government would continue to warn British citizens against unnecessary visits to the dangerous areas of Lebanon.

Italy

Previous
Reference:
CC(87) 9.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Government crisis in Italy had deepened and the outcome could not be predicted.

Portugal

THE FOREIGN AND COMMONWEALTH SECRETARY said that, following the fall on 4 April of the minority Social Democratic Government in Portugal, it was uncertain whether there would be a general election. The outgoing Government of Dr Cavaco Silva had achieved some success in economic matters.

The Cabinet -

3. Took note.

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COMMUNITY
AFFAIRS

Informal
Meeting of
Foreign
Ministers

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that the informal meeting of Community Foreign Ministers on 4-5 April had discussed East-West problems. There had been a widespread welcome for the Prime Minister's presentation of Western views during the recent visit to the Soviet Union. On Arab-Israel problems there had been some pressure within the Community for Ministerial contact with Syria. The United Kingdom was seeking to dissuade Mr Tindemans, as President of the Council, from making such contacts. There had also been discussion of the increasing problem for many member states of third country nationals seeking entry with claims for asylum.

The Cabinet -

Took note.

Cabinet Office

9 April 1987

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MOST CONFIDENTIAL RECORD
TO
CC(87) 14th Conclusions

CIVIL
SERVICE
STRIKE

THE SECRETARY OF STATE FOR EMPLOYMENT said that the selective strikes by some civil servants might make it impossible for the unemployed in Scotland to receive any payments the following week. He thought it important that the Government should make clear that the effect of the strike was to harm the unemployed and others worse off than the strikers themselves. A further effect of the strikes would be that the processing of the unemployment figures would be delayed and the reliability of the figures affected.

In discussion it was said that -

- a. The Department of Health and Social Security would be examining whether any emergency arrangements might be needed for cases of genuine hardship. The selective strikes would be likely to affect that Department's work on the development of schemes in the area of family credit and personal pensions and would in effect be directed at social security reforms. Difficulties would be greater if the strikes were directed at computer operations.
- b. As the strikes were being undertaken in one region after another, it would be important to show that the first strikes had not changed the Government's position and to mobilise public opinion. This could influence the willingness of civil servants to strike in other regions.
- c. The Ministers principally concerned should concert urgently the presentation of the Government's case, as the public would be increasingly aware of the effects of the strike.

The Cabinet -

1. Invited the Secretary of State for Social Services and the Secretary of State for Employment to consider urgently ways in which any hardship created by industrial action in unemployment benefit and social security offices for those dependent upon benefits could be mitigated.
2. Invited the Chief Secretary, Treasury (in the absence of the Chancellor of the Exchequer) to co-ordinate with the Secretaries of State for Social Services and Employment the presentation of the Government's position in relation to the industrial action.