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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 26 NOVEMBER 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 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 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 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

Mr C L G Mallaby
Mr R G Lavelle (Items 3-5)
Mr A J Langdon (Items 1 and 2)
Mr N H Nicholls (Items 3-5)
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 following week.

Firearms
White Paper

THE HOME SECRETARY said that he proposed to make a statement in the House of Commons the following week to coincide with the publication of the White Paper on firearms. He hoped to bring forward a Bill before Christmas to give effect to the proposals, which would amount to a considerable strengthening of the law. He expected that the police would broadly welcome his proposals, although both they and the Opposition would press him to go further in certain areas, in particular to bring shotguns within the controls in Section 1 of the Firearms Act 1968. On the other hand, his proposals on shotguns were seen as severe in rural communities and firearms interests had made vigorous representations against a number of the proposals. There might be some difficulties with Government supporters.

The Cabinet

Took note.

HOME AFFAIRS

Youth
Training
Scheme

2. THE SECRETARY OF STATE FOR EMPLOYMENT said that members of the Civil and Public Servants Association in his Department had voted by a narrow majority to take industrial action the following day in protest against the operation of the Youth Training Scheme (YTS) within his Department. Some sporadic action could be expected, concentrated in London and Scotland. Clearly this would not affect the Government's commitment to press on with the recruitment of YTS trainees in the public service. The record of the public sector in taking on YTS recruits had been very poor: only 2,000 were employed in central Government and a further 4,000 in the remainder of the public service. It was important that the Government should not be seen to be dragging its feet at a time when it was pressing the private sector to increase its commitment to training. He would wish to pursue with colleagues how best to secure an expansion of YTS within the public sector.

The Cabinet -

1. Invited the Secretary of State for Employment, in consultation with the Minister for the Civil Service, to consider how best to secure substantial expansion of the Youth Training Scheme within the public sector.

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Industrial
action by
postal
workers
previous
reference:
C(87) 33.2

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that the Post Office management had made clear that they would consider reductions in the working week for postal workers only as part of a package involving new productivity arrangements and revision of the present bonus scheme. The Union of Communication Workers, whose executive were meeting that day to consider their response, were a divided Union with no clear policy on the matter as yet. In all probability, the Union would not accept the management proposals, and there was therefore a threat of disruption to postal services. If matters got that far, the timing of any suspension of the Post Office monopoly would be a matter for fine judgment.

private
rented
housing

THE SECRETARY OF STATE FOR SCOTLAND said that the Nationwide Anglia Building Society had announced the previous day that it proposed to invest £600 million in private rented housing focussing first on Glasgow, Liverpool, Dundee, Newcastle-upon-Tyne and other urban areas. This demonstrated that the proposals in the Housing Bill and the forthcoming Housing (Scotland) Bill for deregulating the private rented sector could be expected to stimulate massive investment in private rented housing. In addition, the involvement of a leading building society gave the lie to the allegation that the regeneration of the private rented housing sector would bring a return of "Rachmanism".

The Cabinet -

2. Took note.

FOREIGN
AFFAIRS

ns
control
previous
reference:
(87) 31.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that, at their meeting in Geneva on 23 and 24 November, the United States Secretary of State, Mr George Shultz, and the Soviet Foreign Minister, Mr Eduard Shevardnadze, had resolved the issues outstanding in the negotiations on the elimination of ground-based Intermediate-range Nuclear Forces (INF). This was most welcome. In particular, agreement had been reached on the details of the notes to be exchanged between INF basing countries in Western Europe and the Soviet Union governing inspection of bases in these countries. This was important for British sovereignty and security; under the proposed Treaty, the bases at Greenham Common and Molesworth would be liable to inspection over a period of 13 years. The Treaty was likely to be signed on 7 December, at the start of the meeting in Washington between the President of the United States, Mr Ronald Reagan, and the General Secretary of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev. The Basing Country Agreement between the United States and the five European countries concerned would probably be signed during the Ministerial meeting of the North Atlantic Council on 11 and 12 December, followed by exchanges of notes with the Soviet Union later in the month. Mr Shultz had stressed the importance of European support for the proposed INF Treaty; this would assist the prospects for ratification in the Congress. The two Foreign

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Ministers had agreed that the sessions on arms control at the forthcoming Summit meeting in Washington would focus on the Strategic Arms Reduction Talks between the United States and the Soviet Union. There were reports of signs of Soviet flexibility on the sub-limits to apply to categories of nuclear systems, but there were considerable difficulties over verification. There would probably be considerable discussion of regional problems at the Summit, including Afghanistan, the Persian Gulf and Angola.

In discussion, it was noted that removal of INF would be phased over three years. Missiles would be withdrawn from Molesworth at an early stage and subsequently from Greenham Common. The Soviet Union was reported to have declared a higher number of missiles than had been expected; until the facts were clear, it would be prudent to refrain from publicly citing a figure for the number of Soviet missiles that would be destroyed.

Eastern
Europe

THE FOREIGN AND COMMONWEALTH SECRETARY said that there were signs of growing unease in Eastern Europe. Riots were reported to have taken place in Romania, where there were severe food shortages, 10 days previously. There was mounting tension in Poland, where a referendum was to be held on 29 November on a package of economic measures which would include price rises. In Hungary, the leadership, which had hitherto moved relatively far in implementing economic reforms, was clearly concerned at the implications of the recent dismissal of Mr Boris Eltsin from the leadership of the Moscow Communist Party. Yugoslavia continued to experience economic difficulties: a package of strong austerity measures had been proposed, but it was doubtful that the Government possessed the cohesion to force them through. It would be necessary carefully to monitor events in Eastern Europe.

Bangladesh

THE FOREIGN AND COMMONWEALTH SECRETARY said that a series of strikes and demonstrations were taking place in Bangladesh. The President, Mr Hussain Ershad, had secured a two-thirds Parliamentary majority in 1986 through rigged elections, and opposition groups regularly took to the streets. The Government had acted firmly and the President would remain in power so long as he continued to have the Army's confidence.

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Libyan
support for
terrorism
previous
reference:
C(87) 32.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that, at the meeting of the Foreign Affairs Council on 23 November, he had drawn attention to the seizure of arms from the Merchant Vessel Eksund on 30 October, which demonstrated the scale of Libyan support for terrorism. He had stressed the need for vigorous action and enhanced co-operation on measures to combat terrorism and to exert pressure on Libya. Both France and the Irish Republic had expressed support.

North Sea

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the outcome of the Second International Conference on the Protection of the North Sea, held in London under his chairmanship on 24 and 25 November, had been satisfactory. There was to be a 50 per cent reduction in emissions of dangerous substances into rivers by 1995. This was most important: contrary to the public impression that the United Kingdom was the main culprit, continental rivers accounted for more than half of riverborne pollution of the North Sea. Incineration of waste at sea was to cease by the end of 1994 and there was to be an early end to the dumping of harmful liquid industrial waste; neither measure would cause the United Kingdom difficulty. The United Kingdom would be able to continue dumping treated sewage sludge, although the amount of metals was to be further controlled, and to continue tipping inert colliery waste into the sea off the Durham coalfield. All the United Kingdom's objectives in respect of radio-active waste had been achieved.

THE PRIME MINISTER, summing up a short discussion, said that the Cabinet would wish to congratulate the Secretary of State for the Environment on his chairmanship of the Conference.

Japan
previous
reference:
C(87) 32.3

THE SECRETARY OF STATE FOR WALES said that he had visited Japan from 15 to 20 November, with the object of encouraging Japanese investment in Wales. In the light of the recent budgetary difficulties in the United States and the fall in the United States stock market, Japanese interests were contemplating investing more heavily in Western Europe. The United Kingdom's standing was high: there was great respect for the Prime Minister and admiration for the firmness shown by the Chancellor of the Exchequer in the wake of the United States' recent financial difficulties. There was growing recognition that London ranked with Tokyo and New York as a major world financial centre. It was important to capitalise on this, in the interests of establishing a fuller relationship between Japan and Europe. The visit to Japan by the Foreign and Commonwealth Secretary in January 1988 would be important in this regard.

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Republic of
Ireland
Previous
Reference:
C(87) 32.2

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the Prime Minister's attendance at the postponed Remembrance Parade at Enniskillen in Northern Ireland on 22 November had been enormously appreciated by people of all political persuasions; the event had secured widespread television coverage and made a great impact.

On 23 November, following receipt of intelligence of largescale arms shipments to the Irish Republic, the authorities there had set in train their largest ever search for arms. To date the sole result had been the arrest of two prisoners who had escaped from the Maze Prison and the discovery of a small number of weapons. It would be humiliating for the Irish Government if the operation did not produce significant results. Such a failure would have profound implications, and the United Kingdom would be well placed to bring even greater pressure on the Irish Government to take effective measures against terrorism.

The Irish Government had decided to support ratification of the European Convention on the Suppression of Terrorism, but intended to attach unsatisfactory qualifications which would introduce what amounted to a prima facie requirement. For extradition to take place in each case, the Irish Attorney General would have to state that sufficient evidence existed and a prosecution was intended in the United Kingdom. The Irish Prime Minister, Mr Charles Haughey, believed that a statement on these aspects by the Attorney General in Britain would provide a sufficient basis for the necessary statement by the Irish Attorney General. But the Irish Attorney General himself thought that the Irish courts would seek to go deeper into the questions of evidence and probability of prosecution. The system was therefore likely to go wrong before long. There would be an arrangement for its review after a year, if necessary. The result of the changes would be that arrangements in the Irish Republic for extradition to the United Kingdom would be worse than before, and worse in some ways than the Republic's arrangements for extradition to other European countries. He proposed to take up one aspect of the matter again with the Irish Foreign Minister, Mr Brian Lenihan, and would consult the Attorney General. He had circulated to colleagues the draft of a critical public statement to be made by the Government.

The Prime Minister, summing up a short discussion, said that the position of the Irish Government was most unsatisfactory. The Government's public line would have to be critical.

The Cabinet -

Took note.

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COMMUNIT
AFFAIRS

Foreign
Affairs
Council

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that at its meeting on 23-24 November the Foreign Affairs Council had come close to agreement on a framework regulation covering permitted levels of radioactivity for food stuffs in the event of a nuclear accident. The Council had agreed a mandate for a trade agreement with the Gulf States. This provided for a most favoured nation agreement, with the possibility of more far-reaching arrangements at a future stage. Consideration had been given to political subjects for the European Council. Agreement had been reached on a proposal to issue a firm and clear statement in support of the agreement between the United States and the Soviet Union on the elimination of intermediate-range ground-based nuclear missiles, as well as a short statement on Afghanistan.

Agriculture

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that discussion of agricultural stabilisers in the Agriculture Council had broken up early that morning without agreement. Despite protracted discussions over the past week including two all night sittings, no real momentum had been achieved. The Presidency had sought to indicate that the differences related only to cereals and oilseeds, but in reality they went much wider. The Federal Republic of Germany appeared to remain implacably opposed to an agreement. France had put forward alternative proposals, the effect of which would be to limit the effectiveness of stabilisers and to benefit French oilseed interests. The United Kingdom, the Netherlands and the Commission had stood firm. The Presidency's proposals had been weaker than those of the Commission, but the Presidency had at least held to them. However, only Portugal had indicated willingness to settle on that basis. The United Kingdom's unequivocal stand had, subject to expression of concern in relation to sheepmeat, received support from all parties in debate in the House of Commons on the previous evening.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Commission had been putting the United Kingdom case and it had had the best of the argument. British spokesmen had made clear the areas where progress had been unsatisfactory. The difficulty was to persuade others to face up to the consequences of the necessary reform. In particular it was unclear whether the Germans had thought through their position and whether they would ultimately alter their position. The prospects for a settlement at the European Council the following month did not look promising, but we should continue to make a determined effort to achieve one.

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FINANCIAL
AFFAIRS

United States
Budget
Deficit

Previous
Reference:
CC(87) 33.5

5. THE CHANCELLOR OF THE EXCHEQUER said that agreement had been reached between the United States Administration and Congress on measures to reduce the United States budget deficit shortly before the deadline set by the Gramm Rudman legislation. They totalled \$30 billion in the first year and \$46 billion in the second year, made up of expenditure cuts (of which a third related to defence) tax increases and asset sales. An early agreement on these lines would have been well received by the markets. With the combination of delay and total reductions not much in excess of those required by the Gramm Rudman legislation, the markets had been less impressed. The United States Secretary of the Treasury had nevertheless done well to conclude an agreement, given difficulties with Republicans as well as Democrats in the negotiations. The position was still precarious. The agreement had to be approved by Congress as a whole and it was by no means clear that this would be achieved. Failing agreement, the Gramm Rudman arrangements would take effect. Such an outcome, if it occurred, would be seen by the markets as additional evidence of failure by the Administration and would come about against a background of the further recent weakening of the dollar.

The Cabinet

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Cabinet Office

26 November 1987

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