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CC(87) 26th  
Conclusions

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CABINET

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

THURSDAY 30 JULY 1987

at 11.30 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 Nigel Lawson MP  
Chancellor of the Exchequer

The Rt Hon Lord Havers  
Lord Chancellor

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

The Rt Hon Peter Walker MP  
Secretary of State for Wales

The Rt Hon George Younger MP  
Secretary of State for Defence

The Rt Hon Norman Fowler MP  
Secretary of State for Employment

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

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

The Rt Hon Lord Young of Graffham  
Secretary of State for Trade and Industry

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

The Rt Hon Kenneth Clarke QC MP  
Chancellor of the Duchy of Lancaster

The Rt Hon John MacGregor MP  
Minister of Agriculture, Fisheries and Food

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

The Rt Hon Paul Channon MP  
Secretary of State for Transport

The Rt Hon John Moore MP  
Secretary of State for Social Services

The Rt Hon John Wakeham MP  
Lord Privy Seal

The Rt Hon Cecil Parkinson MP  
Secretary of State for Energy

The Rt Hon John Major MP  
Chief Secretary, Treasury

ALSO PRESENT

The Rt Hon David Waddington QC MP  
Parliamentary Secretary, Treasury

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SECRETARIAT

Sir Robert Armstrong  
Mr C L G Mallaby (Items 2 and 3)  
Mr A J Langdon (Item 1)  
Mr J H Holroyd (Items 2 and 3)  
Mr S S Mundy (Item 1)

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HOME AFFAIRS 1. THE LORD CHANCELLOR said that the House of Lords had that day upheld by a majority of 3-2 the Government's interim injunctions against Mr Peter Wright The Guardian, The Observer and The Sunday Times preventing them from publishing material from Mr Peter Wright's book Spycatcher.

Previous  
Reference:  
CC(87) 24.2

Civil Service Industrial Action THE SECRETARY OF STATE FOR SOCIAL SERVICES said that, following the Civil Service pay settlement, firm action would need to be taken to deal with residual industrial relations difficulties in local offices and the local office computer project. This could lead to some localised industrial action.

Previous  
Reference:  
CC(87) 24.2

Local Authority Manual Workers THE SECRETARY OF STATE FOR THE ENVIRONMENT said that local authority manual workers had been offered pay increases averaging 10.6 per cent. This was an unacceptably high offer, especially since the conditions originally designed to increase productivity had been heavily watered down and that costs had already been inflated by manpower increases of 0.75 per cent over the previous year. Part of the problem was that contracts of employment were for life, and there was national pay bargaining. This episode gave emphasis to the need for the community charge. Once this was in place, a far larger proportion of the population would have a stake in keeping down local authority costs.

British Caledonian Previous Reference: CC(87) 24.2 THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that he expected to receive within the next two weeks the advice of the Director General of Fair Trading on whether he should refer to the Monopolies and Mergers Commission the proposed merger of British Caledonian with British Airways. The correspondence he had received was evenly divided for and against the proposed merger.

Coal Industry Previous Reference: CC(87) 23.2 THE SECRETARY OF STATE FOR ENERGY said that the result was expected shortly of the ballot of the National Union of Mineworkers (NUM) on the British Coal Corporation's (BCC) proposed code of conduct. He expected that the NUM would vote in favour of industrial action which might lead to a work to rule or one-day strikes. The propaganda which the NUM executive had issued against the proposed code had been highly

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misleading. BCC had written to each miner explaining the code and seeking to allay the concerns which had been aroused. The Union of Democratic Mineworkers had accepted the code and had stated that they considered it to be perfectly reasonable. Coal stocks were currently high.

Tamils  
Claiming  
Political  
Asylum in the  
United Kingdom

THE HOME SECRETARY said that the Minister of State, Home Office (Mr Renton) had been considering afresh the cases of Tamils from Sri Lanka who had arrived in Britain the previous February and claimed political asylum. There was a risk that, following their disorderly behaviour at airports earlier that year, airlines might refuse to carry any of those who might not be allowed to remain in Britain. There was also a risk that action by the Government might be subjected to judicial review. He was urgently considering options for dealing with the problem.

Previous  
Reference:  
CC(87) 6.2

Heysel  
Stadium  
Disaster

THE HOME SECRETARY said that he wished to give his Cabinet colleagues advance notice of one point that might attract attention during the Recess about the extradition proceedings involving a number of British citizens allegedly involved in the Heysel Stadium disaster. The extradition request against these defendants had been based on charges of manslaughter; but it now appeared that the Belgian authorities might wish to pursue other charges against them. That would represent a breach of the United Kingdom's extradition treaty with Belgium.

Previous  
Reference:  
CC(85) 20.5

The Cabinet -

1. Took note.

Abolition of  
Domestic Rates  
(The Community  
Charge)

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Local Government Finance had that morning agreed that rates should be phased out and replaced by the community charge over a four year period in England, with the charge starting at the level of £100. The safety net that would be necessary to moderate the impact of the transition on local authorities and on charge-payers would be phased out over the same four year period. In Wales the transition from rates to the community charge would be effective immediately, but the safety net would be phased out over four years, as in England. He and the Secretary of State for Wales would announce these decisions by way of press notices that afternoon. The press notices would emphasise three prime arguments in favour of the Government's proposed system, embodying the community charge. These were that the community charge was more widely based, and thus more equitable, than rates; that a high proportion of local

Previous  
Reference  
CC(87) 21.2

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authority expenditure would continue to be met by the taxpayer through central Government grants that took account of local needs; and that the same level of local authority service, delivered with the same efficiency, would lend to the same community charge in any area. High community charges would thus be seen to be due solely to extravagance or inefficiency by the local authority concerned.

Education  
Reforms

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the consultative document he had recently issued on the core curriculum had been well received; that concept was generally very popular and there was also a considerable degree of bipartisan support for his proposals on financial delegation to schools. The consultation document on grant-maintained schools, on which responses would be requested by 30 September, might meet with a more mixed reception. The preparation of instructions to Parliamentary Counsel on the Education Bill were, however, on course, and he remained confident that the Bill would meet the date that had been planned for its introduction.

THE PRIME MINISTER said that it was important that members of the Government should ensure that the initiative was retained on the Government's major policies during the holiday period. In particular, the strong arguments underlying the Government's proposals on the community charge, education and housing should be pressed home vigorously. The Cabinet would particularly wish to congratulate the Secretaries of State for the Environment and for Education and Science for their success in co-ordinating all the work that had been necessary to enable a series of important decisions to be taken on the Bills for which they were responsible, so that work could proceed on preparing this legislation during the Recess. It had been a major achievement to follow up the General Election by such swift and effective action.

The Cabinet -

2. Endorsed the Prime Minister's remarks and recorded their congratulations to the Secretaries of State for the Environment and for Education and Science.

FOREIGN  
AFFAIRS

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Sri Lanka

Previous  
Reference:  
CC(87) 20.4

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the agreement concluded on the previous day by the President of Sri Lanka, Mr Junius Jayewardene, and the Prime Minister of India, Mr Rajiv Gandhi, concerning the Tamil areas of Sri Lanka, had been endorsed by all the Tamil groups except the extremist group known as the "Tamil Tigers". There had been some adverse reaction among the majority community of Sinhalese in Sri Lanka, leading to some rioting and a few deaths. The attempted attack by one of the Sri Lankan guards of honour on Mr Gandhi had attracted wide attention. The essence of the agreement was to call

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for a ceasefire and to provide for a degree of self-rule in the northern province of Sri Lanka, where the Tamils formed the majority, and in the eastern province. The agreement was subject to a referendum by the end of 1988 in the eastern province, where the Tamils did not comprise a majority. The British reaction should be to welcome the agreement, even though it was by no means certain to be carried out successfully. There had been a suggestion, supported and possibly initiated by the Commonwealth Secretariat, for some Commonwealth role with regard to the agreement. President Jayewardene seemed to favour this, but India did not. The Government should not support the involvement of the Commonwealth.

Italy

Previous  
Reference:  
CC(87) 20.4

THE FOREIGN AND COMMONWEALTH SECRETARY said that a new Italian Government had been installed, led by Mr Giovanni Gorla of the Christian Democratic Party, a former Finance Minister and the youngest Prime Minister of Italy since the Second World War. Two major figures, Messrs Craxi and de Mita, were not in the Government, but there were some familiar faces, notably Mr Amintore Fanfani as Minister of the Interior and Mr Giulio Andreotti as Foreign Minister. The new Government was not expected to last very long.

Arms Control

Previous  
Reference:  
CC(87) 20.4

THE FOREIGN AND COMMONWEALTH SECRETARY said that the United States Secretary of State, Mr George Shultz, and the Soviet Foreign Minister, Mr Eduard Shevardnadze, would meet in September. This was a consequence of progress recently made in the negotiations between the two countries on the elimination of their intermediate range land based nuclear missiles. A summit meeting between the United States and Soviet leaders might take place before the end of 1987, to conclude an agreement. The major remaining question was whether the Pershing 1A missiles of the Federal Republic of Germany would be covered by an agreement. This obstacle was unlikely to prevent the conclusion of an agreement. It was a matter primarily for the Federal Republic and the United States to resolve, and the United Kingdom should not play a prominent role.

Iran/Iraq War

Previous  
Reference:  
CC(87) 25.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that Iraq had responded to the resolution calling for an end to the Gulf War, which had been passed by the United Nations Security Council on 20 July, by engaging in contacts with the United Nations Secretary General. Iran's reaction had been unfavourable, but had stopped short of actual rejection of the resolution. The United Kingdom should help to maintain the pressure for further discussions about implementation of the resolution, while indicating a prospect of British support for a further resolution imposing an arms embargo if that became necessary. It was helpful that pressure for a cessation of attacks on shipping in the Gulf seemed to be

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having an effect, although there was the notable exception that the Kuwaiti tanker Bridgeton, flagged out to the United States and escorted by the United States Navy, had hit a mine in the Gulf. The absence of a minesweeping capability was a serious hindrance to the United States Navy in the area. There had been reports that the United Kingdom and other countries might be asked by the United States to provide a minesweeping capability. Ministers would need to consider this rapidly. There had been no flood of applications by Kuwaiti ships to be placed on the shipping registers of the United Kingdom or dependent territories. Inclusion on the registers, which had to be allowed when the stated criteria were met, did not imply any greater protection than the Armilla patrol was already providing to British vessels in the southern area of the Gulf.

In discussion, it was noted that the most important consideration regarding the Gulf was that this important international waterway must be kept open. If Iran were able to close it, there would be devastating effects for the world and its oil supplies. The United States had decided, after being criticised by Gulf countries for failing to counter the Iranian threat to shipping, to keep the waterway open by the use of the United States Navy. The waterway had so far been kept open. The Government should concentrate on exerting pressure against attacks on shipping and should not criticise the efforts which the United States was making. The longer term aim of securing an end to the Gulf War should also be pursued.

The Cabinet -

Took note.

COMMUNITY  
AFFAIRS

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Prime  
Minister's  
Discussions  
with the  
French Prime  
Minister

3. THE PRIME MINISTER said that in her discussions with the French Prime Minister, Monsieur Chirac, on 29 July he had once again argued strongly the case for the introduction of a Community oils and fats tax, on this occasion praying in aid the supposed needs of Spain and Portugal stemming from their accession. The French Minister of Agriculture, Monsieur Guillaume, had argued similarly when he met the Minister of Agriculture, Fisheries and Food on 28 July. The Prime Minister had made it clear to Monsieur Chirac that, while she recognised the importance of domestic political considerations, she saw no future in pursuing the idea of this tax; it was economically and politically misconceived and in particular paid no attention to the needs of consumers. In her view discussion of the tax at the December European Council would detract from the main purpose of that Council, which was if possible to reach agreement on enforceable financial discipline for the Community, including effective control of its agricultural expenditure, as a base for deciding what reasonable increase in the Community's own resources would be justified.

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THE FOREIGN AND COMMONWEALTH SECRETARY said that in Copenhagen on 24 July he had also pressed the Danish Prime Minister, Mr Schluter, on the same lines. We would need to continue to counter these arguments in discussions both with the French and with the President of the Commission who still appeared to be committed to the tax. The United Kingdom could usefully make the point that recent experience on beef and milk products showed that action to modify the impact of intervention was more effective than taxes or levies in bringing support costs under control.

Budget Council  
23 July 1987

THE CHANCELLOR OF THE EXCHEQUER said that the Budget Council meeting on 23 July had reached deadlock in its first discussion on the Commission's preliminary draft Community budget for 1988. The Danish Presidency had pressed hard for agreement on a draft budget well in excess of a Value Added Tax rate of 1.4 per cent. The United Kingdom had argued that to adopt such a budget would be illegal. This view had been supported by the Federal Republic of Germany and by a ruling of the Council Legal Services that a draft budget which exceeded the own resources ceiling would be illegal unless there was unanimous agreement by member states that the extra resources would be provided. There had been no such agreement. From a different point of view, Spain had also opposed the draft budget. The Budget Council would meet again to discuss the draft budget on 17-18 September. It was not clear how the Presidency would handle matters and the Government would need to consider tactics. But it was most likely that the issues relating to 1988 would be caught up in the discussions on the whole future financing of the Community at the European Council in December.

The Cabinet -

1. Took note.

Hague  
Convention on  
International  
Access to  
Justice

THE PRIME MINISTER drew attention to reports suggesting that a proposal from the European Commission that member states should sign and ratify the 1980 Hague Convention on International Access to Justice could assist terrorists. The suggestion was that under the convention any witness called to give evidence in another member state would be granted immunity for seven days before and after appearance in proceedings. A report from the House of Lords Select Committee on the European Communities on the implication of the Commission's proposal had just been published; it recorded the Government's reservations on this point. The risks, particularly in the context of international terrorism, would need to be very carefully assessed.



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The Cabinet -

2. Invited the Home Secretary and the Secretary of State for Northern Ireland to consider whether further action by the Government was needed in the light of the House of Lords Select Committee's report.

Cabinet Office

30 July 1987

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