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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 8 DECEMBER 1988
at 9.30 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
Secretary of State for Health

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

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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

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)

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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week and that, subject to the progress of business, the House would rise for the Christmas Adjournment on Thursday 22 December until Tuesday 10 January.

THE LORD PRIVY SEAL said that the House of Lords Christmas Adjournment would extend from Thursday 22 December until Monday 16 January but that this would not affect the timetables for either the Prevention of Terrorism (Temporary Provisions) Bill or the Elected Authorities (Northern Ireland) Bill, both of which required early Royal Assent.

2. THE CHANCELLOR OF THE EXCHEQUER said that, subject to the approval of Cabinet, an announcement would be made later that day, by means of a Written Answer from the Lord President of the Council, of the Government's proposals for increases in the salaries of Ministers and other paid office holders. At the beginning of the present year, MPs had received a very large increase of 21.9 per cent, as a result of the full implementation of a House of Commons resolution which linked MPs' pay to 89 per cent of the maximum of the scale for Grade 6 officers in the Civil Service. The Cabinet had agreed at that time that it would not have been right to have increased Ministerial salaries by such a large percentage and that they should instead be increased by £4,048, the same increase in cash terms as that for MPs. Although nothing had been said publicly, it was generally expected that Ministers' pay would in future years increase by the same percentage as that for MPs. However, as a consequence of the flexible pay agreement for Civil Service Grades 5-7, MPs' pay would rise by 6.9 per cent with effect from 1 January 1989. He had discussed the matter with the Prime Minister, the Leaders of both Houses and the Chief Whip who had agreed that it would be unsustainable to increase the salaries of Ministers and paid office holders by as much as 6.9 per cent and that they should instead be increased by £1559, the same overall cash increase as that for backbenchers. In the interests of reducing the differentials between the remuneration of Ministers in the House of Lords and that of their counterparts in the House of Commons, it had also been agreed that there should be special supplements, on top of the general increases, of £800 for Ministers of State in the Lords and the Government Chief Whip, Lords, of £400 for Parliamentary Secretaries in the Lords, the Deputy Government Chief Whip, Lords and the Leader of the Opposition in the Lords, and of £200 for Government and Opposition Whips in both Houses. Under the package of proposals which he had described, the average increase in Ministerial salaries would be 4½ per cent, with the highest increases going to the Whips in both Houses and the pay of Cabinet Ministers rising by only 3 per cent.

In discussion, the following main points were made:

- a. While it was clearly right to hold down percentage increases in Ministerial salaries for the following year in the way which the

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Chancellor of the Exchequer had proposed, any entrenchment of the practice of raising Ministerial salaries only in line with the cash increases awarded to MPs would artificially compress the differentials between the various levels of pay. The large increase in MPs' pay for the following year was attributable to a once and for all restructuring of the pay arrangements for the relevant Civil Service grade, and in future years it should be possible to increase Ministerial pay by the same percentage as that for MPs.

b. There was a long-standing problem over the pay and allowances of Ministers in the House of Lords. Most House of Lords Ministers were in practice obliged to run a home in London in addition to their family home but, although MPs with constituencies outside London received a special allowance to compensate them for having to run two homes, no such allowance was payable to Ministers in the Lords. The supplements which they would receive on top of the general increases would go some way towards meeting that point, but there was a strong case for reviewing the remuneration of Lords Ministers.

c. There was pressure from some MPs for London constituencies for the special allowance currently payable only to MPs with constituencies outside London to be extended to all MPs. However, such pressure should be firmly resisted since the allowance was designed to compensate those who were obliged to run two houses, a factor which clearly did not apply to London MPs.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed the Chancellor of the Exchequer's proposals, and the Lord President of the Council should announce them later that day. Briefing material on the proposed increases should be made available to Government supporters in the House of Commons.

The Cabinet -

1. Agreed the Chancellor of the Exchequer's proposals for increasing the salaries of Ministers and other paid office holders, and invited the Chancellor of the Exchequer and the Lord President of the Council to proceed as the Prime Minister had indicated.

Employment
Training
Programme

THE SECRETARY OF STATE FOR EMPLOYMENT said that he would be announcing over the following weekend that 100,000 people had joined the Employment Training Programme since its inception three months earlier. It was a very considerable achievement to have reached this milestone so soon after the Scheme's introduction. A number of highly regarded

Previous
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CC(88) 35.3

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companies were participating in the programme, and it was manifest that the opposition of the Trades Union Congress and of the Labour Party had had little or no effect on its implementation.

The Cabinet -

2. Took note.

monella
Eggs

THE SECRETARY OF STATE FOR HEALTH said that the prevalence of salmonella infection in eggs had been a cause of concern for his Department and the Ministry of Agriculture, Fisheries and Food in recent months. Guidance had been issued on 26 August and 21 November, and the Ministry of Agriculture, Fisheries and Food had agreed a voluntary code of practice with the poultry-breeding industry designed to reduce the risk of salmonella infection in poultry-breeding flocks. News of the impending issue of this code and answers given to reporters by the Parliamentary Under-Secretary of State, Department of Health, raised the profile of this issue. In replying to a Private Notice Question on the previous Monday he had explained that the risk of an individual consuming an infected egg was very small, and that the risk of harm to any healthy adult was very small indeed. Nevertheless, as he had explained, it was advisable for vulnerable people, such as the elderly, the sick, babies and pregnant women, to consume only eggs that had been cooked until the white and yolk were solid. Since his reply to that question he had arranged for the Chief Medical Officer to take the lead in offering any Government comment on salmonella and eggs and to clear any references to the matter that were to be made by his Department or by the Ministry of Agriculture, Fisheries and Food. He hoped that this method of handling would succeed in taking the heat out of the issue and getting the problem into perspective. There was, however, genuine public concern and the media might add fuel to this at any time, especially by publishing alarming estimates of the prevalence of infection.

In discussion the following main points were made:

- a. While the claims of a drop in egg sales of the order of 40 per cent at the beginning of the week may well have been exaggerated, the full picture would not be available until the following week. In any event, a drop in sales of a much lower order could be a very serious matter for the industry because of the overheads involved in maintaining egg-producing flocks.
- b. The advice to caterers to use liquid pasteurised egg was right but it created a presentational problem with the general public, to whom this produce was not available.
- c. Although it was recognised that salmonella was an international problem, there was a clear public perception that its successful control in England and Wales was deteriorating. Against that background it was open to question whether a voluntary code of

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conduct with the industry would be sufficient to maintain public confidence. Market pressures would however give the industry a strong incentive to put its house in order.

d. If it turned out that a programme to eradicate infected flocks was needed, then the potential compensation costs could be very large.

THE PRIME MINISTER, summing up the discussion, said that the Chief Medical Officer's advice to the public had been very sensible and well-judged, and this would assist in keeping the matter in proportion. Nevertheless, there was a very genuine public concern on the matter, and the real extent of the infection among poultry flocks did not appear to have been established. Further Ministerial consideration, involving representation from the Ministry of Agriculture, Fisheries and Food, would be required. In the meantime, the Secretary of State for Health, whose officials should consult the Ministry of Agriculture, Fisheries and Food, should circulate to members of the Cabinet before the weekend a factual note and a brief on the line they might take if questioned on the matter.

The Cabinet -

3. Took note, with approval, of the Prime Minister's summing up of the discussion and invited the Secretary of State for Health to circulate a note on the lines that the Prime Minister had indicated.

FOREIGN
AFFAIRS

Soviet Union

Previous
reference:
C(88) 37.2

3. THE PRIME MINISTER said that the Soviet Ambassador, Mr Leonid Zamyatin, had called on her earlier that morning to convey President Gorbachev's apologies that his sudden return from New York to the Soviet Union because of the earthquake on 7 December in Soviet Armenia obliged him to postpone the visit to London which had been planned for the following week. Before the Ambassador's call she had spoken on British radio welcoming President Gorbachev's major speech of 7 December to the United Nations General Assembly and expressing sympathy over the earthquake tragedy as well as understanding about the postponement of the visit. She had also sent a letter to President Gorbachev via the Soviet Ambassador. The United Kingdom needed to be in a position to offer rapid aid to victims of the Soviet earthquake disaster. The Foreign and Commonwealth Office Disaster Unit had been activated. The Foreign and Commonwealth Secretary, who was in Brussels, was in touch with the European Commission and the United Kingdom Permanent Representative to the European Communities, Sir David Hannay would raise the matter at the Committee of Permanent Representatives. It was important to identify what kind of help was most needed, whether food, drugs, or even toys for children. It should also be possible to despatch teams of surgeons should that prove necessary. It was important after the Government's prompt reaction to news of the earthquake to keep up the initiative and to offer practical help.

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THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (MRS CHALKER) said that the Foreign and Commonwealth Office were in touch with the British Ambassador in Moscow and were ready to put together an appropriate aid package, both on a national and a European Community basis. The scale of the earthquake had apparently been enormous, with at least two large towns devastated and reports of tens of thousands of deaths. An early opportunity would be taken to explore with the Russians possible dates for the reinstatement of President Gorbachev's visit to the United Kingdom.

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The Minister of State, Foreign and Commonwealth Office, said that President Gorbachev's important speech to the General Assembly had been very welcome, although it contained some element of playing to the gallery. He had promised unilateral reductions of Soviet armed forces by 500,000 men over the next two years, and six Soviet tank divisions would be withdrawn and disbanded from the German Democratic Republic, Czechoslovakia and Hungary by 1991. Altogether he had announced reductions of 10,000 tanks, 8,500 artillery systems and 800 combat aircraft in Eastern Europe and the European part of the Soviet Union. He had also undertaken that there would be a restructuring of remaining Soviet forces in Eastern Europe so as to bring out more clearly their purely defensive nature. Over the same period unspecified reductions were also promised in the Soviet armed forces in the Asian part of the Soviet Union. In his references to Afghanistan during the speech, President Gorbachev had called for a complete ceasefire from 1 January 1989; the cessation from the same date of arms supplies to all belligerents; the despatch to Afghanistan of a contingent of United Nations peacekeeping forces; the holding of an early international conference on the neutrality and demilitarisation of Afghanistan; and the creation of a United Nations voluntary international peacekeeping corps to assist in the revival of Afghanistan. All this no doubt reflected the intense pressure being felt by the current regime in Kabul. Mr Gorbachev's speech had also contained interesting allusions to the process of restructuring within the Soviet Union and to human rights. He had made proposals about relieving the debt burden of poorer countries, but these were only superficially attractive given that the Soviet Union was not a major lender. There had been positive references to relations between the Soviet Union and the United States as well as a handsome tribute to the American President, Mr Ronald Reagan. In sum it was an important and fascinating speech, the implications of which would now need to be studied in detail.

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THE SECRETARY OF STATE FOR DEFENCE said that he too welcomed the speech particularly its recognition in effect that the Soviet Union did possess a huge superiority of conventional military force. The offer of unilateral reductions might reflect pressures to release resources from defence for use elsewhere in the economy. But caution was needed at least until more detail was available about the precise nature of the reductions and the extent to which the forces to be reduced would be disbanded. Even taking the reductions at face value the Warsaw Pact would still have a numerical superiority over the North Atlantic Treaty Organisation (NATO). There would be 41,500 Warsaw Pact tanks compared with 16,500 NATO tanks; 35,000 artillery systems compared with 14,000

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for NATO; and 7,450 combat aircraft compared with 4,000 for NATO. The reason for the sudden resignation of the Chief of the Soviet Armed Forces, Marshal Sergei Akhromeyev, was not entirely clear; it was known that his health was not good, but other factors might well have also contributed to the decision.

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THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that because of a last minute hitch at the recent round of negotiations in Brazzaville, the expected signature of a protocol covering Cuban troop withdrawal from Angola and independence for Namibia had not yet taken place. It appeared that there was concern in some quarters of the South African Government and the South African defence forces at the pace at which events were moving. This had led the South African State President, Mr P W Botha, to recall his delegation from Brazzaville for a meeting of the State Security Council. It seemed that moderate views had since prevailed. According to the South African Department of Foreign Affairs, the South African Foreign Minister, Mr Pik Botha, and the head of the South African force, General Malan, were prepared to sign the protocol in Brazzaville provided the South African Government could be satisfied on some aspects of the verification provisions. A final decision by South Africa would be taken at a further meeting of the State Security Council on 20 December. It was possible that there could be further delay before Cuban troop withdrawal and implementation of United Nations Security Council Resolution 435 got under way, probably in March or April 1989. The United Kingdom remained in close touch with the United States on the subject.

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THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the final round of negotiations with the Chief Minister of Gibraltar, Mr Joseph Bossano, had taken place on 1 December. The outline of a solution had been agreed without a major crisis in relations with Gibraltar. The total cost of this to the United Kingdom would be about £50 to 60 million over five years, which compared with the original estimate of £257 million for Spanish pensions. The solution had been arranged carefully so as to be completely consistent with the requirements of European Community law. She had announced the agreement to the House of Commons on 7 December in a Written Answer to a Parliamentary Question. She proposed to brief Mr Michael Colvin's Parliamentary Group on Gibraltar on 13 December. The Foreign and Commonwealth Secretary had informed the Spanish Foreign Minister, Senor Fernandez Ordonez, at the recent meeting of the European Council at Rhodes. The latter's reaction had been calm. Mr Bossano, for his part, was getting together with neighbouring leaders in Spain on the matter. Foreign and Commonwealth Office officials were in touch with the Treasury about the precise financing arrangements. The Foreign and Commonwealth Secretary had also told Mr Bossano on 1 December of the Government's intention to restructure the Gibraltar garrison, and had agreed with him that the timing of an announcement on this should be deferred. The Foreign and Commonwealth Secretary had taken the opportunity to press Mr Bossano over the airport agreement and

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co-operation with Spain. There was a long way to go on both these matters, but some encouraging signs. The Foreign and Commonwealth Secretary would follow up during his visit to Gibraltar at the end of January.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

General
Agreement on
Tariffs and
Trade Uruguay
Round: Mid-
Term Meeting

4. THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the Mid-Term Meeting in Montreal of the General Agreement on Tariffs and Trade Uruguay Round had started well with a general agreement to reduce import restrictions on tropical products. Framework agreements should also be established for further negotiations on trade in services and intellectual property. For the present, however, these agreements were subject to reservations by the United States. Agriculture remained the area of greatest difficulty. Although the United States had dropped a target date of the year 2000, they had so far stuck to their insistence on total elimination of support in the long term. They had refused to discuss anything else including further action in the short term. On the latter point, the European Community for their part were prepared to contemplate further short term support reductions. In discussion it was noted that it remained unclear whether the American position reflected tactical considerations and whether, as Vice President Bush had suggested to the Prime Minister during her visit to Washington, they might be prepared to make some move at a late stage in the negotiations. There also appeared to be some difference of view between Clayton Yeutter, the United States Trade Representative and Lyng, the United States Secretary for Agriculture. Cairns Group members were continuing to act as potential mediators and had indicated that they would support the European position if the European Community's short term reductions were substantial. The meeting had still some hours to run. The hope must be that it did not end in disarray with a consequent loss of momentum for reform.

Exports of
Nissan Cars

Previous
Reference:
C(88) 37.3.

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that his Department had followed up with the French authorities the assurances given the previous week to the Prime Minister by President Mitterrand that any problems over the export to France of cars manufactured by Nissan UK Limited (NMUK) had been resolved. As reported to colleagues earlier, problems had also arisen in relation to exports to Spain and Italy. He had taken the opportunity in Montreal to explain the issues thoroughly to the Spanish and Italian Trade Ministers and also to Mr Bangemann, the Federal Republic of Germany's Vice President designate to the European Commission. His judgment was that the Spanish authorities might now decide to accept NMUK cars as of Community origin.

The Cabinet -

Took note.

Cabinet Office

8 December 1988

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