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CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street on THURSDAY 5 DECEMBER 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 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 John Biffen MP Lord Privy Seal

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

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

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

The Rt Hon John MacGregor MP Chief Secretary, Treasury

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(85) 35th conclusions

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 Nicholas Edwards MP Secretary of State for Wales
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 Nicholas Ridley MP Secretary of State for Transport
The Rt Hon Kenneth Baker MP Secretary of State for the Environment

ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr D F Williamson (Items 2 and 3)
Mr C L G Mallaby (Items 2-5)
Mr A J Langdon (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 and that it was proposed that the House should rise for the Christmas Adjournment on Friday 20 December until Monday 13 January.

United Nations
Educational,
Scientific
and Cultural
Organisation

THE PRIME MINISTER said that the Minister of State Foreign and Commonwealth Office and Minister for Overseas Development would be announcing in a statement in the House of Commons that afternoon the Government's decision to withdraw at the end of 1985 from the United Nations Educational, Scientific and Cultural Organisation.

Channel Fixed
Link

THE SECRETARY OF STATE FOR TRANSPORT said that during the debate on the Channel Fixed Link on 9 December he expected that some members representing constituencies in Kent would indicate their dissatisfaction with the proposals for a Channel Fixed Link. Interests in the county opposed to any of the proposals were being mobilised and it was now necessary for the Government to present the case for the Link more positively. The French Government were allocating much money to the Pas de Calais area, including some for compensation, and the question of compensation needed to be considered in respect of certain parts of Kent. Those in the eastern areas of Kent likely to be most affected by a decline in the ferry services would draw a contrast between the prospects for their area and the forthcoming establishment of an Enterprise Zone at Chatham.

THE PRIME MINISTER, summing up a brief discussion, said that the Channel Fixed Link would bring great economic advantages to Kent, and the rest of the country would certainly not understand further economic assistance being given to that area. The case for the Enterprise Zone in Chatham (a declining area) was of a different nature, but the timing of an announcement should be considered in relation to the position of the Channel Fixed Link.

The Cabinet -

1. Invited the Secretary of State for Transport to discuss with the Secretaries of State for Trade and Industry, Employment and the Environment what he might be able to say about the prospects for those areas of Kent likely to suffer adverse economic effects from the operation of a Channel Fixed Link, and in that context the timing of an announcement of the establishment of an Enterprise Zone in the Chatham area.

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Inner Cities

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Opposition Day debate on a motion on inner cities and housing on Wednesday 11 December would give him the opportunity to respond in Parliament to the report of the Archbishop of Canterbury's Commission on Urban Priority Areas. He would in particular stress the fact that the report gave a collectivist answer to the problems faced in the inner cities and did not emphasise the role of the individual or the family. Its recommendations were almost exclusively addressed to the Church of England and to the Government. It also contained important factual inaccuracies which would be worth bringing out.

THE PRIME MINISTER said that it would be appropriate to emphasise those parts of the report which were critical of local government as well as the points which the Secretary of State for the Environment had already mentioned. The economic analysis in the report could be answered in economic terms. While the Government should make the report's defects plain, this should be done without exciting unnecessary controversy, and there was no need to be critical about every minor fault in it.

Shops Bill

THE LORD PRESIDENT OF THE COUNCIL said that the vote on the Second Reading of the Shops Bill in the House of Lords had been very satisfactory. It was now clear that the Bishops were not wholly united in their view of the Bill.

The Cabinet -

- 2. Took note.

FOREIGN AFFAIRS

Uganda

Previous Reference: CC(85) 34th Conclusions, Minute 3

- 2. THE FOREIGN AND COMMONWEALTH SECRETARY said that both the peace talks in Nairobi and the fighting in Uganda itself were continuing. The outcome remained uncertain. Major General Pollard of the British Army was in Nairobi, and had informed those concerned that the United Kingdom would be willing to give technical help to a united Ugandan Army, if there was a peace settlement. Contingency plans for a full-scale evacuation of the British community from Uganda, if the security situation there deteriorated further, had been reviewed.

Nigeria

Previous
Reference:
CC(85) 29th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that there were signs that President Babangida of Nigeria was thinking of trying to improve relations with the United Kingdom. He might be willing to consider the repatriation to the United Kingdom in due course of the two engineers from Bristow Helicopters Limited who had been sentenced by the High Court in Nigeria on 7 October. The rejection in the British courts of the appeal against the sentence of Major Mohammed Yusufu for the kidnap of the Nigerian former Minister for Transport had not so far attracted much attention in Nigeria. On the economic front, it appeared that the Nigerian Government, in the face of domestic opposition to economic measures imposed by the International Monetary Fund, might be thinking of introducing similar measures on their own initiative, with a view to obtaining afterwards a loan from the Fund.

South Africa

Previous
Reference:
CC(85) 34th
Conclusions,
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that General Olusegun Obasanjo of Nigeria, one of the joint Chairmen of the Commonwealth Eminent Persons Group concerned with South Africa, would shortly be visiting London. It appeared from a call on him by the Acting British High Commissioner in Lagos that General Obasanjo took a reasonably constructive view of the role of the Eminent Persons Group. It would be important for Lord Barber, the British member of the Group, to be in touch with General Obasanjo. The South African reaction to the establishment of the Group had so far been not unhelpful. Lord Barber had met President Botha privately on 2 December. The South African Government were concerned that the Group's terms of reference should not be seen to allow it to interfere in South Africa's internal affairs. In the meantime violence continued in South Africa. The death toll was rising. Thirteen people had been killed at Mamelodi on 21 November.

Hong Kong

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

THE FOREIGN AND COMMONWEALTH SECRETARY said that the meeting of the Sino-British Joint Liaison Group from 25 to 29 November had been difficult, but a reasonably satisfactory conclusion had been reached. The Chinese side had expressed anxiety about British intentions in moving towards more representative government in Hong Kong. The British side had made clear that the United Kingdom had no preconceived ideas about the review of political developments in Hong Kong which was to take place in 1987. It would be necessary to continue to work hard to persuade the Chinese Government of the realities in Hong Kong; they found the political system there very difficult to understand and were highly suspicious of any moves by the United Kingdom. The meeting of the Joint Liaison Group had resolved a number of difficult issues concerning nationality and passports.

In a brief discussion, it was pointed out that China had declared a policy with regard to Hong Kong of "one country, two systems", and that retention of democratic practices in Hong Kong would be fully consistent with this.

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Gibraltar
Previous
Reference
CC(85) 20th
Conclusions,
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that he would depart later that day for Spain where he would see the Prime Minister and the King as well as the Foreign Minister. A number of topics would be discussed. Gibraltar would be high on the list. The central fact was the great improvement at the border: since its opening in February 1985 three million people had crossed each way between Gibraltar and Spain. The United Kingdom would have to undertake a long-term exercise to persuade Spain that her expectations regarding Gibraltar were too high and that the United Kingdom's undertakings to the Gibraltarians meant what they said. It would also be necessary, in dealing with Gibraltar, to make sure that British public expenditure there did not grow unnecessarily; for instance, there were excessive demands for pensions for Spanish workers who until 1969 had crossed from Spain into Gibraltar to work.

The Cabinet -

1. Took note.

British
Nuclear Tests
in Australia

THE FOREIGN AND COMMONWEALTH SECRETARY said that the report of the Australian Royal Commission on British Nuclear Tests in Australia, which had been published the previous day, was very long and would require full and careful study. The Government would need to counter any public tendency to jump to the conclusion that the report was right in calling upon the United Kingdom to provide £100 million for the cleansing of the three former test sites. The report seemed to be greatly coloured by the benefit of hindsight enjoyed by those who had written it. Senator The Hon Gareth Evans, the Australian Minister for Resources and Energy, would be visiting the United Kingdom on 23 January 1986 and British officials would visit Australia before then. The Government's public position on the report should for the time being be that the report was being very carefully studied.

In a brief discussion, it was noted that any person who had been near the sites during the period of British nuclear tests in Australia would be likely to try to blame the British Government for any disease that they contracted.

The Cabinet -

2. Invited the Foreign and Commonwealth Secretary to consider, in conjunction with the Secretary of State for Defence, whether there were additional points which the Government should make when asked to comment on the Australian Royal Commission's report.

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United Kingdom
Participation
in Strategic
Defence
Initiative
Research

Previous
Reference:
CC(85) 30th
Conclusions,
Minute 2

THE SECRETARY OF STATE FOR DEFENCE said that he had that morning circulated to colleagues a note about the position reached in negotiations with the United States Defense Secretary, Mr Casper Weinberger, about British participation in the United States research programme under the Strategic Defence Initiative (SDI). Mr Weinberger was visiting London on 5 and 6 December and was anxious to sign, with the Secretary of State for Defence, the draft Memorandum of Understanding which had been negotiated between the two Governments. This Memorandum would break new ground, notably in its provision for the exchange of information between the United Kingdom and the United States and should work greatly to the benefit of the United Kingdom. Although it might be argued that signature of the Memorandum should not take place until a team of British officials now visiting Washington had concluded their talks on detailed matters concerning subsidiary documents, the balance of advantage was in favour of the Secretary of State for Defence agreeing to sign the Memorandum on the following day with Mr Weinberger.

In discussion, it was agreed that the Secretary of State for Defence should sign the draft Memorandum of Understanding. But it was argued that there would be advantage in reaching agreement with the United States Administration before signature on certain important matters concerning the related documents. The outstanding matters would significantly affect the degree to which the United Kingdom could make use of technology generated by British participation in SDI research.

THE PRIME MINISTER, summing up the discussion, said that the Secretary of State for Defence had been very firm in working for the right conditions for British participation in SDI research and it would be a pity to conclude the Memorandum without fully clarifying those conditions to the satisfaction of the Ministers most closely concerned.

The Cabinet -

3. Invited the Secretary of State for Defence, in consultation with the Secretary of State for Trade and Industry and the Foreign and Commonwealth Secretary, to consider the timing of signature of the Memorandum of Understanding, in relation to the discussions between United Kingdom and United States officials taking place in Washington.

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the results of the Intergovernmental Conference had been discussed by Foreign Ministers on 30 November-1 December and in a very long session of the European Council on 2-3 December. The conclusions were very satisfactory. The United Kingdom had secured all its main objectives. The agreement included changes which were desirable for the completion of the Community's internal market. A target date, 31 December 1992, was set. There would be amendment of the Treaty articles to provide for majority

COMMUNITY
AFFAIRS

European
Council

voting on goods and services. Unanimity would be retained, however, for taxation, the free movement of persons and matters relating to the rights and interests of employees. In addition, if decisions were taken by majority voting, there would be a right to take national action in the fields of public, animal and plant health. National competence on frontier controls against terrorism, crime, drugs and immigration from outside the Community was not affected. Furthermore, the arrangements (the "Luxembourg compromise") by which a member state could invoke a very important national interest had not been challenged or changed. Many of the other elements in the package - for example, on technology, environment and the Regional Fund - would consolidate into the Treaty what was broadly the present practice. The monetary provisions also described the arrangements which had been under way in the Community for some time. There would be changes in the procedures by which the European Parliament would make its views known to the Council on some Community legislation, but the last word on this legislation rested with the Council. There would be difficulties with the European Parliament, which considered that the agreement did not go far enough. The European Council had also agreed on a Treaty on co-operation in foreign policy; this formalised the existing procedures among the 10 member states for political co-operation on the lines proposed by the United Kingdom and looked towards some improvements. The results of the Intergovernmental Conference, now agreed by the European Council, were subject to one specific reserve by the United Kingdom on voting arrangements in relation to the working environment, because of the need to avoid burdens on small and medium businesses. Denmark had entered a general reserve, which might be lifted if the Danish Government were able to obtain sufficient support from Parliamentary and political opinion. Italy had also completely reserved its position, because it considered the package to be too modest. On deregulation the European Council had been informed that the Commission would now be assessing all new proposals for their effect on business and on job creation, would be re-examining the more important existing regulations for the same purpose and would be ensuring that a central unit regularly monitored the progress of deregulation. The United Kingdom's initiative had thus been accepted.

In discussion it was pointed out that, despite their rhetoric at the European Council in Milan, most member states had recognised reality and had shown themselves to be in favour of a modest package. The Commission's attempt to get more power had also been resisted. On deregulation the undertakings by the Commission should be helpful. On human, animal and plant health it had been necessary to fight long and hard to reach a satisfactory solution. It was clear that national measures could be continued without prior authorisation by the Commission and that it would be for the European Court of Justice, not for the Commission, to decide in cases where there was a dispute whether a particular action was a disguised restriction on trade rather than a real requirement for the protection of health. The texts embodying the results of the Intergovernmental Conference would now be put into final form. Until it was known whether the general reserves by Italy and Denmark would be withdrawn the agreement would not be submitted to the United Kingdom Parliament.

General Agreement on Tariffs and Trade

THE FOREIGN AND COMMONWEALTH SECRETARY said that progress towards a new round of trade negotiations under the General Agreement on Tariffs and Trade was now being made through a single preparatory committee.

Trade with the United States: Steel

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY recalled that an agreement had been reached ad referendum between the Community and the United States on steel exports to the United States' market. This was broadly acceptable but the United Kingdom had not then received sufficient assurances on exports by the British Steel Corporation (BSC) of semi-finished steels. Agreement had now been reached, however, with the United States which would enable the BSC to carry out the contract on supplies of semi-finished steel to the plant at Tuscaloosa, Alabama. He had therefore lifted the United Kingdom's reserve on the wider agreement.

Previous Reference: CC(85) 34th Conclusions, Minute 4

Environment

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that at the Council of Ministers (Environment) on 28 November there had been satisfactory progress on vehicle emissions and on the date for the introduction of unleaded petrol. On the proposed directive on emissions from large plants, however, the United Kingdom had been further isolated when the Presidency had proposed draft principles for an agreement. This could still be an issue when the United Kingdom assumed the Presidency in the second half of 1986.

The Cabinet -

Took note.

NORTHERN IRELAND AFFAIRS

Previous Reference: CC(85) 34th Conclusions, Minute 2

4. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the Northern Ireland Assembly was meeting that day. It would consider a proposal by unionist members that the work of the Scrutiny Committees of the Assembly should be suspended and that a "grand committee" of the members of the Assembly should be established to review the implications of the Anglo-Irish Agreement for the government and the future of Northern Ireland and the operation of the Northern Ireland Constitution Act 1973 and the Northern Ireland Act 1982.

Some of the matters proposed for consideration by the so-called "grand committee" were within the remit of the Assembly, but others were not. The Prime Minister and the Secretary of State for Northern Ireland himself were likely to be among the people invited to give evidence during the review of the Anglo-Irish Agreement. The unionist leaders clearly hoped that this review would provide a major platform for their

views, although it was not a foregone conclusion that the review would engage public attention continuously for very long. The unionist leaders intended that the proceedings should be broadcast on radio and television. They intended to display a banner inscribed "Northern Ireland says no" on the Assembly building; this was likely to cause the Alliance Party to walk out of the Assembly later that morning. The Government would need to consider whether to allow the Assembly to engage in activities which clearly extended beyond its remit. One option for consideration would be the suspension at an appropriate time of the Assembly. Meanwhile, plans were going ahead for the first meeting of the Intergovernmental Conference in the following week. The unionist members of the House of Commons, who had begun resigning their seats, hoped that the resulting by-elections would take place on 23 January 1986.

In discussion, the following points were made -

- a. The proceedings of the "grand committee" would constitute a one-sided barrage of propaganda against the Anglo-Irish Agreement. It was unlikely that supporters of the Anglo-Irish Agreement would choose to give evidence, although some members of the Presbyterian Church, who did not agree with their leaders' criticism of the Agreement, might possibly do so.
- b. There were arguments for the Government waiting to see how the proceedings developed, before deciding what action to take. On the other hand, it might well be harder for the Government to stop the proceedings once they had got going.
- c. It would be worth the Government trying to persuade the Alliance Party not to withdraw completely from the work of the Assembly.
- d. There had been indications that the Social Democratic and Labour Party might be willing to participate in the work of the Assembly after new elections. One possibility for consideration might therefore be to bring forward the Assembly elections to the early part of 1986.

THE PRIME MINISTER, summing up the discussion, said that the question how the Government should react to the intended proceedings in the Northern Ireland Assembly would require further consideration by the Ministers most closely concerned.

The Cabinet -

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

ECONOMIC
AFFAIRS

Unemployment
Previous
Reference:
CC(85) 27th
Conclusions,
Minute 5

5. THE SECRETARY OF STATE FOR EMPLOYMENT said that the unemployment figures, published that morning, showed a small reduction in both the "headline" (unadjusted) and the seasonally adjusted figures for unemployment between October and November. This was the third month in a row in which the underlying level of unemployment had dropped, and the performance for the previous six months had been better than in any six-month period in the previous six years. Vacancies at Job Centres were marginally down on the month. Impressionistic evidence from industry suggested that more companies were taking people on, but this could not be relied upon as an indication of a future trend in the figures.

In discussion the following points arose -

- a. There remained concern about the artificiality of the figures for registered unemployment, particularly in regions like the South East which displayed all the symptoms of continuing labour shortage. Measures were being taken by the Department of Employment, in consultation with the Department of Health and Social Security, with a view to discovering and reducing fraudulent claims for unemployment benefit. Nine pilot schemes would shortly be started with a view to closer analysis of the unemployment figures. The effect of such schemes might be not only to improve the state of information about the realism of the figures but also to discourage fraudulent claimants from continuing to sign on.
- b. The state of litter pollution in British streets and motorways was a national disgrace. It should be possible to do more to encourage the use of unemployed people to make and keep Britain tidier. Experience suggested that determined efforts by public authorities to promote tidiness helped to diminish the public propensity to drop litter. There was a case for considering whether legislation should be introduced to make everybody responsible for the cleanliness and tidiness of the pavements in front of their own front doors.

The Cabinet -

1. Took note, with cautious satisfaction, of the continuing fall in the unemployment figures.
2. Invited the Secretary of State for the Environment in consultation with the Home Secretary and the Secretaries of State for Employment, Transport, Scotland and Wales to bring forward soon after Christmas proposals for a programme to "clean up Britain".

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3. Invited the Secretary of State for Employment to report to the Cabinet during the course of February 1986 on the progress of the various measures being undertaken to scrutinise and reduce the artificiality of the unemployment figures.

Cabinet Office

5 December 1985

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