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CABINET

CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 9 JUNE 1988  
at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP  
Prime Minister

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 John Major MP  
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon David Waddington QC MP  
Parliamentary Secretary, Treasury

The Rt Hon Lynda Chalker MP  
Minister of State  
Foreign and Commonwealth Office

The Rt Hon Peter Brooke MP  
Paymaster General

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SECRETARIAT

Sir Robin Butler  
Mr R G Lavelle (Items 3 and 4)  
Mr P J Weston (Items 3 and 4)  
Mr A J Langdon (Items 1 and 2)  
Mr S S Mundy (Items 1 and 2)

C O N T E N T S

Subject

Page

1. PARLIAMENTARY AFFAIRS

1

Progress of Government Legislation

1

2. HOME AFFAIRS

Electrical, Electronic, Telecommunications and Plumbing Union

1

Civil Service Pay

1

Disturbance at Haverigg Prison

1

Crime

2

Closure of Maze Prison Compound

2

3. FOREIGN AFFAIRS

United States/Soviet Union Summit Meeting

3

Anglo-Iranian Relations

4

Vietnamese Boat People in Hong Kong

5

New Danish Government

5

International Debt

6

Republic of Ireland

7

4. COMMUNITY AFFAIRS

Meeting of the TREVI Ministers, 3 June

7

Capital Liberalisation Directive

8

1988 Agricultural Price Fixing

8

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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.

Progress of  
Government  
Legislation

THE LORD PRESIDENT OF THE COUNCIL said that progress on all the main Government programme Bills was reasonably on target and that, in particular, the Local Government Finance Bill and the Education Reform Bill were on course for Royal Assent before the Summer Adjournment.

The Cabinet -

Took note.

HOME AFFAIRS

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Electrical,  
Electronic,  
Telecommuni-  
cations and  
Plumbing Union

2. THE SECRETARY OF STATE FOR EMPLOYMENT said that it appeared likely that the Electrical, Electronic, Telecommunications and Plumbing Union (EETPU) would be expelled from the Trades Union Congress (TUC) at the Congress in September. The EETPU were canvassing support from non-TUC unions, such as the Union of Democratic Mineworkers, and it was possible that a rival body to the TUC might emerge.

Previous  
Reference:  
C(88) 17.2

Civil  
Service  
Pay

THE CHANCELLOR OF THE EXCHEQUER said that the General Secretaries of the Civil Service unions had agreed to recommend to their members acceptance of an improved offer on London Weighting, which was the main unresolved issue in the current year's pay negotiations, amounting to about 11 per cent in 1988-89 or 14½ per cent on a full-year basis. If, as he expected, the unions' memberships accepted the offer, the Civil and Public Servants Association and the National Union of Civil and Public Servants, which were the two largest Civil Service unions, would have settled for about 4 ¾ per cent, including London Weighting.

Previous  
Reference:  
C(88) 15.2

Disturbance  
at Haverigg  
Prison

THE HOME SECRETARY said that earlier that week a serious disturbance had taken place at Haverigg Prison in Cumbria. Three hundred prisoner places had been lost and three of the prisoners who had escaped remained at large. Contrary to some reports, the prison had been neither overcrowded nor undermanned. The Deputy Director General of the Prison Service was conducting an urgent investigation and, until that had been completed, it would not be possible to determine the causes of the

disturbance. Under the law as it stood, it was not possible to transfer prisoners between England and Wales, Scotland and Northern Ireland in order to ease disparities of accommodation, and there was a case for remedying this situation at the next convenient legislative opportunity.

The Cabinet -

1. Took note.

THE PRIME MINISTER said that there had been a number of recent issues concerned with crime which had given rise to public concern. These included the collapse of three Metropolitan Police cases involving alleged football hooliganism and of another involving alleged sexual offences; and an apparent growth in violent crime in rural communities involving relatively affluent young people. It would be useful for the Cabinet to have a general discussion about law enforcement and crime, covering these aspects, for which it would be helpful if the Home Secretary would circulate a brief factual paper.

The Cabinet -

2. Invited the Home Secretary, in consultation as necessary with the Law Officers, to bring forward a paper as indicated by the Prime Minister.

closure of  
Maze Prison  
compounds

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the compounds at Maze Prison, which had become extremely uneconomic to run, had been closed the previous Sunday, with the dwindling band of special category prisoners being rehoused in "H Block" accommodation. The move to the "H Blocks", which had gone very smoothly, would facilitate the assessment of the prisoners and he had accordingly instructed his officials to review the cases of all the prisoners within six months of their transfer. Given that all such prisoners had now served long periods in custody, there must be a possibility that a number of them would be found suitable for release.

In discussion it was noted that, while a number of special category prisoners might be found to be suitable for release, this matter needed to be approached with considerable caution, taking account of the potential impact on the morale of the Royal Ulster Constabulary and of the Armed Forces.

The Cabinet -

3. Took note.

REIGN  
FAIRS  
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ference:  
(88) 18.3

3. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (Mrs Chalker) said that the summit meeting in Moscow between the President of the United States, Mr Ronald Reagan, and the General Secretary of the Communist Party of the Soviet Union (CPSU), Mr Mikhail Gorbachev, on 30 May to 1 June had been an outstanding success. Despite the absence of major break-throughs on arms control or other matters, the Summit had been an important further step toward stable and predictable relations between the United States and the Soviet Union. The habit of dialogue at the top level was now fully formed, despite the fact that fundamental differences and difficulties remained. Problems could at least be tackled in a calm and constructive atmosphere. There was no reason why the next United States Administration should not carry on where President Reagan would leave off. The President himself was very concerned to leave a durable framework behind him. The visit of the Prime Minister to the United States in November would be very important in that general context.

It was valuable that President Reagan had been able to reach a variety of Soviet audiences directly during his visit to Moscow. This would have helped in breaking down stereotyped Soviet views of the United States and the West. The emphasis placed by President Reagan on Human Rights had never been likely to sour the atmosphere at the Summit despite occasional prickliness on the subject from Mr Gorbachev. It was essential that the Russians should understand that Human Rights and the treatment of their own citizens was a key factor in the longer term health of East-West relations. The Soviet military posture would continue to need watching closely. There was also a major internal battle afoot between Mr Gorbachev and Mr Yegor Ligachev, the Secretary of the CPSU Central Committee. All in all President Reagan could not have done better in the circumstances.

THE PRIME MINISTER said that the Summit had indeed been a very great success. The Government had been very fortunate that President Reagan had decided to come straight to London from Moscow. His speech at the Guildhall on 3 June had been one of his best. His strong emphasis on Human Rights was a powerful reminder that the West should not hold back on this subject for fear of souring relations, but on the contrary needed to set out basic beliefs and ideals clearly and vigorously. The President and Mrs Reagan had been thrilled with their visit to London which had done a lot to cement further relations between the United Kingdom and the United States. The President had expressed a particular wish that she should visit Washington in November, probably as the last foreign head of Government to do so in his Administration and in order to meet the President-elect.

THE PRIME MINISTER said she had sent messages to Mr Gorbachev both before and after the Moscow Summit. She had received a long message back and Mr Gorbachev had also sent a special emissary to give the Soviet view of the Summit with whom she had spent an hour the preceding evening. Mr Gorbachev was anxious to pay a return visit to the United Kingdom: such a visit might take place in the spring or summer of next year or earlier if that were more helpful to him. It was very much in the British interest that he should remain in power in the Soviet Union

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to pursue the great endeavour to which he had set his hand. But this would be a very difficult task because the Russian people were not well equipped in terms of their traditions to release themselves from state socialism. They did not enjoy the traditions of law, equity and tolerance which underlay the British democratic system and it would thus be very hard for them to produce the necessary response for which Mr Gorbachev's reform programme called.

On the question of a strategic arms reduction agreement one or two break-throughs had been achieved on technical questions which had not up to then proved possible in the negotiations in Geneva. It remained possible that an agreement would be reached although the timing and circumstances of ratification by the United States Senate would be awkward. The greater depth attained by the relationship between the United States and the Soviet Union nevertheless now meant that there did not need to be a major break-through on every occasion of this kind. In the face of these very exciting times in East-West relations, to which the Government had made its own contribution, the Labour Party with its anti-American image cut a very poor picture.

In discussion, it was noted that the great urgency that Mr Gorbachev had imparted to efforts to make the Soviet economy work brought substantial opportunities for Western investment in the Soviet Union. The Federal Republic of Germany was already very interested in these. British businessmen needed to be equally alert to new possibilities for investment, while continuing to be wary of attempts to exploit technology transfer in sensitive sectors.

Anglo-  
Iranian  
relations

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that an Iranian negotiating team was meeting with officials from the Foreign and Commonwealth Office on 8 and 9 June in London to discuss a settlement for compensation of damage to the Iranian Embassy at 16 Princes Gate, London and to British diplomatic premises in Iran. These were purely technical talks based on principles established between the two Governments in May 1987. British objectives were to gain fair compensation for damage to British property; the repair of a badly damaged building in the centre of London which had become an environmental hazard; and settlement of upkeep costs incurred by Westminster City Council. The essential elements for a settlement were a payment by the Government to the Iranian Government of fl.8 million as well as settlement by the Government of the claim by Westminster City Council for £200,000; together with a payment by the Iranian Government of £900,000 to the United Kingdom. There was no major quarrel over these figures and under Article 20 of the Vienna Convention the sums exchanged were to be used for the purposes stated. The Foreign and Commonwealth Office had rebutted press comments that these talks were connected with some kind of deal over British hostages in the Lebanon and the Iranian Charge d'Affaires had the preceding evening himself described one particularly far-fetched report in the British press as totally untrue. Even if the negotiations did succeed there was no

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prospect at present of significant improvement in relations between the two countries so long as Iran sponsored terrorist acts, failed to respect the security of diplomats and continued to attack innocent shipping in the Persian Gulf.

In discussion, it was noted that publicly expressed misgivings about whether the Government was doing enough for hostages should be met by the reminder that the Government constantly asserted the duty of civilised nations to do what they could to secure the release of hostages; and that the British Ambassador in Beirut spent more than half his time on efforts on behalf of the British hostages there.

Vietnamese  
Boat People  
in Hong Kong

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the Foreign and Commonwealth Secretary had visited Hong Kong from 29 to 31 May where the total population of boat people from Vietnam was now over 15,000, with an almost eight-fold increase in arrivals this year. The size of the problem had brought strong pressure for a change of policy since many of the recent arrivals were economic migrants not refugees in the strict sense. The Ministers concerned had therefore agreed to a new policy to be announced in Hong Kong on 16 June. All boat people would be screened on arrival using criteria set by the United Nations High Commissioner for Refugees to distinguish genuine refugees from economic migrants. Genuine refugees would be accommodated in camps in Hong Kong to await resettlement. Those found not to be genuine refugees would be detained in Hong Kong as illegal immigrants pending repatriation to Vietnam. This new policy would be welcomed in Hong Kong, and the international community in general would understand the reasons for it. But there had to be intensified efforts to persuade Vietnam to take responsibility both to control illegal departures and to agree to take back its own people against guarantees of humane treatment. The Foreign and Commonwealth Secretary had spoken in this sense to the Vietnamese Foreign Minister in New York on 7 June. He had also spoken to his Chinese and Soviet counterparts about the problem. It was not clear that Vietnam would react favourably and the Government had no way of underwriting any guarantees of humane treatment for people repatriated to Vietnam.

In discussion, it was noted that the main effect of the change in policy would be to act as a deterrent to future arrivals. There was no intention to make it impossible for the people to leave Vietnam but it was clear that Hong Kong had reached saturation point on the basis of current policy.

New Danish  
Government

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE reported that a new Government had been formed in Denmark on 31 May. It was a new three party coalition led by Mr Poul Schluter and included the radicals who were traditionally weak on defence. Mr Ellemann Jensen remained Foreign

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Minister. The prospects for Danish defence policy was not encouraging. Expenditure was to remain at the present level with allowance for inflation at least until 1990 when the new Defence Commission would report on a review of defence policy for the 1990s. The prospects for more host country support from Denmark for the United Kingdom Mobile Force were poor. On the question of visits by ships of North Atlantic Treaty Organisation (NATO) allies to Danish ports, the radicals had voted for the Parliamentary Resolution which had raised the question whether such ships could come to Danish ports without declaring that they did not carry nuclear weapons. Mr Schluter had now negotiated a compromise formula which was not ideal but which the Government and the United States, after close consultation, were able to accept with the addition of certain supplementary written assurances to which public reference could also be made. On that basis Royal Naval visits to Danish ports could resume without breaching the policy of neither confirming nor denying whether nuclear weapons were carried.

In discussion, it was noted that the Danish position on defence expenditure was much worse than it seemed, given that the present level was appallingly low. For example, Denmark's only two frigates were permanently in port without crews and their notional declaration to NATO as part of its available forces would probably have to be withdrawn.

International  
debt

THE CHANCELLOR OF THE EXCHEQUER said that the recent French initiative announced by President Mitterand to ease the debt burden of certain developing countries increased the prospect of being able to reach agreement at the forthcoming Summit of the Seven in Toronto, even if in some respects it appeared to fall short of the standards set by the British initiative on this subject. The French proposals needed further clarification, particularly as to whether the proposed readiness to write off one-third of total debt covered both export credit related debt and aid, or only the former. It was regrettable that the French proposals did not seem to comprise any element of conditionality, committing beneficiary countries to appropriate economic recovery programme. It was characteristic of France that notwithstanding his own considerable efforts to enlist support for the British initiative, the French should have chosen to go their own way. The Federal Republic of Germany was divided on the question of a debt initiative, with the Minister of Finance opposed and others in favour. But given the position of the United Kingdom, France and Italy, it would be hard for the Federal Republic to hold out. As for the United States, his contacts suggested that they were prepared to make a move and that even if they could not cancel debt obligations completely for reasons connected with the United States budget deficit, they would be prepared to contemplate rescheduling over longer periods or at lower interest rates in respect of debtor countries who were not otherwise beneficiaries of debt relief programmes. This was not however an easy subject for urgent treatment in the run-up to the Presidential elections in the United States. The Canadians had been working hard to prevail upon the Americans to make some move.

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Republic of  
Ireland

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the case brought by the Northern Ireland McGimpsey brothers would be opening the following week in the Irish courts challenging the Anglo-Irish Agreement as incompatible with the Constitution of the Irish Republic on the grounds that Article 1 of the Agreement could not be reconciled with Articles 2 and 3 of the Constitution. This could be a serious matter. In the parallel case brought earlier to establish whether the Single European Act had been compatible with the Irish Constitution, the Irish Government had been obliged to pass an Act of Parliament and to hold a referendum in order to amend the Constitution following an adverse judgment. In the current case the Unionists in Northern Ireland had already contributed more than £50,000 toward the legal costs of mounting this challenge. If the Irish Government lost they were likely to appeal to the Supreme Court and the case would probably be heard during 1989.

In discussion, it was noted that if the upshot of this case were to be the need for another referendum in the Irish Republic, this would be likely to lead to Unionist pressure in Northern Ireland for a referendum there about the Anglo-Irish Agreement. On the other hand, it could lead to a useful clarification of popular feeling in the Republic.

The Cabinet -

Took note.

COMMUNITY  
AFFAIRS

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Meeting of  
TREV  
Ministers,  
June

4. THE HOME SECRETARY said that the meeting of TREV Ministers on 3 June had agreed on a number of useful measures to intensify co-ordinated action against terrorism. In the wider discussion, there had been a clash with the Commission over the question of frontier controls. The Vice President of the Commission, Lord Cockfield, took the view that the Single European Act required member states to abolish all internal frontier controls by 1992. The United Kingdom's position, which was shared by a number of others, was to rest firmly on the declaration in the Single European Act that its provisions did not affect the right of member states to take such measures as they considered necessary to combat terrorism, crime and the traffic in drugs. The French and Germans took an intermediate view on the lines that internal frontier controls should be abolished but only when steps had been taken to strengthen external controls and harmonise visa arrangements. There was a consensus amongst Interior Ministers that as a practical matter it would be necessary to retain frontier controls in order to maintain effective control of the movement of terrorists.

THE PRIME MINISTER, summing up a brief discussion, said, that while we accepted that there should be a reduction in frontier controls for trade, we should hold firm to the declaration in the Single European Act. It would be intolerable if the Single European Act was thought to have made matters easier for terrorists.

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Capital  
Liberalisation  
Directive

THE CHANCELLOR OF THE EXCHEQUER said that the President of the European Parliament had signed the 1988 Community Budget on 1 June. In the coming week, the Economic and Finance Council would be considering certain outstanding issues following the Brussels European Council, notably the draft Inter-Institutional Agreement. The meeting would also be discussing the Capital Liberalisation Directive. On the latter, there had been some indications since the election that French support for the Directive had waned: but their position would no doubt be clarified at next week's meeting.

1988  
Agricultural  
Price Fixing

THE MINISTER FOR AGRICULTURE, FISHERIES AND FOOD said that he had held bilateral talks with the Presidency and the Commission on 7 June in advance of the discussions of the 1988 agricultural price review to take place at the Agriculture Council in the coming week. The Presidency seemed determined that decisions should be reached in the course of the meeting. However given the number of demands put forward by the Italians and some apparent hardening in the French position, he was not so sanguine about the prospect. The follow-up to the February European Council was itself now complete. As regards the price fixing, the United Kingdom had put forward the case for price reductions in some areas. The issues to be resolved also included the question of green currency devaluations. His basic position was that decisions should be reached within the budgetary ceiling.

THE PRIME MINISTER, summing up a brief discussion, said that it was essential that the price fixing should be concluded within the agricultural guideline limit.

Cabinet Office  
9 June 1988

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