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

39th tons COPY NO.

1

CABINET

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

TUESDAY 19 DECEMBER 1989

at 10.30 am

PRESENT

The Rt Hon Margaret Thatcher MP Prime Minister

The Rt Hon Sir Geoffrey Howe of MP Lord President of the Council

The Rt Hon Douglas Hurd MP Secretary of State for Foreign Commonwealth Affairs

The Rt Hon David Waddington QC MP Secretary of State for the Home Department

The Rt Hon Norman Fowler MP Secretary of State for Employment

The Rt Hon Nicholas Ridley MP Secretary of State for Trade and Industry

The Rt Hon Kenneth Clarke QC MP Secretary of State for Health

The Rt Hon Cecil Parkinson MP Secretary of State for Transport

The Rt Hon The Lord Belstead Lord Privy Seal

The Rt Hon Christopher Patten MP Secretary of State for the Environment The Rt Hon The Lord Mackay of Clashfern Lord Chancellor

The Rt Hon John Major MP Chancellor: of the Exchequer

The Rt Hon Peter Walker MP Secretary of State for Wales

The Rt Hon Tom King MP Secretary of State for Defence

The Rt Hon Kenneth Baker MP Charges or of the Duchy of Lancaster

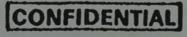
The Rt to John MacGregor MP Secretary of State for Education and Science

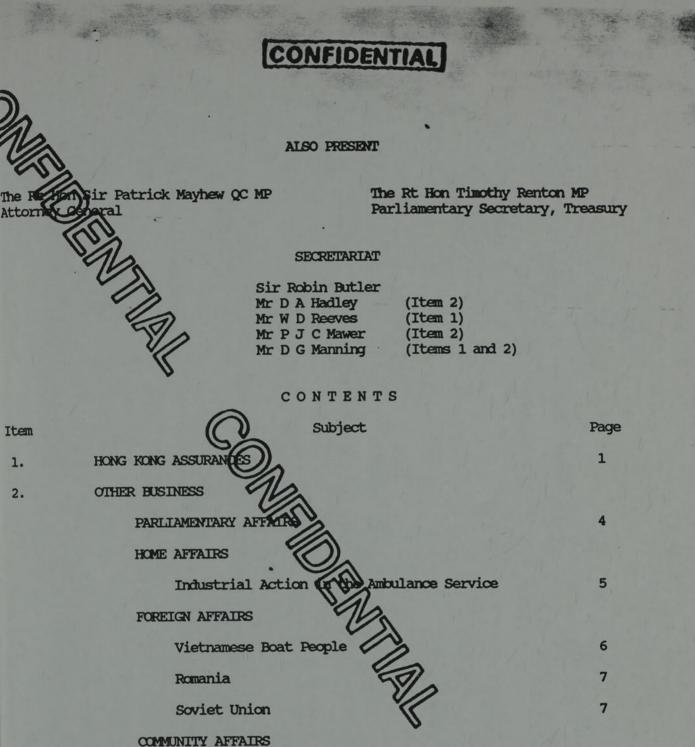
The Rt Hon John Wakeham MP Secretary of State for Energy

The Rt Hon Antony Newton MP Secretary of State for Social Security

The Rt Hon Peter Brook Peter Secretary of State for Portgern Ireland

The Rt Hon Norman Lamont MP Chief Secretary, Treasury





Education Council 14 December

Economic and Finance Council 18 Decen

Research Council 15 December

DUTY MINISTERS IN DEPARIMENTS

DEPARTMENTAL CORRESPONDENCE

ii

CONFIDENTIAL

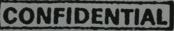
7

8

8

1. The Cabinet considered a Memorandum by the Foreign and Commonwealth Secretary (C(89)14) seeking approval for a draft statement which he proposed to make to Parliament the following day announcing the Government's decisions on assurances to Hong Kong.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the proposals in his Memorandum were the culmination of lengthy consideration v the Sub-Committee on Hong Kong of the Defence and Oversea licy Committee. The essential purpose of the proposed scheme as to persuade Hong Kong residents that they could safely for there and that it was in their interests to do so. The committee had concluded that the award of citizenship would have effective than the award of right of abode in this ect, and had therefore approved the former option despite res the disadvantage that it required primary legislation. A scheme based on citizenship had the further advantage that it would be more difficult for a Government of a different complexion to revoke it. The proposed overall ceiling of 225,000 including dependants of it the bottom end of expectations in Hong Kong, but should twee beless be sufficient to achieve the objective of the scheme. The scheme would be based on a points system, with twice as not blaces for the private sector compared with the public sector is would be operated by the Home Secretary on the basis of a recommendation by the Governor of Hong Kong. There would be no sector for appeal. There would be no separate provision for non-ethnic linese, and those admitted would count against the 225,000 certary. Although the Sub-Committee had decided that no total force for heads of household should be published, he had been provided by senior backbench opinion that there would be considered a recommendation of the statement. Reports of the present proposals had already aroused considerable opposition among the Government of proporters in Parliament, to which it had not yet been possible to respond by describing and justifying the proposals. His statement would remedy this and, while he did not under-estimate the strength of this opposition, he believed there was a good chance of winning over opinion more difficult for a Covernment of a different complexion to he believed there was a good chance of winning over opinion among the Government's supporters once the facts and arguments were fairly put. He proposed to stress in his statement that the objective was to persuade key people to remain in Hong Kong not to bring them to Britain. The Government's proposals were specific to Hong Kong and of limited duration, and did not undermine the principles of the British Nationality Act 1981; he would also draw attention to similar schemes operated by other countries. The proposals aimed to strike realistice between the needs of Hong Kong and the immigration concerns of the United Kingdom. If contrary to his expectation are the recipients of citizenship decided to come to the United Kingdom, at worst the country would have gained a number of people one among the Government's supporters once the facts and arguments ngdom, at worst the country would have gained a number of people



had been selected for their talents and experience. The stakes were high; if Hong Kong opinion were not reassured and a crisis of confidence occurred, there could be a real risk of a major refugee influx into the United Kingdom on a far larger scale than the figures suggested in his Memorandum.

In discussion, the following main points were made:

a. The Government had a duty to provide suitable assurances for those in Hong Kong, particularly for public servants who because of their past and continuing work might be at risk under Chinese rule. This factor of moral responsibility chould be stressed both in public presentation and to the covernment's supporters in Parliament.

Citizenship would give recipients a better incentive to remain in Hong Kong than right of abode, whose benefits could be enjoyed only by coming to the United Kingdom. The latter resuirement had sometimes worked to the United Kingdon's disadvantage in the past.

c. The effectence in the statement to anchoring in Hong Kong those who needed to be retained there was misleading. It would be becket to speak of encouraging them to remain in Hong Kong in effect to keep business and administration going.

d. Those who decrees to come to the United Kingdom would be likely to be assimilated more easily than other immigrant groups, and many of them would undertake productive and job-creating investment in the British economy. It could be assess that the United Workform had been short-sighted in not making it easier for entrepredeurs who wanted to invest here to qualify for citizenship. Spreover, those who came were unlikely to congregate in aceas where there were already large numbers of Asian and wear Indian immigrants.

e. The ceiling chosen should errike a balance between the anxieties of Hong Kong in the wake of events in China earlier in the year, and the impact of possible substantial immigration on the United Kingdom and on domestic opinion.

f. The beneficiaries selected under the scheme would be heads of household, and there would be a temph both in Hong Kong and in the United Kingdom for the calling to be

appressed in the appressed in the g. Although the appropriate mus-of household to total beneficiaries from difficult to quantify, the figure of 3.75 impla-draft statement was probably too low if account was to children who might be born after the award of citizensity children who might be born after the award of citizensity



daughters who might later marry and bring their husbands to the United Kingdom, and elderly relatives, none of whom could easily be denied right of abode. This suggested that unless the total of head of household beneficiaries were reduced significantly below 60,000, the total number of beneficiaries including dependants might exceed 225,000, perhaps by a large margin. It would be important not to put to Parliament a more definite figure than it was possible to achieve and on these grounds the limit was better expressed in terms of heads of household. 50,000 heads of household was the lowest figure which would carry conviction in Hong Kong; although domestic opinion would no doubt prefer a power total.

A. It was arguable that the Bill should specify a ceiling, whether in terms of heads of household or inclusive of dependants, since if this were left to implementing regulations the latter might not be endorsed by Parliament.

i. If was important that key public servants who received Britismort venship should remain at their posts until 1997; otherwise the purpose of the scheme would be defeated, and subsequent to hers of the same posts would then have to be included in the scheme. This could be an argument for making their travenship effective only from 1997. Against this, a post-taken award of citizenship, even if legally possible, would the to give reassurance since it could be more easily removed to a future Government.

j. Opposition to the present proposals from the Government's supported in Parliament stemmed from a variety of causes, including operation in principle to any further immigration, scepticism about the likelihood of the scheme succeeding in its objective, inwillingness to tamper with the British Nationality Act 1981, and concern about the likely reactions of the Asian operation, particularly in the Midlands. An overall total of 15,000 beneficiaries including dependants was higher than speculative figures quoted in the press and it would be correspondingly harder to secure its acceptance. An indication that the award of assurances under the scheme would be phased over a period of years would be helpful in presenting the theme to the Government's supporters. It would in any case be necessary to hold a proportion of places back for people who took up sensitive posts near the end of the period of it would be helpful to state this. It would also be wised to retain some flexibility about the timing of legislation. Instanted so

THE PRIME MINISTER, summing up the discussion, said that Cabinet were agreed that the Government had an inescapation



CONFIDENTIAL

obligation to provide assurances in the form of a right of abode in the United Kingdom for a limited number of key people in Hong Kong. These assurances, if they were to be effective, would need to take the form of a citizenship scheme on the lines proposed in the paper by the Foreign and Commonwealth Secretary. The statement to Parliament, which should be made on 20 December, should indicate that a ceiling of 50,000 heads of household would apply, covering all categories; that the places would be allocated over a period of years; and that a proportion of the 50,000 places would be held back for allocation nearer to 1997. The estimate of the total of those eventually entitled to One to the United Kingdom, including dependents, should be and on the best available advice on the multiplier factor, should also take realistic account of the requirements open had to be satisfied by those seeking to bring elderly mendents. The statement should stress the moral obligation resting on the United Kingdom to provide adequately for those in Hong Kong whose services were required there in the years to 1997, and should also indicate that implementing legislation would be introduced at the earliest opportunity. A revised statement should be circulated to the Ministers most closely concerned.

The Cabiner

Took note, with up roval, of the Prime Minister's summing up of the discussion and invited the Foreign and Commonwealth Secretary to proceed accordingly. Secretary to prope

OTHER BUSINESS

PARLIAMENTARY AFFAIRS

2. THE SECRETARY OF STATE FOR TADE AND INJUSTRY said that he would be making a statement cates that day on the report of the Parliamentary Commissioner for comministration (PCA) on Barlow Clowes. The handling of the statement had been complicated by pressure from Members of Parliament to read the report of the PCA before the statement: the PCA is report, which contained the Government response to his finding, was to be published at 3.30 pm. It had therefore been suggested that his statement should faller that of the Secretary of State for Transport on British follow that of the Secretary of State for Transport on British Rail's objectives. The disadvantage of this was that, because the PCA's report contained the Government resconse, members would have read it before they heard it in his own oral statement.

In a brief discussion, it was noted that there have been strong pressure for the report to be published ahead of the statement. There would undoubtedly be criticism if it was not. other hand, publication in advance of the statement deprive the Secretary of State for Trade and Industry's

announcement of its full impact. The House might find it equally discourteous if it learned of the Government response from the PCA's report rather than directly from the Secretary of State.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet recognised the risk of protest if the report was not published ahead of the statement. On the other hand, the Secretary of State for Trade and Industry should not be deprived of the opportunity to make his statement to the best possible ffect. In consultation with colleagues concerned, the Lord resident of the Council should consider further the timing of various statements to be made that day, bearing in mind the ints made in the Cabinet's discussion.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of the discussion and invited the Lord President to processi abcordingly.

HOME AFFAIRS

Industrial Action in the Ambulance Service

Previous Reference: 00(89) 38.2 THE SECRETARY OF STATE FOR HEALTH said that a difficult situation continued in the Ambulance Service dispute. There had been a flurry of activity the previous day following an approach he had received from the Jerry Hayes MP, Chairman of the Conservative Backbench the the Committee, but this had not revealed any extended movie och support for a change in the management position. Not use there any great public unease over the continuing stalemate in the dispute, although in their treatment of it the broadcasting media continued to appear to favour the ambulance workers. In this situation, it was very difficult to put across the management case effectively.

There had been no move at all in the demands made by the National Union of Public Employees (NUPE). They continued to press for an 11.4 per cent pay deal over 12 months, together with pay review arrangements on a par with those in the Fire Service. The National Health Service (NHS) could not afford to settle at any level which might foreseeably be acceptable to the Union. For its part, NHS management was offering a pay deal worth a minimum of 9 per cent over 18 months (D. 8 per cent in London) with increases of up to 16.3 per cent top fully trained paramedic staff in London. The results of a baddot of members of the Association of Professional Ambulance Personal (APAP) on the offer should be announced the following day Affrough its acceptance had been recommended by the Association negotiators, it seemed likely that the offer would be

5

This reflected both the success of the tactics employed by NUPE to undermine the APAP ballot, and the large number of non-paramedically trained staff in the Association to whom the offer was less attractive than to their trained colleagues.

NHS management had also offered the Unions a Christmas truce, under which emergency crews would receive full pay provided they operated a normal accident and emergency service within TUC quidelines. This offer had been rejected, however. NUPE appeared to be reducing cover in a number of areas, such as rmingham, and pressures would grow as Christmas approached. Here was a strong possibility that because they did not wish to over Christmas without pay, ambulance staff would find a est to withdraw cover in certain areas. The Armed Forces the police and voluntary organisations should nevertheless be able to cope over this period and they would be looking to improve the service they provided even further, for example by improving arrangements in the operational control at New Scotland vers. After Christmas, pressure on union members to settle would nount as they felt the loss of pay and receipts from public effections diminished. Nevertheless, with all movement so far having come from the management side and none from the Union the dispute seemed likely to run on quite a bit longer. longer.

THE PRIME MINISTER, staming up a brief discussion, said that the offer available to the anoulance workers, which now included substantial sums in theck pay, was a generous one. All Ministers should actively support the Secretary of State for Health in putting across the reaction between soft the management position to the public and the media

The Cabinet -

Took note.

FOREIGN AFFAIRS

Vietnamese Boat People

Previous Reference: CC(89) 36.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that there would be a debate in the House of Commons about the Vietnamese boat a debate in the House of Commons about the vietnamese boat people later in the day. The introduction of compulsory repatriation had caused difficulties but it had nevertheless gone better than it might have done, particularly with regard to the reaction in the United States. As far a structurers for repatriation were concerned, there would be one further flight before Christmas and one just before the New Year Arrangements were also in hand for further compulsory repatriction after the decided. One Christmas, but the timing had yet to be decided. One consideration was the retention of Lord Ennals as a nor of the treatment of returnees. Despite the measures that

6

Government were taking, the problem of the Vietnamese boat people remained huge, and an important objective was to deter another rush of refugees from heading for Hong Kong when the weather improved.

Romania

Previous Reference: 00(89) 9.3 THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been large-scale unrest in Romania. This had been among the ingarian minority in Transylvania rather than in the capital, Acharest. It had focussed on a Protestant pastor, Mr Laszlo s, whom the Romanian authorities had tried to evict. A or of the British Embassy in Bucharest had established that, Mar, nothing appeared to have happened to Mr Tokes. It was non clear if the unrest would spread but it seemed unlikely to run through the population as a whole. The disturbances might mark the beginning of the end for President Ceausescu, although the end might take some time to arrive. The Soviet Foreign Minister Mr Eduard Shevardnadze, had told the Foreign and Commonwearth Secretary the previous evening that he had no particular information about what was happening in Romania.

Soviet Union

Previous Reference: CC(89) 29.3 THE FOREIGN AND COMPONENTIALITH SECRETARY said that Mr Shevardnadze had been dining with the European Community Foreign Ministers and had given a fascing of account of the difficulties which the Soviet system was considered account of the difficulties which the Soviet system was considered account of the difficulties which the Soviet system was considered account of the difficulties which the Soviet system was considered account of the difficulties which the Soviet system was considered account of the difficulties which reform and it would by the societ leadership's battle for economic reform and it would by the second account of the societ of the societ Union's difficulties was illustrated by the fact that a kilo of meat sold in the shows for 2 roubles cost 12 roubles to produce. The problem of economic adjustment were immense. immense.

The Cabinet -

Took note.

COMMINITY AFFAIRS

Education Council 14 December THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the only substantive item on the agenda of the Education Council ha Council had been a five-year extension of the European Comments Action Scheme for the Mobility of University Students (ERA programme. Since the United Kingdom benefitted from programme, his aim had been to secure the best possion for an extension and the result had been a good one.

7

ic and Council THE CHANCELLOR OF THE EXCHEQUER said that he had pressed for further detailed work on Economic and Monetary Union to be taken up by the Monetary Committee and, with some help from the Dutch and German Ministers, this had been agreed. The Committee would prepare a report on the issues involved, including those raised in the United Kingdom paper, by the end of March. A discussion on the approximation of rates of Value Added Tax (VAT) had also concluded satisfactorily. There remained pressure for the obligatory harmonisation of VAT rates within a range of 14 to 20 per cent, or alternatively for an obligatory inimum rate. Because he had been unable to go along with such onclusions, they had been registered as merely those of the Fidency and not of the Council itself, and in a statement for Winutes he had made clear that the United Kingdom was not maintenance of zero rates of VAT had also been satisfactorily recorded. In the light of the discussion, the Commission had indicated their readiness to bring forward proposals for implementing the future system for operating VAT, which the Council ad agreed in principle at its earlier meeting. Finally, the terman Minister had withdrawn his objections to the Directive of solvency ratios for banks, which had therefore been finally addressed finally adopt

Research Council 15 December THE SECRETARY OF SIRVE OR TRADE AND INDUSTRY said that the outcome of the Council meeting had been satisfactory. In particular expenditure only the framework programme for research and development been reduced by two billion ecu compared with the figure of chally proposed by the Commission.

The Cabinet .

Took note.

DUTY MINISTERS IN DEPARIMENTS THE PRIME MINISTER said that Ministers in charge of Departments should ensure that a Duty Minister was a simple at all times during the Christmas recess both to cope with urgent departmental business and to ensure that the Department's policies were actively and effectively conveyed to the press and the public. The latter would be particularly propriant in view of the series of radio and television programmes stratuled for the coming weeks which would review the events of the past increde. The names of Duty Ministers should be passed to her THE PRIME MINISTER said that Ministers in charge of Departments decade. The names of Duty Ministers should be pass her office.

8

ENTAL DENCE THE PRIME MINISTER said that the Chief Whip had reported complaints by the Government's backbench supporters about delays by Departments in replying to letters from Members. Ministers in charge of Departments should review their Departments' performance in this respect, and ensure that arrangements were designed to minimise delay. The use of standard letters where appropriate; effective arrangements for ensuring that sensible decisions were made about the handling of letters immediately they were received; and the nomination of a junior Minister with responsibility for overseeing the efficiency of departmental grangements were all matters to be considered in this context.

brief discussion, the following points were made:

Reports from Departments should include a measure of the growing volume of correspondence dealt with. In many cases, it was the weight of correspondence which caused problems.

b. Embers often seemed too ready to send on letters from construction to Departments, even where they had already received a standard letter from the Department on the subject which the constituent was raising. No doubt they did this because they wished to have a letter signed by the Minister to send tack to their constituent. Nevertheless, it put a substantial avoidable burden on Departments. The provision of a letter signed by the Minister but not specific to a particular constituent could help in this respect. respect.

c. Members also seemed too ready merely to act as a postbox on occasion between constituents and a Department. The result could be that a lengthy sequence of correspondence unfolded between a Minister and a particular correspondence unfolded between a Minister and a particular constituent with little benefit to either side.

THE PRIME MINISTER, summing up the discussion, said that the Secretary of the Cabinet should invite Departments to report on the volume of correspondence which they handled from Members and on their targets and their performance objectives in replying to it. The points made in discussion about Members' handling of correspondence, and any other such points to emerge from the survey of Departments, should be taken up when the outcome was reported to the 1922 Committee.

The Cabinet -

Took note, with approval, of the Prime Minister summing up of their discussion and invited the Secretary of Cabinet to proceed accordingly.

9

CONFIDENTIAL

Cabinet Office

19 December 1989