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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 5 NOVEMBER 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 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 Mackay of Clashfern
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 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 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

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon David Waddington QC MP
Parliamentary Secretary, Treasury

The Hon Peter Brooke MP
Paymaster General

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SECRETARIAT

Sir Robert Armstrong
Mr C L G Mallaby (Item 3)
Mr R T J Wilson (Items 1 and 2)
Mr R G Lavelle (Items 3)
Mr A J Langdon (Items 1 and 2)
Mr S S Mundy (Items 1 and 2)

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WELCOME TO
THE PAYMASTER
GENERAL

1. THE PRIME MINISTER said the Cabinet would wish to welcome the Paymaster General who in future would regularly attend the meetings of the Cabinet.

The Cabinet -

Warmly endorsed the Prime Minister's welcome to the Paymaster General

PARLIAMENTARY
AFFAIRS

2. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

Space
Research:
The European
Space Agency

THE PRIME MINISTER said that she noted that a meeting of the European Space Agency would take place the following week. There might be considerable Parliamentary interest. On his return from the meeting, the Chancellor of the Duchy of Lancaster should circulate to her and other colleagues most closely concerned, a note of the outcome of the meeting and the text of any statement he might wish to make.

Previous
Reference:
CC(87) 25.4

The Cabinet -

1. Took note, with approval, of the Prime Minister's remarks and invited the Chancellor of the Duchy of Lancaster to proceed accordingly.

British
Airways
and British
Caledonian

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the report of the Monopolies and Mergers Commission on the proposed merger of British Airways with British Caledonian would be made public the following week.

Previous
Reference:
CC(87) 26.1

THE PRIME MINISTER, summing up a brief discussion, said that it was not the Government's practice to volunteer a statement on a report by the Monopolies and Mergers Commission and it would not be right to set a precedent on that occasion. There was to be a debate in the House of Commons on 11 November on an Opposition Motion on transport, and the Secretary of State for Trade and Industry should consult the Secretary of State for Transport on the timing of the publication of the Commission's report.

The Cabinet -

2. Took note, with approval, of the Prime Minister's summing up and invited the Secretaries of State for Trade and Industry and for Transport to proceed accordingly.

Criminal
Justice
Bill
Previous
Reference:
CC(87) 30.2

THE HOME SECRETARY said that Committee Stage in the House of Lords of the Criminal Justice Bill had been completed earlier that week. He was giving further consideration to the handling of his proposals for abolishing the prima facie rule in extradition proceedings in the light of the opposition expressed in the debates and he was in touch with the Lord President of the Council on this. The Government had secured approval for a number of proposals which were potentially contentious, including those on lenient sentences, peremptory challenge of jurors and the possession of knives in public places. The Bill was therefore in good shape and he wished to place on record his gratitude to the Government spokesmen and Business Managers in the House of Lords on achieving this satisfactory result.

The Cabinet -

3. Took note.

FOREIGN
AFFAIRS

Middle
East
Previous
Reference:
CC(87) 17.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that he had visited Egypt from 29 October to 1 November and Jordan from 1 to 3 November. The President of Egypt, Mr Hosni Mubarak, had been in robust form; he had expressed determination to tackle Egypt's economic problems. King Hussein of Jordan had been in a different mood. He was disappointed, as indeed was the Egyptian Government, at the attitude of the United States towards the proposal for an international conference about peace in the Middle East. King Hussein saw this as leaving a worrying degree of scope for Soviet diplomacy. King Hussein had been very grateful for new British moves in support of Jordan, including a capital aid loan and more money for scholarships and military training.

The Persian
Gulf
Previous
Reference:
C(87) 29.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that his recent visit to Egypt and Jordan had shown that the situation in the Gulf was having a negative influence on the mood in the Middle East generally. That was why King Hussein of Jordan would try, at the Summit meeting of Arab countries on 8 November, to secure a resolution in support of enforcement of Resolution 598 of the United Nations Security Council, which had called for an end to hostilities in the Gulf. It had been clear from his talks in Egypt and Jordan that there was frustration in those countries at the lack of unity among the Arab countries, even among those in the Gulf area itself, about the attitude to be taken to the Iran/Iraq war. In Cairo and Amman, he had pointed out the disadvantages of the Soviet proposal of a United Nations naval force in the Gulf. The efforts of the United Nations Secretary General to make progress towards implementation of Security Council Resolution 598 were not going well. Iran and Iraq had given disappointing responses to the Secretary General's detailed plan for implementation of the Resolution.

The Secretary General was looking to the permanent members of the Security Council for help, and the United Kingdom was trying to maintain the momentum.

Pakistan
Previous
Reference:
CC(87) 14.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Foreign Minister of Pakistan, Mr Yaqub-Khan, had resigned, partly for reasons connected with his recent decision to withdraw his candidature for the post of Security General of the United Nations Educational, Scientific and Cultural Organisation (UNESCO). His resignation was a pity; he had been an impressive figure, dealing firmly with the Soviet Union over Afghanistan and contributing to the maintenance of United States confidence in the Government of Pakistan.

Arms Control
Previous
Reference:
CC(87) 28.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the meeting of Defence Ministers of the North Atlantic Treaty Organisation on 3 and 4 November in California, from which the Secretary of State for Defence had not yet returned, had considered the consequences of the prospective agreement between the United States and the Soviet Union of the elimination of intermediate range nuclear missiles in Europe. The meeting had affirmed the support of the Alliance for the proposed agreement. The media had surprisingly treated this as a change of position by European members of the Alliance, although these had consistently supported an agreement. It was to be hoped that the endorsement by the meeting of the proposed agreement would influence the United States Congress when it came to consider ratification.

Agreement had now been reached between the United States and the Soviet Union on a Summit meeting between their leaders, which would start on 7 December in Washington. The proposed agreement on intermediate range nuclear missiles would be signed. There was a prospect of a further Summit meeting between them in the first half of 1988; there were hopes that an agreement might then be signed on reductions in the strategic nuclear weapons held by the United States and Soviet Union, but these hopes might be unrealistic.

Soviet Union
Previous
Reference:
CC(87) 6.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the recent changes in the Soviet position regarding a Summit meeting with the United States were puzzling. One factor had probably been that the General Secretary of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev, had felt constrained by debates that were taking place in the senior levels of the Communist Party. His speech on 2 November on the 70th anniversary of the October Revolution had been more reticent on the history of the Stalin period and on openness (glasnost) in Soviet life than might have been expected. This might be due in part to the

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celebratory nature of the occasion. But there might also be a group in the Politburo of the Party which was arguing that change should not take place too rapidly.

State Visit
of the
President of
Italy

THE FOREIGN AND COMMONWEALTH SECRETARY said that the President of Italy, Signor Francesco Cossiga, would address members of both Houses of Parliament at noon on 18 November, during his State Visit to Britain. It was desirable that as many members of the Cabinet as possible should attend this occasion and that other Members of Parliament should be encouraged to do so.

United
States
Budget
Deficit

THE CHANCELLOR OF THE EXCHEQUER said that the markets were still nervous, with continuing weakness in share prices and loss of confidence in the dollar. Domestically the interest rate reduction on the previous day had been helpful, but institutional buyers were still biding their time. The key underlying factor in the market situation was the problem of the United States budget deficit. Although this problem had existed for a long time, and some action had been taken in the previous year to tackle it, it had only recently become a market factor with the build-up of the overseas debt of the United States and rising debt interest. He was in close touch with the United States Secretary of the Treasury, Mr James Baker, who was at present giving virtually all his time to discussions with Congress on reduction of the deficit. The composition as well as the size of measures to reduce the deficit would be of significance in the markets. He was also in touch with other leading Finance Ministers. But until there was a resolution of the deficit discussions in Washington there was no point in convening a wider meeting to take stock of the position.

The Cabinet -

Took note.

Cabinet Office

5 November 1987

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