

CONFIDENTIAL

BV

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

1988 36th
Conclusions

COPY NO 78

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 24 NOVEMBER 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
Secretary of State for Health

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 Security

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 Rt Hon Antony Newton MP
Chancellor of the Duchy of Lancaster

CONFIDENTIAL

CONFIDENTIAL

THE FOLLOWING WERE ALSO PRESENT

Rt Hon David Waddington QC MP
Parliamentary Secretary, Treasury

The Rt Hon Peter Brooke MP
Paymaster General

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

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
	Benefits for Pensioners	1
2.	HOME AFFAIRS	
	British Steel Flotation	2
	Unemployment	2
3.	FOREIGN AFFAIRS	
	Southern Africa	2
	Soviet Union	3
	Pakistan	3
	Canada	4
	Prime Minister's Visit to Washington 15-18 November	4
	Persian Gulf	5
4.	COMMUNITY AFFAIRS	
	Foreign Affairs Council, 21-22 November	5
	Budget Council, 22 November	6

CONFIDENTIAL

PARLIAMENTARY
AFFAIRS

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

THE PRIME MINISTER said that the opening weeks of the new Session would be unusually busy, with a succession of Second Reading debates, beginning in the week of 5 December, on the Government's main programme Bills, and the Committee Stage of the Security Service Bill which would need to be taken on the floor of the House of Commons.

Benefits for
Pensioners

THE SECRETARY OF STATE FOR SOCIAL SECURITY said that during his speech later that day in the Debate on the Address he would announce the scheme to improve the benefits received by poorer pensioners that had been foreshadowed by the Chancellor of the Exchequer in the House of Commons on 7 November. Under present arrangements there was a premium for pensioners aged 60 and above on income support, and a higher premium for such pensioners aged 80 and above. He would announce the creation of a new, intermediate, level of premium to be paid to pensioners aged between 75 and 79 on income support. That group would receive an additional £2.50 per week for single pensioners and £3.50 for couples, and the same increases would be paid to those in receipt of the existing premium at age 80, together with all disabled pensioners over 60. The same increases would also apply to those pensioners, slightly above income support levels, who were in receipt of housing benefit. In all 2.6 million pensioners, out of a total of about 10 million, would benefit from these changes. The cost would be £195 million in a full year, but it would not be possible to bring the changes into effect until October 1989, and the Chancellor of the Exchequer had agreed that the cost of about £100 million in 1989-90 should be met from the Reserve. These benefits were very carefully targetted on the groups of pensioners about whom there was concern, and he would present them extremely positively. He would circulate details of the package to his colleagues later in the day and would ensure that full briefing material was available to Government supporters in the House of Commons. He would also deposit technical details in the Library of the House when he made his announcement, but it was important that the new scheme should not be trailed before then.

THE PRIME MINISTER said that this was a highly effective scheme to assist the groups of pensioners who were in need. October 1989 was the earliest practicable date to implement the scheme and the pensioners in question would receive two upratings during the course of 1989-90: this was the essential point to stress in response to any pressure for the scheme's earlier introduction.

The Cabinet -

Invited the Secretary of State for Social Security to announce the scheme of new benefits for pensioners in the way he had indicated and noted that the cost in 1989-90 would be charged against the Reserve.

CONFIDENTIAL

HOME AFFAIRS

British Steel
 flotation

2. THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the price of shares in British Steel had been announced the previous day. The final date for bids to purchase shares would be 2 December and it was very important that, during the offer period, Ministers should not say anything in public that was relevant to the prospects of the shares in the market.

Unemployment

Previous

Reference:

CC(88) 28.1

X

THE SECRETARY OF STATE FOR EMPLOYMENT said that the unemployment figures for October had been published the previous week. The unadjusted total had fallen by 192,000 since September. That exceptionally large reduction could be attributed partly to the effects of the ending of the postal dispute and to the impact of new regulations for those below the age of 18, but it also reflected underlying reductions in the seasonally adjusted total of 33,900 in September and 31,500 in October. The seasonally adjusted total had fallen for 27 consecutive months and unemployment, which had fallen by about 700,000 since the General Election, stood at 2.16 million, which represented a rate of 7.7 per cent. He would be publishing later that day figures on long-term unemployment which would reveal a fall of 60,000 in the quarter to October, a fall of 300,000 in the 12 months to October and a total reduction of 450,000 in the previous two years. Long-term unemployment, which was falling at a faster rate than unemployment generally, stood at 886,000. It was estimated that vacancies in the economy as a whole, which had risen slightly in the previous month, stood at 700,000: this indicated that there was scope for further reductions in unemployment.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Southern
Africa

Previous

Reference:

CC(88) 32.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the decision on 23 November by the South African President, Mr P W Botha, to reprieve six black Africans sentenced to death for murder (The Sharpeville Six) had followed surprisingly quickly the rejection of the final plea on their behalf by the South African Appeals Court. A lot of progress had also been made in the negotiations about Angola and Namibia. The agreement between the Angolan, Cuban and South African Governments on a timetable for Cuban troop withdrawal from Namibia was a major breakthrough. With any luck the withdrawal of Cuban troops and the implementation of United Nations Security Council Resolution 435 on Namibian independence would both get under way during the first half of 1989. There was still a real risk of things going wrong, but it was good news as far as it went. A successful outcome on Cuban troop withdrawal and independence for Namibia would mark a retreat by the

Russians and the Cubans from military adventurism in Africa and the acceptance by South Africa of a relative decline in its military and political influence in Namibia and Angola. The agreement on Cuban troop withdrawal was an achievement of dialogue between the United States and the Soviet Union. It was also a very considerable success for the British policy of continuing diplomatic engagement and involvement in the region. The Government's representations on behalf of the Sharpeville Six had been made privately and the outcome was not something to boast about publicly. The United Kingdom had also been heavily involved behind the scenes in support of the negotiations on Angola and Namibia since the United Kingdom had an Embassy in Angola whereas the Americans did not. The results were also a personal triumph for Mr Chester Crocker, the Assistant Secretary for African Affairs in the American State Department, whose patient policy of constructive engagement had finally borne dividends despite the way in which it had been denounced over the years by left-wingers. Developments over Namibia held out the possibility of further reform in South Africa. The South African Government had apparently feared that international pressure on behalf of the Sharpeville Six might lead the new United States Congress to return to the issue of sanctions against South Africa. Whether the Congress would now be less pressing on this issue and whether further internal change would be forthcoming in South Africa, remained to be seen. But the value of the Government's own policy of patient engagement in Southern African was clear.

Soviet Union

THE FOREIGN AND COMMONWEALTH SECRETARY said that other Republics within the Soviet Union such as Georgia were beginning to show interest in asserting local autonomy, following the example of the Baltic States. The Supreme Soviet in Moscow seemed unclear about precisely what signals it wished to convey to the Baltic States in its current discussions of amendments to the Soviet Constitution and how far it was prepared to go toward meeting Baltic concerns. The despatch to the Baltic States the previous week of members of the Soviet leadership had not removed this ambiguity.

Previous

Reference:

CC(88) 32.3

Pakistan

THE FOREIGN AND COMMONWEALTH SECRETARY said that following the National and Provincial Assembly elections in Pakistan on 16 and 19 November, the process of forming a new government was taking longer than expected. Miss Benazir Bhutto remained the most likely candidate for Prime Minister. If the results of the elections were to be frustrated the United Kingdom and the West generally would face difficult problems in the handling of relations with Pakistan.

Previous

Reference:

CC(88) 35.4

CONFIDENTIAL

THE FOREIGN AND COMMONWEALTH SECRETARY said that the result of the Canadian General Election had been a personal triumph for the Conservative leader, Mr Brian Mulroney, who had a majority of 45 seats in the new House. The most important issue for Britain's relations with Canada was the outstanding Canadian decision over the acquisition of nuclear attack submarines for the Canadian Navy. He would be pressing Mr Joe Clark, the Canadian Minister for External Affairs, on this when the latter visited the United Kingdom in December after the meeting on the Northern Atlantic Council.

THE PRIME MINISTER said that she had pointed out in Washington that it would have been very difficult if the new Canadian Government had decided not to ratify the new free trade agreement with the United States given that Mr Mulroney had, by his signature, fully committed Canada to it.

Prime
Minister's
visit to
Washington
15-17
November

THE PRIME MINISTER said that during her visit to Washington from 15 to 17 November she had observed with great interest how well President Reagan and President-Elect Bush were handling the transition between the outgoing and the incoming Administrations. President Reagan intended to make three major speeches setting out the achievements of his period in office. There would be great benefits in the continuity that President-Elect Bush's succession would bring. Those appointed to major office already by Mr Bush were well known and respected in the United Kingdom. Mr Bush would make a very good President.

X The Chairman of the Federal Reserve Board, Mr Alan Greenspan, had told her that there was no inflationary pressure in the United States economy. It seemed that there was a more natural understanding in the United States than in the United Kingdom about the role of wages as an element in costs and prices. Having never had a prices and incomes policy, the Americans faced much less pressure over wages. The budget deficit, though large in absolute terms, was less than 3 per cent of American gross domestic product. Mr Bush recognised the importance of taking measures over the deficit, but would take his time and discuss matters fully first with the new Congress. The Americans were also far ahead of the British in their attitudes toward private benefaction. It was accepted that many aspects of public life could be funded by private giving, for example the universities and even the refurbishment of public buildings such as the State Department; and that it was not for government alone to take on all such responsibilities.

During her visit the Prime Minister had welcomed as encouraging signs the recent moves by the Palestine National Council and the Palestine Liberation Organisation in accepting United Nations Security Council Resolutions 242 and 338 as a basis for an international conference and thereby implicitly recognising Israel. In this her attitude differed slightly from that of the United States Secretary of State, Mr George Shultz. But this was not a major bone of contention in Anglo-American relations. It was clear that Mr Bush well understood the importance of

CONFIDENTIAL

according to the Middle East its due place on the international agenda. As for American preoccupation with developments in Central America and their close neighbour Mexico, the United Kingdom made a contribution to the region by maintaining troops in Belize and this was welcomed. During this visit she had also met again Senator Daniel Quayle, the Vice-President Elect, who had been present during her discussions with Mr Bush and the Secretary of State-Elect, Mr James Baker. She had been struck by how well briefed Mr Quayle had been on Congressional attitudes.

Persian Gulf
X
Previous
reference:
C(88) 25.3

THE SECRETARY OF STATE FOR DEFENCE said that he had recently returned from a visit to the Gulf States and to Saudi Arabia. He had found everywhere he went very strong admiration for the United Kingdom. The role of the Armilla Patrol in Gulf waters was particularly appreciated. Relations with Saudi Arabia were extremely good. He had concluded an offset agreement covering Stage 2 of the Al Yamamah project. The potential benefits to the United Kingdom were very considerable.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Foreign
Affairs
Council,
11-22
November

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been a satisfactory meeting of the Foreign Affairs Council on 21-22 November. X There was general agreement on the approach to the Rhodes European Council on 2-3 December which seemed likely to be a low key occasion. The intention was to keep the agenda short and operational and no decisions were required. The implementing regulations for the Structural Funds had been put in place on a satisfactory basis. As regards the additionality provision, the Chancellor and he had considered the position further and had been satisfied that the regulation would not require any change in the existing public expenditure treatment of European Community receipts and that the text did not compromise the priority attached to control of United Kingdom public expenditure. The Council had also discussed the prospects for the General Agreement on Tariffs and Trade mid-term review in Montreal on 4-8 December. The Council's conclusions had incorporated the excellent text negotiated at the Agriculture Council on 14-15 November which provided a strong and flexible position for the Commission. Agreement had also been reached, not without difficulty, on the 1989 Community Generalised Scheme of Preferences on a basis compatible with what the United Kingdom wanted to achieve for less developed countries.

Community

There had also been a good political co-operation meeting. A satisfactory text had been agreed on European/Commission/United States relations. The statement agreed on the Palestine National Council had

CONFIDENTIAL

also been consistent with the United Kingdom's position despite the wish of some member states to be more fulsome. It was not impossible that the Greeks might announce recognition of the Palestinian state. There had finally been a clear restatement of the Community's position on Afghanistan.

Budget
Council,
22 November

THE CHANCELLOR OF THE EXCHEQUER said that the Paymaster General had represented the United Kingdom at a meeting of the Budget Council on 22 November. There had been a reasonably satisfactory outcome to the Council's consideration of the Community budget for 1989. A procedure had been agreed for negotiation with the Parliament on provision for non-privileged non-obligatory expenditure which implied a growth above the maximum rate. However the amount involved was relatively small. The overall outcome was well within the agriculture guideline and the ceiling agreed in the inter-institutional agreement, and consistent with the budgetary discipline guidelines. A small increase in the United Kingdom's abatement had been negotiated for the first time in budgetary discussions.

In a short discussion it was recalled that the United Kingdom's net payments to Community institutions in 1989-90 were expected to amount to over fl.9 billion. The United Kingdom faced a continual need to resist expenditure bids, for example to take advantage of the savings that had been made on the agricultural budget or, at the research Council's meeting on 17 November for expenditure on aeronautical research, again largely related to the availability of funds. The extent of the United Kingdom's net contribution should lend authority to its position on such issues.

The Cabinet -

Took note.

Cabinet Office

24 November 1988

CONFIDENTIAL