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CABINET

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

THURSDAY 1 OCTOBER 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 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 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 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

Mr C L G Mallaby
Mr R T J Wilson (Items 1 and 2)
Mr A J Langdon (Items 1 and 2)
Mr J H Holroyd (Item 4)
Mr N H Nicholls (Items 3 and 4)
Mr S S Mundy (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 week beginning 19 October.

Arms Control

THE FOREIGN AND COMMONWEALTH SECRETARY said that it appeared that the Opposition intended to use the Second Reading of the Arms Control and Disarmament (Privileges and Immunities) Bill as an occasion for a major debate on arms control.

The
Legislative
Programme

THE LORD PRESIDENT OF THE COUNCIL said that a number of Bills would be ready for early introduction in both the House of Commons and the House of Lords. The management of the legislative programme was largely dependent on making early progress with the three major Bills - Housing, Education and Rates Reform. It was already clear that the preparation of the Rates Reform Bill was taking longer than had been hoped, and this made it vital that the Housing and Education Bills should be introduced on the agreed timetable.

Previous
Reference:
CC(87) 23.5

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he hoped that it would be possible to include provisions in the present Session's Housing Bill on as many as possible of the topics which the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Local Government Finance had contemplated. In order to respond to the timetable for introduction of the Bill, he had devised a simplified approach on the proposals for giving council tenants the right to opt for new landlords, and had also trimmed his proposals on improvement grants. He was in consultation with his colleagues over these new proposals.

The Cabinet -

Took note.

HOME AFFAIRS

Peterhead
Prison

2. THE SECRETARY OF STATE FOR SCOTLAND said that two prison officers at Peterhead Prison had been taken hostage on 28 September. One had been released the following day but his colleague, who had displayed remarkable courage, was still being held. About 50 prisoners had been involved in the original disturbance but only three, all of whom were extremely dangerous, now remained. It appeared that a constructive dialogue had been established with them that morning, and he was therefore hopeful that there would be a peaceful end to the incident.

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Wandsworth
Prison

THE HOME SECRETARY said that, as part of an industrial dispute at Wandsworth Prison, prison officers there were refusing to take in new inmates and this was making it necessary to accommodate prisoners in police cells.

West Glamorgan
Fire Authority

THE HOME SECRETARY said that he was in touch with the Secretary of State for Defence and had alerted the Civil Contingencies Unit about the possibility that action might be needed to deal with a dispute over manning in the West Glamorgan Fire Authority. It might become necessary to authorise the deployment of "Green Goddess" fire appliances later that day.

Coal Industry

Previous
Reference:
CC(87) 26.1

THE SECRETARY OF STATE FOR ENERGY said that the National Union of Mineworkers (NUM) had begun an overtime ban the previous week. Their President, Mr Arthur Scargill, had tried to escalate the dispute, but it was clear that NUM members had little stomach for further industrial action. The Leader of the Opposition had endorsed Mr Scargill's approach of seeking to preserve the system of pit umpires. However, this system had been used on only about 40 occasions in the previous 10 years. Most aggrieved mineworkers preferred to take their cases to industrial tribunals because this route provided them with a further avenue of appeal and Mr Scargill was thus seeking to revive a system from which his members had turned away. The Union of Democratic Mineworkers was reported to be making successful efforts to recruit new members. Coal stocks were high and had not been affected by the dispute.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Arms Control

Previous
Reference:
CC(87) 26.2

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the meeting between the United States Secretary of State, Mr George Shultz, and the Soviet Foreign Minister, Mr Eduard Shevardnadze, in Washington on 15-17 September had confirmed the political impetus behind an agreement on the elimination of intermediate range land based nuclear missiles (INF). It had been agreed that warheads would be rendered inoperable as part of an INF agreement. The agreement would completely exclude "third party" systems. Agreement had yet to be reached between the United States and the Soviet Union on verification; the United States were consulting Allies closely and agreement among them on the details of verification was virtually complete. Mr Shultz hoped to finalise an agreement when he visited Moscow in the third week of October. It would be difficult to resolve all outstanding details by then, but both sides were under political pressure to conclude an agreement.

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THE PRIME MINISTER, summing up a brief discussion, said that the essential point, which would be readily understood by the public, was that when the Soviet Union had made moves to install intermediate range nuclear missiles the West had been resolute in making clear that it would respond by deploying its own intermediate range missiles. It was only because the West had stood firm that the Soviet Union was now prepared to contemplate an agreement removing this category of weapon. Attempts by the anti-nuclear lobby in the United Kingdom to claim credit for the agreement should not be allowed to gain credence. Nor should suggestions that the agreement was evidence of positive change in Soviet foreign policy.

Iran/Iraq War

Previous

Reference:

CC(87) 27.2

THE FOREIGN AND COMMONWEALTH SECRETARY said that, thanks in large measure to the United Kingdom's efforts over recent months, there was encouraging agreement among the Permanent Members of the United Nations Security Council on the next steps towards ending the Gulf war: that the United Nations Secretary General, Mr Perez de Cuellar, should continue his effort to obtain the implementation of Security Council Resolution 598 and that work should begin on measures to enforce the Resolution. It was a considerable prize to have persuaded the Soviet Union and China to accept the latter point. The recent visit to Tehran by Mr Perez de Cuellar had elicited some slight development in Iran's attitude, with the dropping of her insistence on the overthrow of the President of Iraq, Mr Saddam Hussein. But there was also evidence of a harder line in the Iranian regime, notably the uncompromising address to the United Nations General Assembly by the Iranian President, Mr Ali Khamenei, the Iranian attack on 21 September on the British flagged tanker "Gentle Breeze", Iran's mining of the Gulf and her threats of reprisal against the United States for the attack on 21 September on the minelayer "Iran Ajr". The prospects for a ceasefire were not promising, but it was important to maintain pressure on both Iran and Iraq. The Soviet Union was seeking to make political capital out of the situation, by criticising the western naval presence in the Gulf and by proposing the establishment of a United Nations naval peace-keeping force. He was sceptical as to the results of the pressures for an end to the war, but would continue to pursue it as the best hope of achieving progress.

It was noteworthy that there had been a meeting during the General Assembly of the Foreign Ministers of the five Permanent Members of the Security Council; this had not happened since 1972.

THE SECRETARY OF STATE FOR DEFENCE said that the Royal Navy's Armilla Patrol in the Gulf was operating successfully. British minesweepers had begun operations but no mines had been detected. The Royal Navy's operations were being co-ordinated with those of the Belgian and Dutch Navies. The French were so far being less co-operative and he would take this up with the French Defence Minister, Monsieur André Girard, later in that day. The attack on the "Gentle Breeze" might not have taken place had the Master sought naval advice beforehand about the route to take in the Gulf.

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In discussion, it was noted that the idea of a United Nations naval force was not practicable; and that the attack on the "Gentle Breeze" had provided the opportunity to close the Iranian Military Procurement Offices in London; the Federal Republic of Germany had given an assurance that it would not agree to the relocation of the Offices there.

Fiji
Previous
Reference:
CC(87) 20.4

THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation in Fiji was unclear, following the second coup on 25 September by Colonel Sitiveni Rabuka. There were signs of a power struggle between supporters of the Fijian Nationalist Movement, Taukei, and members of the Armed Forces who were attempting to sustain loyalty to the Crown, especially following the firm statement by Her Majesty The Queen. Although Colonel Rabuka had agreed the previous day to meet political leaders on 5 October under the Governor-General's chairmanship, he was reported earlier that morning to have abrogated the constitution and to have declared himself as Head of State. The Governor-General was displaying tenacity and courage in refusing to accept Colonel Rabuka's action.

In discussion, it was noted that, were Fiji to become a Republic, her continued membership of the Commonwealth would be dependent on no other member objecting.

Meeting of
Commonwealth
Finance
Ministers

THE CHANCELLOR OF THE EXCHEQUER said that the Commonwealth Finance Ministers had met in Barbados on 23-24 September. A greater sense of realism had been detectable than at previous meetings. Several countries now appeared to accept that their economic problems were self-induced and that the remedy lay in their own hands. The meeting had endorsed the United Kingdom's proposals for tackling the debt problems confronting the poorest countries in Sub-Saharan Africa.

Meeting of the
International
Monetary Fund
and the World
Bank

THE CHANCELLOR OF THE EXCHEQUER said that he had attended the annual meeting of the International Monetary Fund (IMF) and the World Bank in Washington from 25 to 30 September. In discussion of the debt problems confronting the poorer countries, the United Kingdom's proposals had commanded some support, but there had been reservations about the suggestion that there should be concessionary interest rates. The British initiative had prompted the IMF to put forward their own proposals, which were more widely targeted and were attracting widespread support. It was important that there should be agreement on this issue by the end of that year. The middle-income debtor countries in Latin America were a cause for concern, especially Argentina and Brazil, although there was no likelihood of any country defaulting, either unilaterally, or in a concerted action. Encouragingly, Mexico's economic position was improving thanks to the privatisation programme and the resulting reversal of the outflow of

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capital. The announcement by the United States President, Mr Ronald Reagan, of his intention to sign the Gramm-Rudman Bill, which was aimed at curbing public expenditure, had been well received, as had been the reaffirmation by the Group of Seven of the Louvre Accord of February 1987, which was designed to stabilise exchange rates.

In discussion, concern was expressed about the level of debt in South America; there was a danger that this might be exploited by the Soviet Union which was pursuing a more active role in the area, typified by the current visit by the Soviet Foreign Minister and by the planned visit the following year by the General Secretary of the Communist Party, Mr Mikhail Gorbachev.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Agriculture

4. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that at its meeting on 21-22 September the Agriculture Council of the European Community had had its first substantial discussion of the Commission's proposals for agricultural stabilisers. In most areas he had strongly supported the Commission: many of their ideas were similar to those put forward by the United Kingdom in the Community the previous July, though some did not go as far. He had, however, firmly restated the United Kingdom's opposition to the oils and fats tax, on which the Commission continued to maintain its proposal. Wider opposition to the stabiliser proposals was expressed by the Germans, the French, the Mediterranean countries and the Republic of Ireland and it was clear that there would be a big battle ahead to ensure that sufficient progress would be made on stabilisers in preparation for the European Council in December.

Fisheries

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that the Fisheries Council on 29 September had agreed a number of minor decisions which had been acceptable to the United Kingdom.

Steel

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that the Industry Council on 21 September had considered for the first time the Commission's proposals for the steel regime that would replace the Community's system of quotas for most categories of product, due to end in December 1987. After a difficult discussion it had been recognised that the Community must commit itself to a process of restructuring which would reduce the present excess of steel-making capacity. The main need was to put pressure on the Federal Republic of Germany to make cuts in capacity. The technique chosen was the appointment of Three Wise Men to report by mid-November on how adequate

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commitments to restructuring might be obtained. It was likely that the resumed Council in December would be a long and difficult one. His aim would be that, if in the end it was found necessary to carry forward a system of quotas, the position of the British Steel Corporation, which was adversely affected by present quotas, should be safeguarded and improved. He would keep his colleagues informed.

Airbus
Industrie

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that he had been taking a lead in encouraging the Ministers of the countries concerned with Airbus, especially the Federal Republic of Germany and France, to work closely with Commissioner de Clercq in dealing with complaints from the United States about Government launch aid for Airbus Industrie. Both the United States Administration and the United States manufacturers, McDonnell Douglas and Boeing, were restive and a move by Boeing might trigger United States action against individual member states or the Community. The United Kingdom and the Commission were at one in seeking ways of satisfying the United States on the application and effect of the launch aid and of avoiding this issue being added to other trade issues currently in dispute. But the French and German Governments were more defensive; the latter Government in particular recognised that the generosity of its terms for launch aid made it vulnerable. In advance of a critical meeting later in October between Commissioner de Clercq and the Airbus Ministers on the one hand and the United States Trade Representative on the other, he would be grateful for the assistance of the Foreign and Commonwealth Office in helping to pave the way both in the United States and in France and Germany for a constructive dialogue.

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had already spoken to the United States Secretary of State, to draw his attention to the issue and the need to avoid it becoming caught up in a process of retaliation and counter-retaliation. He would consider further diplomatic steps.

The Cabinet -

Took note.

Cabinet Office

1 October 1987

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