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CC(85) 14th  
Conclusions

COPY NO **74**

CABINET

CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 25 APRIL 1985  
at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP  
Prime Minister

The Rt Hon Lord Hailsham of St Marylebone  
Lord Chancellor

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 Earl of Gowrie  
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Young of Graffham  
Minister without Portfolio

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP  
Parliamentary Secretary, Treasury

Mr John Gummer MP  
Paymaster General

SECRETARIAT

Sir Robert Armstrong  
Mr D F Williamson (Items 2 and 3)  
Mr B G Cartledge (Items 2 and 3)  
Mr C L G Mallaby (Items 2 and 3)  
Mr C J S Brearley (Item 1)  
Mr R Watson (Item 1)

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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.

European  
Community  
Budget  
Council:  
Oral  
Statement

THE CHANCELLOR OF THE EXCHEQUER said that the Opposition had asked for a statement to be made that day about the outcome of the recent European Community (EC) Budget Council. It had not been the practice in the past to make oral statements about Budget Councils and there was a danger that such a statement in this case would create an inconvenient precedent.

In discussion, it was pointed out that there was a general presumption that statements would be made about the outcome of EC Council meetings where the Opposition requested them and their nature and significance were such as to justify an oral statement.

THE PRIME MINISTER said that the outcome of the Budget Council was significant in that it would result in an additional net payment by the United Kingdom of £38 million. Cabinet was therefore content that an oral statement should be made, especially as a refusal to do so might prejudice the subsequent Foreign Affairs Debate. This would be in accordance with the general principles to which attention had been drawn in discussion and should not affect future decisions on statements following EC Budget Council meetings.

The Cabinet -

Took note with approval of the Prime Minister's summing up of the discussion

FOREIGN  
AFFAIRS

Anglo-Soviet  
Relations

Previous  
Reference:  
CC(85) 13th  
Conclusions,  
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that, as he had informed the Cabinet on 18 April, immediate publicity had been given to only two of the five expulsions from the United Kingdom of Soviet Embassy and airline personnel. It had been made clear to the Soviet authorities that publicity would be given to the remaining three, and the ceiling on the diplomatic staff of the Soviet Embassy reduced by that number, only in the event of Soviet retaliation against the British Embassy in Moscow. Despite this warning, the Soviet Government had expelled two British Service Attachés and one civilian diplomat from Moscow and had delivered a warning concerning the activities of four further members of the British Embassy. The British response had therefore been to publicise the expulsion of the three Russians and reduce the Soviet Embassy's diplomatic ceiling correspondingly: in response to this, the official Soviet news agency had publicised the warning given to the other British Embassy personnel, although without as yet naming them. All Soviet accusations against members of the British Embassy in Moscow were totally without foundation and had been

firmly denied. It was still not certain whether any further expulsions from Moscow would take place. It seemed possible that the latest Soviet public statement was intended to draw a line under the episode.

Western European Union  
Previous Reference: CC(84) 22nd Conclusions, Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that, with the Secretary of State for Defence, he had attended a session of the Council of the Western European Union (WEU) in Bonn on 22 and 23 April. The meeting had been useful in reinforcing the commitment of Western European Governments to greater technological co-operation and to improved collaboration in the field of defence procurement. There had been a substantial discussion of the nature of the European response to the invitation from the United States Secretary for Defence to Western European Governments to take part in the research programme associated with President Reagan's Strategic Defence Initiative (SDI). Most participants in the Council meeting had been inclined to favour a positive reaction and there had been considerable pressure for agreement, at the Council, on a co-ordinated European response to the United States. The Foreign and Commonwealth Secretary said that he and the Secretary of State for Defence had resisted any formulation in the final communique which went beyond a commitment to further collective consideration of the problem.

THE FOREIGN AND COMMONWEALTH SECRETARY said that, shortly before the WEU Council meeting, the French had put forward their proposal for a European Research Co-ordination Agency (EUREKA). The thinking behind the French proposal remained unclear; it appeared that, although it had coincided and could in theory overlap with consideration by Western European Governments of the United States invitation to participate in SDI research, no firm linkage was intended. There had been little enthusiasm in the Council for the French initiative.

In a short discussion, it was noted that the United States invitation to the Europeans would need to be more precisely defined before a firm response could be given to it; and that the scope for co-operation in research between Western European countries would require more detailed examination. The Finance Minister of the Federal Republic of Germany (FRG), Dr Gerhardt Stoltenberg, was evidently reluctant to allocate funds to a co-ordinating agency such as that proposed by the French, although the FRG Foreign Minister, Herr Hans-Dietrich Genscher, had at one stage appeared to be more enthusiastic about the project. It was further noted that United Kingdom law relating to intellectual property, and in particular the fact that the publication in academic journals of the results of scientific research precluded subsequent patenting, was less satisfactory than the relevant laws obtaining in other countries.

The Cabinet -

1. Invited the Secretary of State for Trade and Industry to investigate the industrial implications of the present state of the law concerning intellectual property.

Lebanon

Previous Reference:  
CC(85) 11th  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the resignation of the Lebanese Prime Minister, Mr Rashid Karame, on 17 April had marked the collapse of the Syrian-inspired Government of National Unity; but that latest reports indicated that Mr Karame's resignation had been withdrawn. There was now likely to be an attempt to put together a new government on similar lines, and it seemed probable that Syria would have to play a more active political role. The kidnapped British citizen, Mr Alec Collett, was still being held hostage. The British Government was in contact with the Syrian Government, the Palestine Liberation Organisation and the United Nations Secretariat about Mr Collett, but there had so far been no response to these approaches. The circumstances in which the British Ambassador in Beirut and his remaining staff were having to work continued to be extremely disagreeable, and it was appropriate to record appreciation of their efforts.

India

Previous Reference:  
CC(85) 6th  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that, following the exchanges concerning the Indian purchase of Westland helicopters with the Indian Prime Minister, Mr Rajiv Gandhi, of which the Prime Minister had informed the Cabinet on 18 April, there had been two further meetings, on 18 and 22 April, between Indian technical experts and representatives of Westland Helicopters. The Indians had not raised, at either meeting, any of the technical points mentioned to the Prime Minister by Mr Gandhi on 13 April; indeed they had claimed ignorance of what had been said on that occasion. When the Minister for Overseas Development, Mr Raison, had met Mr Gandhi on 24 April, Mr Raison had drawn attention to the apparent discrepancies and inconsistencies in the Indian position. He had also drawn Mr Gandhi's attention to the implications for the United Kingdom's aid programme to India of failure to finalise the contract for the purchase of the Westland helicopters. Mr Gandhi had undertaken, once more, to look into the situation; but the position remained profoundly unsatisfactory.

In a short discussion, it was pointed out that all the conditions regarding certification and performance evaluation of the Westland W-30 helicopter laid down by the Indian Government had been satisfied; and that, because of the tight delivery schedules laid down in the contract, Westlands had already embarked on manufacture. It was noted that the present Indian position probably owed more to changes of personnel in the relevant part of the Indian bureaucracy than to any genuine

technical difficulties; and that it seemed likely that recent contradictory Indian statements concealed a decision to renege on the contract. It was recalled that the United Kingdom's aid budget for India had been underspent in successive years and that this had played a part in the decision to make aid funds available for the purchase of the helicopters by the Indian Government. The currently unsatisfactory situation would have to be brought to a head, while bearing in mind that the value of United Kingdom exports to India amounted to £800 million annually and that the collapse of the helicopter contract would have grave consequences for Westlands.

It was also noted that, although the Prime Minister's public statements concerning the activities of Sikh nationalists in the United Kingdom had helped to reduce Indian hostility on this score, Indian opinion remained extremely sensitive on this issue. A close study of the statements made by the Sikh leader, Dr Chauhan, prior to the assassination of the former Prime Minister, Mrs Indira Gandhi, tended to confirm that the strong and continuing Indian reaction to his activities was entirely understandable.

Nigeria

Previous Reference: CC(85) 11th Conclusions, Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the two British employees of Bristow Helicopters Limited in Nigeria were still under detention: their trial had been adjourned until 13 May as a result of the plea of double jeopardy entered on their behalf, on which the judge concerned had so far reserved his decision. The position regarding consular access to the two detainees remained most unsatisfactory and the conditions of their detention were appalling. The Nigerians had responded to British representations with counter-allegations concerning the treatment in prison in the United Kingdom of Mr Mohammed Yusufu, sentenced for the kidnapping of the exiled former Nigerian Minister for Transport, Mr Umaru Dikko; a firm rebuttal of these allegations would be made in a message to the Nigerian Foreign Minister, Dr Gambari, accompanied by further pressure for access to the British detainees. The Foreign and Commonwealth Secretary said that he continued to be in close touch with the Home Secretary on the question of the request by Mr Dikko for asylum in the United Kingdom. In general, the state of relations between the United Kingdom and Nigeria remained unsatisfactory, but everything possible was being done to resolve the problem.

Brazil

Previous Reference: CC(85) 11th Conclusions, Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the death on 21 April of the Brazilian President-elect, Senor Tancredo Neves, had created an uncertain situation, although there was some evidence of a trend to rally round his less popular successor, the former Vice-President, Senor Jose Sarnay. Pressure might, however, develop for new presidential

elections. It seemed likely that President Sarnay would retain in office the existing Ministers concerned with economic affairs, although he would have less authority than his predecessor to carry through the policies which Brazil's economy required.

Japan

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that he had undertaken an interesting visit to Japan from 15 to 19 April. It had been clear that the internal political situation was volatile and that the contest to succeed the Prime Minister, Mr Yasuhiro Nakasone, was well under way; the Minister for Finance, Mr Noboru Takeshita, had made no secret of his own ambitions. Japanese Ministers and officials had evidently been shaken by the virulence of the United States reaction to Japanese trading policies but remained reluctant to take the requisite action, especially in the area of Non-Tariff Barriers.

The Secretary of State for Trade and Industry said that he had made it very clear that the United Kingdom looked to the Japanese Government to take action on that issue, as well as in the areas of capital purchases and of the opening up of the Japanese market, including the internal financial market. He had stressed the strength with which Western European countries would react to any move by Japan to conclude a deal with the United States at their expense. It should not be forgotten, however, that the United States bore its own share of responsibility for the situation which had developed, in that it had arisen largely as a result of the United States deficit and high interest rates. Bilaterally, relations between the United Kingdom and Japan were very good; the Japanese clearly took a positive view of bilateral manufacturing projects and of further Japanese investment in the United Kingdom. The Secretary of State for Trade and Industry said that, on the question of a new General Agreement on Tariffs and Trade round, he had urged the necessity for all participants to have a clear view of their objectives before a firm date for the round was set.

International  
Monetary  
Discussion

THE CHANCELLOR OF THE EXCHEQUER said that he hoped that, following the meeting of the Interim Committee of the International Monetary Fund, United States' willingness to go along with a proposed international monetary conference would be given a lower profile. There remained a risk, however, that this question might become an issue at the Bonn Economic Summit on 2-4 May. The United Kingdom was not supporting the suggestion. Some other countries, including the United States themselves, saw little or no advantage but had been drawn into some form of support for the proposal. There was a risk that it would rouse but not satisfy expectations.

The Cabinet -

- 2. Took note.

COMMUNITY AFFAIRS  
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Agriculture  
previous  
reference:  
C(85) 13th  
conclusions,  
minute 3

3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that at the Council of Ministers (Agriculture) on 22-23 April the Presidency had produced an unsatisfactory compromise. It was not sufficiently rigorous on cereals, made no provision for the continuation of the beef variable premium, proposed unjustified changes on sheepmeat and was too generous on Mediterranean products. Those member states, including the United Kingdom, which opposed the compromise had been successful in ensuring that it made no progress. The major problem continued to be German opposition to any cut in cereal support prices. The Commission had taken a firmer line, in particular on the budgetary consequences. There would be a further meeting of the Council beginning on 2 May, when it was possible that the Commission might adjust its proposals. He thought it unlikely that this would lead to a breach of the financial guidelines.

In discussion it was pointed out, in relation to budgetary discipline, that the situation could also arise in which there was an increase in the cost above the level of the Commission's present proposals but no breach of the financial guideline. In this case there could be a question of whether or not to call for a joint Council of Finance and Agriculture Ministers. The Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Minister of Agriculture, Fisheries and Food would need to decide the United Kingdom's position, if this situation were to arise. On the beef variable premium, it was confirmed that the United Kingdom had made clear the high importance it attached to the maintenance of the scheme. On milk it was confirmed that, despite the absence of agreement on prices, the reduction in quotas had taken effect. It was too early, particularly because of the late spring, to say now whether there would be any levy to pay under the quota scheme in the United Kingdom later that year. It seemed likely that levy payments would be required in some other member states, and some levy might become due in the United Kingdom.

Finance

THE CHANCELLOR OF THE EXCHEQUER said that the Council of Ministers (Budget) on 23-24 April had reached agreement that 1.9 billion ecu (£1.1 billion) should be financed by an intergovernmental agreement in 1985. The Economic Secretary had negotiated the Commission's proposed figure of 2.3 billion ecu down. The Fontainebleau arrangements for abating the United Kingdom's contribution would apply, so that the United Kingdom's net contribution after correction would be reduced to about £38 million. This was less than the net contribution of about £52 million under the 1984 intergovernmental agreement. The figure agreed by the Council of Ministers (Budget) included adequate provision for the Commission's current agricultural price proposals. The Commissioner responsible for the budget, Mr Christophersen, had not ruled out the possibility of proposing a revised figure if a more expensive agricultural price package were adopted, but the United Kingdom should try to prevent such a proposal. The Community's 1985 draft budget, including the United Kingdom's abatement of 1,000 million ecu (about £580 million) would now go forward to the European

Parliament. The European Parliament might shift the United Kingdom's abatement on to the expenditure side of the budget, but might not maintain this position when the Council remained firm.

The Cabinet -

Took note.

Cabinet Office

25 April 1985