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CC(85) 21th
Conclusions

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CABINET

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

THURSDAY 12 SEPTEMBER 1985

at 11.30 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 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 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 John Biffen MP
Lord Privy Seal

The Rt Hon Norman Tebbit MP
Chancellor of the Duchy of Lancaster

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon Leon Brittan QC MP
Secretary of State for Trade and Industry

The Rt Hon Douglas Hurd MP
Secretary of State for the Home Department

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 Norman Fowler MP
Secretary of State for Social Services

The Rt Hon Tom King MP
Secretary of State for Northern Ireland

The Rt Hon Lord Young of Graffham
Secretary of State for Employment

The Rt Hon Kenneth Clarke QC MP
Paymaster General

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr D F Williamson (Items 1-3)
Mr C L G Mallaby (Items 1-3)
Mr A J Langdon (Items 4 and 5)
Mr R Watson (Items 4 and 5)

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CONFIDENTIAL

MEMBERSHIP OF
THE CABINET

1. The Cabinet welcomed the Secretary of State for the Environment, the Paymaster General and the Chief Secretary, Treasury as new members, following the recent Ministerial changes.

FOREIGN
AFFAIRS

India

Previous
Reference:
CC(85) 26th
Conclusions,
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Prime Minister of India, Mr Rajiv Gandhi, would be visiting the United Kingdom on 14 and 15 October. The visit would be very important, both politically and commercially. Mr Gandhi had been very attentively received in France and the United States, and the fullest and most effective programme possible was being arranged for his visit to the United Kingdom. The Indian Government still harboured suspicions of the United Kingdom with regard to the activities of the Sikh community here. There were opportunities for major British contracts in India. It was highly desirable that the visit should be a success. Great care would also be taken with the security aspects of the visit.

Thailand

THE FOREIGN AND COMMONWEALTH SECRETARY said that an attempted coup d'etat by elements of the armed forces in Thailand on 9 September had failed. The incident had lasted less than ten hours; the rebels had apparently numbered some 500. Five people, including two Western journalists, had been killed. One reason for the attempted coup might have been dissatisfaction with the economic policies of the Government led by General Prem Tinsulanonda. The situation had now returned to normal. It would be necessary to watch for any signs that another attempt might be made at a coup.

Greece:
Terrorist
Action
Against
British
Interests

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been two recent bomb attacks on hotels at Glyfada near Athens. In the second incident, 18 British tourists had been injured. The Revolutionary Organisation of Socialist Muslims had claimed responsibility for both incidents. This was the Organisation that had claimed responsibility for murders in 1984 of the British Deputy High Commissioner in Bombay and the British Council representative in Athens. It was not clear whether British interests had been specifically targeted in the latest bombing at Glyfada, but this seemed likely. The British Ambassador in Athens had raised the matter with the Greek authorities, and the Foreign and Commonwealth Secretary himself had discussed it with the Greek Foreign Minister on 9 September. The Greek Foreign Minister had agreed that security precautions at hotels in Greece where there were British tourists should be increased and that even closer liaison between the British and Greek security authorities should take place. The Greek Minister of Public Order might visit London later in 1985.

CONFIDENTIAL

Nigeria
Previous
Reference:
CC(85) 21st
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had visited Nigeria on 10 and 11 September. Nigeria remained important to the United Kingdom. British exports were running at about £100 million per month, and over 10,000 British citizens were resident in Nigeria. The Foreign and Commonwealth Secretary had had an opportunity to meet some of the British business community in Nigeria and to hear their concerns. He had been warmly received by Air Commodore Larry Koinyan, a member of the Armed Forces Ruling Council, and had found him impressive. He had also had a meeting with the new President, General Ibrahim Babangida, who was more pro-British than his predecessor. There had been other useful meetings. He had had an opportunity to meet the new Foreign Minister, Dr Borhan Akinyemi, who had been appointed during his visit. He was glad that he had gone ahead with his visit at this time, despite the recent coup in Lagos. It had been useful to be able to make plain the importance which the United Kingdom attached to relations with Nigeria, including commercial relations. Anglo-Nigerian relations would no doubt remain difficult and the Nigerian Government had made plain that real improvement would depend on the treatment of Mr Umaru Dikko and Major Mohammed Yusufu as well as the extent of British economic support for Nigeria. A move towards more normal relations through the appointment of High Commissioners might follow before long.

The Cabinet -

1. Took note.

South Africa
Previous
Reference:
CC(85) 26th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation concerning South Africa had become extremely tense and difficult. There had been widespread disappointment at the speech of the State President, Mr P W Botha, on 15 August. The President's speech on 11 September had contained slightly more encouraging signs, including a passage about the citizenship rights of black people in South Africa. The United Kingdom had been able to prevent any move to sanctions by the European Community countries in July. On 9 September, the President of the United States had altered his position on sanctions, in order to pre-empt moves in the United States Congress.

British policy during this period had been to hold off pressure for economic sanctions, and to avoid isolation by acting together with the other members of the European Community and with the United States. At a meeting of Foreign Ministers of the European Community countries on 10 September, the British aim had been that the question of new steps should be held for further study; but following the statement by the President of the United States even the Federal Republic of Germany, which previously had opposed sanctions, had on this occasion proposed further action. The British task had thus been to limit new action by the European Community countries to positive measures and to resist other measures beyond those already in place. The Minister of State, Foreign and Commonwealth Office (Mr Rifkind), who had been representing the United Kingdom at the meeting, had largely succeeded in this. Most

of the coercive measures mentioned in the statement by the European Community countries following the meeting of Foreign Ministers had been ones which the United Kingdom already applied. On one of them, the cessation of oil exports to the Republic of South Africa, the position was that the Government's guidelines to oil company licensees exporting oil from the United Kingdom Continental Shelf had the effect that no crude oil from there was sent to South Africa. The wording of one of the coercive measures - discouraging cultural and scientific agreements and freezing official contacts and agreements in the sporting and security spheres - had been amended at British insistence so as to apply to new cultural and scientific agreements. Another of the measures proposed at the meeting was the recall of military attaches accredited in South Africa and refusal to grant accreditation to military attaches from South Africa. The United States, France, Portugal and the United Kingdom presently exchanged military attaches with South Africa.

The United Kingdom had reserved its position on the restrictive measures listed in the statement issued by the Foreign Ministers at the end of the meeting. One question in this field was whether the formulation on oil supplies to South Africa could give the European Commission scope under Article 113 of the Treaty of Rome to seek an actual embargo on all oil sales. There seemed a reasonable chance that this would not happen. The subject of policy towards South Africa would be discussed at a meeting to be chaired by the Prime Minister on the following day.

In a brief discussion, it was noted that the Department of Energy should be represented at the Prime Minister's meeting on 13 September, for the discussion of the question of oil exports to South Africa.

The Cabinet -

- 2. Took note.

Soviet Union:
Activities of
the Committee
of State
Security (KGB)

THE PRIME MINISTER said that an important announcement concerning security would be made later that day. An official of the Soviet Embassy in London had been granted asylum. From 1982, this official had been Deputy Head of the Residency in the Soviet Embassy of the Soviet Committee for State Security (KGB), and had recently become Head of that Residency. This official had provided a great deal of information about Soviet intelligence activities in the United Kingdom and elsewhere. Much of this would be very useful.

The Chargé d'Affaires at the Soviet Embassy had been summoned to the Foreign and Commonwealth Office to be told that the Government were greatly concerned at the extent of Soviet intelligence activities in the United Kingdom and that 25 named Soviet persons, who had been actively engaged in intelligence activities in this country, were to be expelled and must leave the United Kingdom within three weeks. The Soviet Chargé d'Affaires would further be told that, if the Soviet Union retaliated by expulsion of officials from the British Embassy in Moscow,

the United Kingdom would have to consider taking further appropriate steps. The Soviet Chargé d'Affaires would be told that the overall ceiling of 234 persons, which limited the number of Soviet citizens working in Soviet offices in London, would be reduced to 211 persons. This was a reduction of 23, rather than 25, because two of the Soviet persons being expelled were working in international organisations in London and were therefore not included in the overall ceiling. Within the overall ceiling, the number of diplomatic staff allowed in the Soviet Embassy would be increased from 43 to 46, the number considered to be a minimum for the diplomatic work of the Soviet Embassy. The number of British officials with diplomatic status in Moscow was just below this number.

This action had had to be taken at a time when East/West relations were delicate and when there had been some prospect of an improvement in Anglo/Soviet relations, which could now be put at risk; there was no option, however, but to expel the Soviet officials engaged in intelligence activities. The first duty of the British Government was the protection of the security of this country.

The following points were made in discussion -

- a. The Soviet officials who were being expelled would not present a significant intelligence threat before leaving the country within the maximum period of three weeks, since their role as intelligence officers had become known.
- b. The Government would make clear to the Soviet authorities that, while the Government would always take the action necessary to protect the security of the United Kingdom, the United Kingdom's aim was the long-term development of fruitful relations and co-operation without the obstacles caused by unacceptable Soviet activities.
- c. Soviet action in retaliation for the expulsion of officials from London could not be predicted. France had avoided retaliation after recent expulsions from Paris, but this might not be an indication of Soviet reactions where the United Kingdom was concerned.
- d. There was no need for British Ministers and officials to cancel engagements involving representatives of the Soviet Union, although the Soviet side might well cancel such engagements. Some forthcoming British/Soviet events, such as a meeting of the Joint Commission, might be postponed by the Soviet side.

THE PRIME MINISTER, summing up the discussion, said that these events represented a major success for the British services concerned, who were to be warmly congratulated.

The Cabinet -

- 3. Took note, with approval, of the Prime Minister's summing up.

THE SECRETARY OF STATE FOR DEFENCE said that an agreement had been reached between four countries (the United Kingdom, the Federal Republic of Germany, Italy and Spain) on the European Fighter Aircraft, in which France was not participating. It was necessary now to move ahead towards the production stage.

THE PRIME MINISTER said that this was a very satisfactory agreement and the Cabinet congratulated the Secretary of State for Defence on his role in achieving it.

- 3. THE FOREIGN AND COMMONWEALTH SECRETARY said that there was little to report from the first meeting of the Intergovernmental Conference which had been held on 9 September. He had made clear that the United Kingdom would take a constructive approach. Other member states, however, were not yet ready to put forward their proposed amendments of the Treaty.

The Cabinet -

- Took note.

- 4. THE SECRETARY OF STATE FOR THE HOME DEPARTMENT reported that police inquiries into the disturbances in the Handsworth area of Birmingham earlier that week were proceeding satisfactorily, and many of the figures prominently involved in the incidents were being identified. He had great confidence in the Chief Constable of the West Midlands who, had handled the situation well. The police were now fully in control of the area and there was no truth in the stories in the press that the police had pulled out of the area or had done any deals to leave policing to ethnic minority patrol groups. Mutual assistance from other police forces had worked well. Local politicians were taking the view that the disturbances were primarily a demonstration of criminality, and there was very little sympathy in the area for the deeper social diagnoses aired at the conference of the Social Democratic Party. Although he did not believe that it would be useful to commission a study on the lines of the Scarman inquiry, a number of questions needed to be answered about the precise way in which the disturbance had

European
Fighter
Aircraft

Previous
Reference:
CC(85) 26th
Conclusions,
Minute 2

COMMUNITY
AFFAIRS

Intergovern-
mental
Conference

Previous
Reference:
CC(85) 26th
Conclusions,
Minute 3

HOME AFFAIRS

Disturbances
at Handsworth

started, the speed of the police response, and the factors that conditioned that response time, and there might be lessons to be learnt. He therefore intended to ask the Chief Constable to prepare a report for publication, and would invite the Chief Inspector of Constabulary to arrange for the Inspectorate to be associated with that. He thought that the report should be published before the House of Commons resumed sitting on 21 October. It would also be important for the Government to refute the claims being made by the Opposition that the Scarman report had not been adequately followed up: in fact, the record on implementing Scarman was good.

In discussion, the following main points were made:

- a. The strong arguments against repeating an inquiry on Scarman lines were reinforced by the fact that two people had died in the disturbances: judicial inquiries running parallel to police investigations of homicide were to be avoided.
- b. There was some anxiety that the disturbances were too big and too rapid to have been entirely unpremeditated, and that police intelligence may not have been fully adequate: the Chief Constable's inquiry should cover these matters.
- c. Whilst it was very welcome if the police had developed a useful dialogue with black and Asian leaders since the disturbances, stories about deals on policing being struck between the police and the ethnic minorities were damaging. These stories should be rebutted without delay.
- d. The record in implementing the recommendations of the Scarman report was good, and some £20 million of public money had been spent in Handsworth. These achievements should not go by default, and the Government should present them consistently and persuasively.
- e. Compensation for riot damage was made under an Act of 1886, the operation of which could be cumbersome. It was important that those who suffered in the disturbances (and Asian shopowners were the most visible victims) should be reassured that they would get help quickly, where help was needed.
- f. What had happened at Handsworth illustrated the problems of dealing with concentrations of alienated young black people who had opted out of society at large, who had no lawful occupation and who tended to be involved with drugs. But it should not be argued or implicitly accepted that unemployment inevitably led to lawlessness.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that there should be no judicial inquiry and that the Home Secretary should that night announce the inquiry by the Chief Constable and the Chief Inspector of Constabulary that he had indicated. The report should be authoritative and comprehensive, and should be

published as soon as was consistent with that; and if possible before Parliament reassembled. It was very important that the Government's presentation of the background, especially in relation to the implementation of the Scarman report and urban aid with particular reference to Handsworth, should be full, consistent and energetic. The Home Secretary should take the lead in ensuring that all Cabinet Ministers received full and up-to-date briefing. More generally, there were questions about the systematic presentation of Government policy to which she would wish to return.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up, and invited the Home Secretary and other Ministers concerned to proceed accordingly.

ECONOMIC
AFFAIRS

Previous
Reference:
CC(85) 24th
Conclusions,
Minute 4

5. THE CHANCELLOR OF THE EXCHEQUER said that the general economic outlook had not significantly changed since the Cabinet last discussed it before the Summer Recess. The prospect for the rate of inflation had improved. Producer input prices were lower than the previous year, and the latest survey by the Confederation of British Industry confirmed the official view that the rate of inflation could be expected to come down over the coming months.

Discussions were starting of the public expenditure programmes for 1986-87 and the two subsequent years. The Chancellor of the Exchequer hoped that Ministers in charge of Departments would give the Chief Secretary, Treasury their full co-operation in these discussions.

The refusal of a number of banks, particularly in the United States, to roll over short-term South African debt had led to the imposition by the South African Government of a four-month moratorium on debt repayments. This was producing some complications for British banks with substantial commitments in South Africa. The Governor of the South African Central Bank had, however, given an undertaking that the Central Bank accepted the obligation as lender of last resort for standing behind banks in South Africa, including those in minority British ownership.

The Cabinet -

Took note.

Cabinet Office

12 September 1985