

CONFIDENTIAL

BV

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

COPY NO

76

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 14 JANUARY 1988
at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

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 Moore MP
Secretary of State for Social Services

The Rt Hon John Wakeham MP
Lord President of the Council

The Rt Hon The Lord Belstead
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

CONFIDENTIAL

SECRETARIAT

Sir Robin Butler
Sir Christopher Mallaby (Items 5 and 6)
Mr R G Lavelle (Items 5 and 6)
Mr A J Langdon (Items 1-4)
Mr S S Mundy (Items 1-4)

C O N T E N T S

Item	Subject	Page
1.	LORD WHYTELAN	1
2.	MEMBERSHIP OF THE CABINET	1
3.	PARLIAMENTARY AFFAIRS	1
	The National Health Service	1
	Hong Kong	2
	Protection of Official Information Bill	2
4.	HOME AFFAIRS	
	Unemployment	3
5.	FOREIGN AFFAIRS	
	Afghanistan	3
	Israel and the Occupied Territories	3
	Hostages in Lebanon	4
	Japan	4
	Prime Minister's Visit to Kenya and Nigeria	5
6.	COMMUNITY AFFAIRS	
	Future Financing	5

LORD WHITELAW

1. THE PRIME MINISTER said that the Cabinet were saddened by Lord Whitelaw's resignation, on health grounds, earlier that week. Lord Whitelaw had made an immense and unique contribution to the political life of this country, and to the success of the Government. Her colleagues would wish to join her in acknowledging his achievements, his wise counsel, and the warmth and friendliness that he had brought to all his work in government.

The Cabinet -

Warmly endorsed the Prime Minister's remarks, and instructed the Secretary of the Cabinet to arrange for them to be conveyed to Lord Whitelaw.

MEMBERSHIP
OF THE
CABINET

2. The Cabinet welcomed the Lord Privy Seal as a new member following Lord Whitelaw's resignation, and also welcomed Sir Robin Butler as their Secretary.

PARLIAMENTARY
AFFAIRS

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

The National
Health
Service

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that he had the previous day seen the Presidents of the Royal Colleges of Physicians, of Surgeons and of Obstetricians and Gynaecologists to discuss spending on the health service. He had made it clear to them that the published public expenditure figures already committed the Government to significant additional spending on health and he had not offered any commitment of public funds beyond that. He had also drawn the Presidents' attention to the importance that the Government placed on generating other new resources for health spending, as indicated by the Health and Medicines Bill currently before Parliament. He had asked for the three Presidents' thoughts on all these matters, and he would revert to these topics in his speech in the debate the following week on an Opposition motion on the health service.

THE PRIME MINISTER, summing up a brief discussion, said that the Government had made a huge extra investment in the health service, and had a very good story to tell. The boundaries of practicable medical treatment were, however, constantly expanding, so crude yearly figures on such matters as waiting-lists did not compare like with like. Another factor bearing on waiting-lists was likely to be the changing practice of general practitioners, who now referred many patients to hospitals whom they would formerly have treated themselves. Hospitals also varied in the efficiency with which they managed occupancy. It was

easy for the true picture to become distorted among so many variables. Simple, easily understood factual indicators of the genuine improvement in the health services should be developed, to help the Government maintain a consistent and positive approach.

The Cabinet -

1. Invited the Secretary of State for Social Services to be guided by the Prime Minister's summing up of the discussion.

Hong Kong

THE FOREIGN AND COMMONWEALTH SECRETARY said that the debate the following week on the White Paper on the Annual Report on Hong Kong would require careful handling. It would raise the sensitive issue of the prospects for direct elections in Hong Kong before 1997, but the Government would not be able to make any announcement about this in advance of the publication by the Hong Kong Government the following month of a White Paper on the subject. He was taking steps to ensure that the Opposition spokesmen on foreign affairs were aware of the position. He had secured the agreement of the Government of China to make provision in their law for direct elections, but great care would need to be taken to ensure that this agreement held firm.

Protection
of Official
Information
Bill

THE HOME SECRETARY said that the handling of the following day's debate on the Second Reading of Mr Richard Shepherd's Protection of Official Information Bill was bound to be difficult. He had sought to explain to Government supporters and the media that Ministers had for some time been engaged in good faith in a very serious examination of the best way to reform Section 2 of the Official Secrets Act and that it was intended to publish a White Paper in June with a view to early legislation thereafter. He had particularly emphasised to Government supporters that it was important that the Bill should not make progress since discussion of a Bill of this nature in Standing Committee would be bound to be dominated by those who would use the occasion to raise issues relating to security.

The Cabinet -

2. Took note.

HOME
AFFAIRS

Unemployment

Previous
Reference:
CC(87) 37.3

4. THE SECRETARY OF STATE FOR EMPLOYMENT said that the unemployment figures for December would be published that day. The seasonally adjusted total had fallen by about 35,400 since October. This was the 18th consecutive month in which this total had fallen, with unemployment having fallen by over 500,000 in the previous 12 months and over 300,000 in the previous 6 months. Unemployment had continued to fall throughout the country, with the largest reductions occurring in the West Midlands, Wales, the North West and the North. The rate of unemployment was now below that of many other European countries, including France, Belgium, the Netherlands, Spain and the Republic of Ireland. The unadjusted total had risen by about 10,000 in December, but this was attributable to seasonal factors. The employed labour force had grown by 84,000 in the third quarter of 1987. Unfilled vacancies at job centres had fallen by 11,600 in December; but it was doubtful whether this reflected any real reduction in the number of vacancies in the economy as a whole. A matter for concern was that average earnings had increased for the second successive month and now stood at 8¹/₄ per cent. It was important that the growth in earnings should be restrained so as to avoid undermining the otherwise excellent prospects for employment.

The Cabinet

Took note.

FOREIGN
AFFAIRS

Afghanistan

Previous
Reference:
CC(87) 32.3

5. THE FOREIGN AND COMMONWEALTH SECRETARY said that there was a lot of diplomatic activity following the visit of Mr Armacost of the United States State Department to Pakistan. The Soviet Union had claimed a military success in relieving the town of Khost, which had been under siege by the Afghan resistance. Whatever the truth of this claim, the Soviet forces in Afghanistan were under sustained pressure from the resistance. The Soviet Union had now named May 1988 for the start of a withdrawal. But a cautious view of Soviet intentions remained in order. Although the Soviet Union might wish to bring its forces out of Afghanistan, its tactic might be to make that dependent on an end to Western and Pakistani "interference" in the country and on the behaviour of the resistance.

Israel and
the Occupied
Territories

THE FOREIGN AND COMMONWEALTH SECRETARY said that tension in the territories occupied by Israel had been growing since late 1987. Some 35 Palestinians had been killed there since early December. The disturbances were probably spontaneous. Attitudes on both sides were hardening. The United Kingdom had urged Israel not to proceed with the deportation of Palestinians from the occupied territories, and this position had been endorsed by the United Nations Security Council on 5 January. Israel had nevertheless deported four Palestinians. The United Kingdom should maintain a balanced position, advocating an international conference on the Arab/Israel problem, and urging the

CONFIDENTIAL

Palestinians as well as the Israelis to renounce violence. That had been the position put forward by the Minister of State, Foreign and Commonwealth Office (Mr David Mellor). There had been some adverse reactions to this during Mr Mellor's visit to the area; but the comparison made by some Israelis between the occupied territories and Northern Ireland was untenable, since Northern Ireland was part of the United Kingdom.

In discussion, the view was expressed that the British position had been made clear and that we should watch events before deciding what further statements might be needed.

Hostages in
Lebanon

Previous
Reference:
CC(87) 27.2

THE FOREIGN AND COMMONWEALTH SECRETARY said that no purpose would be served by the Government's drawing attention to the first anniversary on 20 January of the taking hostage of the Archbishop of Canterbury's Special Envoy, Mr Terry Waite. There were possibly two other British hostages in Lebanon and one dual Irish/British national. There was no public pressure on the Government to change its policy of making no concession to terrorists. If anything, support for the Government's position was growing. Reports in the press that the Church of England had paid out over £10,000 in an attempt to obtain Mr Waite's freedom were misleading; the money had been intended to cover expenses incurred by intermediaries. The Foreign and Commonwealth Office had advised against this arrangement, which now had been abandoned by the Church of England. Meanwhile, there was still no reliable information on Mr Waite's whereabouts.

In discussion, it was agreed that the Government should if necessary state publicly that it had advised the Church of England not to deal with the intermediaries to whom the money had been paid. It was noted that Sinn Fein had tried unsuccessfully at Christmas to obtain the release from Lebanon of the hostage having dual Irish/British nationality.

Japan

Previous
Reference:
CC(87) 34.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had just returned from a useful visit to Japan, where he had held talks with the Prime Minister, Mr Noboru Takeshita, as well as with the Ministers of Foreign Affairs and Finance and others. He had pressed for openness in the trading policies of Japan and for a sense of shared responsibility in dealing with problems of balance in the world economy. He had pressed for reform of the system of agricultural subsidies in Japan. On this, the Japanese Government faced political problems similar to those in Western Europe and North America. He had also raised the problem of Japanese discrimination against imports of whisky, and obtained an undertaking that Japan would put forward detailed proposals to implement the recommendations made by a panel of the General Agreement on Tariffs and Trade (GATT). An example of Japan's continued insensitivity on the

CONFIDENTIAL

question of opening its domestic market was that Mr Takeshita had announced that United States firms would be allowed to bid for contracts in the public sector in Japan but had not alluded to the interest of other non-Japanese firms in such contracts. Meanwhile, British exports to Japan were increasing significantly. Mr Takeshita would probably visit the United Kingdom before the Seven Power Summit in Toronto in June 1988. The United Kingdom should keep up the pressure on Japan for more reasonable economic policies, taking advantage of its position as the leading recipient in Europe of Japanese investment.

Prime
Minister's
Visit to
Kenya and
Nigeria

THE PRIME MINISTER said that during her recent visit to Kenya and Nigeria she had found the President of Kenya, Mr Daniel arap Moi, and the Head of State of Nigeria, General Ibrahim Babangida, reasonable and well-disposed towards the United Kingdom. Large numbers of people had turned out to see the British visitors; in Kano in Northern Nigeria, the crowd had reached one million. Her visits had demonstrated three things. First they had shown that it was possible to maintain their friendship and respect of African countries despite the differences of view on the right means of seeking the dismantling of apartheid, provided the views were reasonably argued and supported by actions. Second, both countries were seriously concerned about Soviet activities in Africa, whether direct or through surrogates. Third, the two countries were very complimentary about the initiative of the Chancellor of the Exchequer concerning the outstanding debt of poorer African countries. The visits had been well worthwhile.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Future
Financing

6. THE FOREIGN AND COMMONWEALTH SECRETARY said that the German Presidency were not yet effectively co-ordinating the follow-up to the Copenhagen Summit. The running had largely been left to the Agriculture Minister, Herr Kiechle, who appeared to be attempting to rewrite the Danish Presidency package on German lines. He had discussed the situation with the Dutch Foreign Minister, Mr van den Broek and it had been arranged that the Dutch Prime Minister, Mr Lubbers, should contact Chancellor Kohl. The British Ambassador in Bonn would also be calling on Chancellor Kohl to follow up the Prime Minister's letter to him on the handling of the future financing review. The United Kingdom should take all practical steps to strengthen the position of moderates in the German Administration. A number of contacts with other member states were also scheduled to take place over coming days. The Anglo-French Summit on 29 January would be of particular importance.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that he had had a meeting with Herr Kiechle on 12 January. It was clear that Herr Kiechle

CONFIDENTIAL

envisaged that the meeting of the Agriculture Council on 18-19 January should not only consider set aside but also reopen the existing stabiliser package with a view to arrangements more in line with German interests. He said that he had made clear that any weakening of the Copenhagen package would be unacceptable and would mean that a successful outcome to the Brussels Council would not be possible. There was some risk that Herr Kiechle would report to his Cabinet colleagues that the majority of member countries would go along with German ideas. He had reminded Herr Kiechle that agreement at Brussels would require unanimity.

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that British Airways had responded civilly to the communication from the European Commission on the merger of British Airways and British Caledonian Airways and he had some hope that this issue could be so resolved.

The Cabinet -

Took note.

Cabinet Office

14 January 1988

CONFIDENTIAL