

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

CC(85) 12th
Conclusions

COPY NO 74

CABINET

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

THURSDAY 28 MARCH 1985

at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Viscount Whitelaw
Lord President of the Council

The Rt Hon Leon Brittan QC MP
Secretary of State for the Home Department

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education and Science

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon John Biffen MP
Lord Privy Seal

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry

The Rt Hon Michael Jopling MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Peter Walker MP
Secretary of State for Energy

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

The Rt Hon Tom King MP
Secretary of State for Employment

The Rt Hon Peter Rees QC MP
Chief Secretary, Treasury

The Rt Hon Earl of Gowrie
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Young of Graffham
Minister without Portfolio

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

Mr John Gummer MP
Paymaster General

The Rt Hon Baroness Young
Minister of State, Foreign and
Commonwealth Office

SECRETARIAT

Sir Robert Armstrong
Mr D F Williamson (Items 2 and 3)
Mr B G Cartledge (Items 2-6)
Mr C J S Brearley (Item 1)
Mr D E J Jago (Items 4-6)
Mr R Watson (Item 1)

CONTENTS

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
	Sikh Demonstration in Hyde Park	1
2.	FOREIGN AFFAIRS	
	Soviet Union	2
	Shooting of a United States Army Officer in the German Democratic Republic	3
	Meeting of the Nuclear Planning Group of the North Atlantic Treaty Organisation	3
3.	COMMUNITY AFFAIRS	
	Agriculture	4
	Steel	5
	Finance	5
	Majority Voting	5
4.	STATEMENT ON THE DEFENCE ESTIMATES 1985	6
5.	ECONOMIC AFFAIRS	
	Exchange Rates	7
	Employment White Paper	7
	Air Services Agreement	7
6.	HOME AFFAIRS	
	Greater London Council	
	Television Licence Fee	

PARLIAMENTARY
AFFAIRS

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

Sikh
Demonstration
in Hyde Park

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he had received an application from a private British citizen, a Mr Khera, to hold a rally in Hyde Park on Monday 8 April. The application was on notepaper headed "Republic of Khalistan" and the rally would obviously be used to further the interests of those supporting an independent Sikh state under that name. The Prime Minister would be in New Delhi later that week, and it was known that the Indian Government were very sensitive about the operation in this country of Sikh extremist organisations. The Metropolitan Police had advised on the basis of previous Sikh rallies and of information presently available that there was no reason to believe that the rally would attract any violent opposition or otherwise give rise to significant public order difficulties.

In discussion the following points were made -

- a. Since the episode of the Golden Temple at Amritsar and the death of Mrs Gandhi, the former Indian Prime Minister, at the hands of a Sikh protection officer, the Indian Government had demonstrated extreme sensitivity about the activities of Sikh extremists in the United Kingdom, some of whom were advocating the secession of a Sikh state and further attempts to overthrow the Indian Government by violent means. The Indian Government would not readily understand an apparent failure by the British Government to contain the activities of such extremists and deny them opportunities to draw public attention to their seditious purposes, and the risk of damage to Anglo-Indian relations was very considerable.
- b. Though the Metropolitan Police saw no special reason at this stage to fear that significant breaches of public order would occur, any such demonstration would be bound to heighten the tension between the Sikh community and other Indian communities, and to increase the risk that that tension would erupt, if not on this then on some other occasion, into serious violence and public disorder.
- c. There were some signs that the organisers were expecting that permission would be withheld, and might withdraw their application if they came to believe that that was the probable outcome.

THE PRIME MINISTER, summing up the discussion, said that the Secretary of State for the Environment had been right to consult his colleagues before reaching his decision as to whether to use his powers to ban the proposed Sikh rally in Hyde Park on 8 April. It was the clear view of the Cabinet that it was in the public interest that the rally should not take place, and that he would be in a strong position to defend and justify a decision to withhold permission for the rally, should it be

subject to challenge in the courts. If the Secretary of State decided to withhold permission for the rally, the Cabinet would not wish to object, should he decide to give the organisers 24 hours notice of his intention; thereafter, if they did not withdraw their application in that time, the Secretary of State might think it appropriate formally to proceed with the refusal of permission, without reasons being given.

The Cabinet -

Invited the Secretary of State for the Environment, in deciding whether to use his powers to withhold permission for a Sikh rally in Hyde Park on Monday 8 April, to take into account the views of the Cabinet as expressed in the discussion and in the Prime Minister's summing up.

FOREIGN AFFAIRS

Soviet Union

Previous Reference: CC(85) 9th Conclusions, Minute 2

2. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (BARONESS YOUNG) said that the new General Secretary of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev, was placing strong emphasis, in his statements on internal policy, on the need for improved order and discipline, in a manner reminiscent of the line taken by the late President Yuri Andropov. Mr Gorbachev had already embarked on measures, including the dismissal of some Party officials, designed to reduce corruption and inefficiency in the Soviet Union. There was, however, no indication that radical reforms or fundamental change were in prospect; Mr Gorbachev's policies appeared so far to be directed towards improving the performance of the existing system. On foreign policy issues, Soviet public statements since Mr Gorbachev's election had signalled continuity; the Soviet Union's bilateral relationship with the United States remained the central foreign policy issue, and this was being addressed in a businesslike and unpolitical manner. It seemed unlikely that Mr Gorbachev would make an early response to President Reagan's proposal for a summit meeting; but Mr Gorbachev might accept President Reagan's invitation during the latter half of 1985, perhaps combining this with a visit to the United Nations in the autumn. Attempts by the Soviet leadership to divide Western Europe from the United States could be expected to continue, as could increased emphasis by the Soviet Union on the need for unity in the Warsaw Pact.

Shooting of a United States Army Officer in the German Democratic Republic

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE, said that the killing of a United States Army officer, Major Arthur Nicholson, on the staff of the United States Military Liaison Mission in the German Democratic Republic on 24 March could have become a major diplomatic incident between the United States and Soviet Governments. The fact that it had not done so was due to a notably restrained reaction on the part of the United States and to private assurances from the Soviet authorities that the killing had been a tragic accident. United Kingdom officials were in close touch with their United States and French counterparts to assess the implications of the incident for the British and other Allied Military Missions to the Group of Soviet Forces in Germany. Meanwhile, the British Military Liaison Mission was maintaining its normal functions.

In a brief discussion it was noted that the incident, and in particular the failure of Soviet personnel to give Major Nicholson medical treatment after the shooting, showed the Soviet regime and the Soviet system at their worst. The brutality of Soviet conduct on this occasion was in sharp contrast with the restraint habitually exercised by United States personnel on occasions when members of the Soviet Military Liaison Mission in the Federal Republic of Germany approached United States restricted areas.

The Cabinet

- 1. Took note.

Meeting of the Nuclear Planning Group of the North Atlantic Treaty Organisation

THE SECRETARY OF STATE FOR DEFENCE said that he had attended a meeting of the Nuclear Planning Group (NPG) of the North Atlantic Treaty Organisation (NATO) on 26-27 March in Luxembourg. The meeting had received a detailed report from the Supreme Allied Commander Europe (SACEUR), General Bernard Rogers, on his recommendations for implementing the NPG's decision, at its meeting at Montebello in Canada in October 1983, to reduce the stockpile of nuclear warheads held by the Alliance in Western Europe to 4,600 by 1988. This would be the lowest level of nuclear warheads held by the Alliance for 20 years. SACEUR's report would now be carefully studied in Alliance capitals in the context of NATO's agreed policy of maintaining an effective, modernised deterrent capacity while reducing the nuclear stockpile wherever possible.

The meeting of the NPG had also considered the invitations conveyed by the United States Government to its Allies (including France, Japan, Israel and Australia) to participate in the research programme associated with President Reagan's Strategic Defence Initiative (SDI). The Allies had been invited to convey their national replies to this invitation within 60 days. There had been some discussion in the margins of the NPG meeting of the desirability of some form of collective Western European response to the American invitation, an approach which was favoured by the Secretary General of NATO, among

others. The view had been expressed that such a response, for example by the four major Western European Allies, might make it possible to negotiate a more favourable arrangement with the United States than any one Ally could negotiate individually; and would enable the Europeans to share among themselves the results from four areas of research. The Secretary of State for Defence said that he would be seeking urgently the views of his Cabinet colleagues with a direct interest in this matter; and that the Ministry of Defence would proceed in close liaison with the Department of Trade and Industry. The feasibility of a collective European response would be examined in exchanges between the National Armaments Directors of the Allied countries concerned.

In a short discussion it was suggested that the United Kingdom might be able to negotiate a more favourable arrangement with the United States on SDI research if this were done on a bilateral national basis rather than as part of a collective Western European response. A collective response might result in a smaller role for the United Kingdom than that to which her industrial and scientific capabilities entitled her; and would in any case raise problems of technology transfer as between the United Kingdom on the one hand and France and the Federal Republic of Germany (FRG) on the other. France, in particular, could be expected to turn such an arrangement to their own national advantage; and it was questionable whether, in view of the weaker French military commitment to the Alliance, the possibility of such an outcome should be tolerated. It was also noted, however, that the United Kingdom, if it responded to the United States invitation on a national rather than a collective basis, could not prevent arrangements being reached between the United States, France and the FRG as well; and that, if there were to be a disposition on the part of the United States to take British solidarity on the SDI issue for granted, the other European Allies might be able to extract a higher price from the United States for their support than could the United Kingdom. The combination of a British national response and a collective response by the other leading European Allies could, equally, be detrimental to British interests.

The Cabinet -

2. Took note.

3. — THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the discussions in the Council of Ministers (Agriculture) on 25-27 March had shown that the Germans were holding strongly to the view that there should be no reductions in Community agricultural support prices. They were also seeking arrangements which would weaken the restraints in the milk sector. Some other member states were allowing the Germans to make the running for a less restrictive price package. In addition, Mediterranean member states were seeking higher support for Mediterranean products. The United Kingdom was standing firmly with the Commission against unjustified increases in the price proposals; was stressing the role of the financial guidelines; and was resisting French

COMMUNITY
AFFAIRS

Agriculture

attacks on some elements of the market organisation for sheepmeat. It should be noted, however, that, although the Commission had held to its price package, the Commissioner responsible for agriculture, Mr Andriessen, did not take the same view of the application of the financial guideline as the United Kingdom. It was possible that the Federal German Chancellor, Herr Kohl, would raise the question of agricultural prices in the European Council on 29-30 March. The Council of Ministers (Agriculture) would meet again on 1 April and was unlikely to arrive at an agreement. In discussion it was pointed out that once again the Germans, because of their role as the major financial contributor to the Community budget, were insisting that the Community solution must take full account of their national needs. The United Kingdom must continue to mount a strong defence of a restrictive agricultural price package. The current price negotiations were not a matter for the European Council. One element of the agreement on budgetary discipline was that, if Commission proposals were likely to be exceeded, there was provision for a joint Council of Finance and Agriculture Ministers. It might be necessary to invoke this, and the Italian Presidency had been informed.

Steel

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the results of the Council of Ministers (Industry) on 26 March had been reasonably satisfactory. The Council had reaffirmed that payment of aid to the steel industries should cease from 31 December 1985. The United Kingdom had supported the extension of the deadline because of the position of the British Steel Corporation following the miners' strike. If other member states sought to increase aids, the Commission would be pressing them for further capacity cuts. There had also been some difficulty - and a strong French reaction - on recent actions by the United States which were threatening to damage the arrangement between the United States and the Community in this sector.

Finance

THE CHANCELLOR OF THE EXCHEQUER reported that the final payment from the Community of the United Kingdom's 1983 budget refund had now been made.

Majority Voting

It was pointed out that there were some suggestions in the press and elsewhere that France and Germany might be preparing to give up the arrangements (the Luxembourg compromise) under which a member state could ask that discussion should continue because a very important national interest was at stake and that a vote should not be taken. In discussion, it was said that France and Germany continued to demonstrate

the importance which they attached to not being outvoted on their important national interests. The United Kingdom's position on the need for the Luxembourg compromise had not changed.

The Cabinet -

Took note.

STATEMENT
ON THE
DEFENCE
ESTIMATES
1985

Previous
Reference:
CC(84) 15th
Conclusions,
Minute 5

4. The Cabinet had before them a note by the Secretary of State for Defence (C(85) 8) seeking approval for the draft of the Statement on the Defence Estimates 1985.

THE SECRETARY OF STATE FOR DEFENCE, introducing the draft Statement, said that a number of amendments had been made to the text following discussion in the Defence and Overseas Policy Committee. The Statement sought to underline the determination of the European Allies within the North Atlantic Treaty Organisation (NATO) to strengthen equipment collaboration and to stress, particularly to the public in the United States, the major contribution which European nations made to the Alliance. The Statement was also an opportunity to educate the public generally about major defence issues and he had taken account of two criticisms which had been made of previous Statements, namely that these had not contained sufficient material on major policy matters and that the statistics on the balance of forces between East and West had exaggerated the Warsaw Pact's lead in nuclear delivery systems. A substantial essay on the Trident programme had been included, and a summary of this would be made widely available. He accepted that the figures illustrating the Warsaw Pact's lead in nuclear delivery systems had been presented in a manner which exaggerated the difference; adjustments had therefore been made to the presentation of the statistics in question in consultation with the Secretary General of NATO. It had been necessary to increase the price of both volumes of the Statement by 50p. Abridged versions in French and German were being made available. Subject to the Cabinet's views, he proposed to publish the Statement early in May.

In discussion it was suggested that it would be helpful to include in the Statement a paragraph drawing attention to the success of the building contractors involved in the construction of the Falkland Islands Airport in completing their work on schedule and within the cost limits set. This would be a useful advertisement for the competence of British firms to undertake demanding overseas contracts of this nature. It was also noted that, although the study into the future availability of merchant ships for defence needs, described in paragraph 460 of the Statement, was essentially a fact-finding examination, it would be essential also to identify ways of halting the continuing decline in the size of the United Kingdom merchant fleet as quickly as possible. Of equal importance was the need to ensure that experienced British seamen were available to man ships which might be needed for defence purposes.

THE PRIME MINISTER, summing up the discussion, said that, subject to the inclusion of a reference to the success of British firms in undertaking the construction of the new airport in the Falkland Islands, the Cabinet approved the draft Statement on the Defence Estimates 1985. It should be published early in May, as the Secretary of State for Defence proposed.

The Cabinet -

1. Approved the draft Statement on the Defence Estimates 1985, subject to the points made in the Prime Minister's summing up.
2. Invited the Secretary of State for Defence to publish the Statement early in May.

5. THE CHANCELLOR OF THE EXCHEQUER said that the United States dollar had been weakening rapidly, particularly against sterling. Although doubts about certain United States financial institutions were partly responsible for the dollar's decline, there was now a deeper understanding that the dollar had been overvalued. The Budget had been well received by the markets. It was unlikely that this would have an immediate impact on mortgage rates, but news of an impending further reduction of $\frac{1}{2}$ per cent in the National Westminster Bank's base lending rate (which would no doubt be followed by the other clearing banks) underlined the fact that the building societies had acted precipitately in raising their rates.

THE SECRETARY OF STATE FOR EMPLOYMENT said that the White Paper on Employment would be presented to Parliament that afternoon. He advised that a Labour Party policy document on employment would be published during the following week.

THE SECRETARY OF STATE FOR TRANSPORT said that an air services agreement had been reached with Luxembourg. Following similar agreements with Belgium, the Federal Republic of Germany and the Netherlands, this represented a further significant advance in liberalising air services within Western Europe.

The Cabinet -

Took note.

ECONOMIC
AFFAIRS

Exchange
Rates

Previous
Reference:
CC(85) 4th
Conclusions,
Minute 6

Employment
White
Paper

Air Services
Agreement

CONFIDENTIAL

HOME AFFAIRS
Greater
London
Council

6. THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Government had just won an important case against the Greater London Council (GLC) on rate limitation.

THE SECRETARY OF STATE FOR TRANSPORT reported that £82 million had been recovered from the GLC, following legislation on the financing of London Regional Transport. The cheque had arrived on the side of a bus.

Television
Licence
Fee

THE HOME SECRETARY reported that, following his statement in the House of Commons the previous day about the future financing of the British Broadcasting Corporation (BBC), 50 Members of Parliament had signed a motion critical of the size of the increase in the colour television licence fee which he had announced. Those concerned had not taken sufficient account of the fact that the previous rate of £46 per licence had been settled in 1981 as an average for three years, on the understanding that the BBC would spend less than that in the first year of the settlement and the equivalent of a £51 fee in the third year. The new fee of £58 did not give the BBC room for expansion without full implementation of the Peat Marwick Report's recommendations. The press reaction to the setting up of the inquiry to be led by Professor Peacock had been generally favourable. This inquiry would examine all the possible ways of financing the BBC in future, and would report during the summer of 1986.

The Cabinet -

Took note.

Cabinet Office

28 March 1985

CONFIDENTIAL