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CC(85) 36th
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 12 DECEMBER 1985

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 Lord Hailsham of St Marylebone
Lord Chancellor

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

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Douglas Hurd 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 Peter Walker MP
Secretary of State for Energy

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon John Biffen MP
Lord Privy Seal

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

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

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

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 Kenneth Baker MP
Secretary of State for the Environment

The Rt Hon Kenneth Clark MP
Paymaster General

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

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

SECRETARIAT

Sir Robert Armstrong
Mr D F Williamson (Items 2-5)
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.

Challenges
to the
Government
in the Courts

THE PRIME MINISTER said that the Government's power to implement policy changes under existing legislation was being increasingly challenged in the courts and it seemed that more and more cases were being lost. It was not clear whether these defeats arose from failure properly to prepare and draft legislation, or whether they reflected changes in circumstances which could not have been foreseen when legislation was first enacted: perhaps there was some truth in both propositions. One very significant factor was the changed relationship between central and local government on which new examples were arising all the time. A number of Welsh local authorities had, for example, taken the Secretary of State for Transport to court in respect of increases in tolls of the Severn Bridge. A further example was the action being taken by certain Scottish authorities to prevent siting of Trident missiles at the Faslane submarine base in Scotland. Legislation was drafted on a basis that those affected could be expected to behave reasonably, at any rate so far as local authorities were concerned; but local authorities could no longer be counted on as the agents or partners in good faith of central government. It was necessary to examine new legislation very carefully to ensure that it would withstand the sorts of pressures that were now becoming commonplace.

The Cabinet -

- 1. Took note.

Shops Bill
Previous
Reference:
CC(85) 35th
Conclusions,
Minute 1

THE HOME SECRETARY said that there was increasing pressure on Members of Parliament from those who opposed the Sunday opening provisions of the Shops Bill, though it was clear that those opponents of the Bill who were looking for compromise were far from agreed on what it should be. He was taking steps to brief colleagues on the arguments which might be used against the Government's opponents.

THE PRIME MINISTER, summing up a brief discussion said that the Government should take the offensive in support of the proposals in the Shops Bill. It was important that any compromise solution which might be suggested in the House of Lords should not move into the area of employment protection for young people. The Wages Bill would be running in parallel with the Shops Bill in the House of Commons after the Christmas Adjournment and it was important to keep the two issues quite separate. The Home Office had provided her with an excellent draft letter on the Bill and this text could usefully be made available to all Ministers.

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Members' Interests and the Use of Privileges

THE LORD PRIVY SEAL said that recent events in the House of Commons in relation to the Johnson Matthey Bankers and the Channel Fixed Link had highlighted the difficulties involved in the declaration of Members' interests and in Parliamentary privilege. The conventions relating to the declaration of interest in relation to a matter being discussed by the House were no longer as clear as they had been and recent events had indicated that neither Members nor the Speaker could be relied upon to operate them, as before. There was to be a debate on the Report from the Select Committee on Members' Interests on Tuesday 17 December, but further consideration might be required after this before any action was proposed. The issue was being used by elements of the Opposition in an attempt to discredit Conservative Members, including members of the Government. This issue paralleled the exploitation of Parliamentary privilege to make allegations about members of the Government in relation to certain financial scandals and so to insinuate that the Conservative Party were ready to protect those involved in financial malpractice or fraud. It would be necessary to undo this harm during the progress of the Financial Services Bill and other debates which would take place the following year on the banking and financial services sector.

In discussion, it was pointed out that there was grave difficulty in responding to allegations that the Government was protecting the perpetrators of fraud when fraud investigations took so long. At Lloyd's in particular, there seemed to be extraordinary problems in securing sufficient evidence to prosecute those who had already been investigated by Lloyds themselves. It was not clear whether the time being taken in such investigations resulted from lack of adequately qualified staff in the Fraud Squad and the Department of the Director of Public Prosecutions, or whether it was due to the inherent difficulty of producing sufficiently firm evidence to convince a jury. Lord Roskill's report on the procedures to be used in dealing with fraud cases in the courts was expected to be published before the Second Reading of the Financial Services Bill, but it was not known what its recommendations would be.

THE PRIME MINISTER, summing up the discussion, said that it was absolutely essential that those investigating complex frauds should have sufficient resources to undertake their investigations swiftly. She would ask the Attorney General to report on the resources of the new Crown Prosecution Service in this respect. As for the exploitation of Parliamentary privilege by Opposition Members of Parliament to impugn the motives of members of the Government, the remedy lay in the first place in the hands of the Speaker. Every effort should be taken to counteract any suggestions that the Government were protecting those who were suspected of fraud; or impropriety.

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The Cabinet -

- 2. Took note, with approval of the Prime Minister's summing up of their discussion.
- 3. Invited the Attorney General to consider what further steps should be taken to ensure that complex frauds were effectively and quickly investigated and prosecuted.

FOREIGN AFFAIRS

Visit to London of United States Secretary of State

2. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (BARONESS YOUNG) said that the United States Secretary of State, Mr George Shultz, had held meetings in London on 10 December with the Prime Minister and the Foreign and Commonwealth Secretary. With the Foreign and Commonwealth Secretary, Mr Shultz had unexpectedly raised the question of the United States budgetary deficit. He had said that the Gramm-Rudman amendment to the Debt Ceiling Bill was likely to be passed in the United States Senate. It would introduce a degree of automaticity with regard to reductions in the budget, which in time could affect the defence budget.

THE PRIME MINISTER said that her talk with Mr Shultz had concentrated on the United States Strategic Defence Initiative (SDI) and related subjects. The next Summit meeting between the United States and Soviet leaders was likely to take place in June or July 1986. The United States Administration appeared to hope for the same kind of intellectual contribution to their policy making from the United Kingdom as the latter had made through the Camp David four points at an earlier stage in the discussion of the SDI.

In a short discussion, it was pointed out that the Gramm-Rudman amendment, which had been passed in the United States Senate on the previous evening, was designed to put pressure on the United States Administration to curb the budgetary deficit. In this it was likely to be successful. The amendment was therefore a welcome development. Automatic cuts in the budget were foreseen only as a last resort.

New Zealand

Previous Reference: CC(85) 8th Conclusions, Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the legislation tabled by the New Zealand Government on 10 December about visits by warships of other countries to New Zealand was not compatible with British policy for visits by Royal Navy ships. It therefore did not provide a basis for resuming such visits. The Foreign and Commonwealth Secretary had discussed the matter with the United States Secretary of State on 10 December. Neither had been optimistic that satisfactory amendments to the New Zealand legislation could be secured. It had been agreed that the public comments of the two Governments should be as few and as unprovocative as possible. The United States

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was concerned that other countries might emulate the New Zealand legislation, and in particular that pressures in this direction might build up in Australia. The United States Administration had warned that, if adverse legislation was enacted in New Zealand, they would review their obligations to that country under the ANZUS Treaty, though they might well leave the the ANZUS Treaty intact, as an inducement to New Zealand to return to more acceptable policies. The next step for the United Kingdom would be to agree with the United States about the changes in the New Zealand legislation which would be necessary in order to allow the two countries to resume naval visits to New Zealand. Moreover, the New Zealand legislation was not the only problem. Before resuming naval visits to New Zealand, the United States would want an agreed programme of such visits which included all classes of vessels; but New Zealand was unwilling to accept visits by cruisers. Failure to resolve the matter could have implications for Western security interests, as well as for bilateral relations with New Zealand.

In a short discussion, it was noted that the New Zealand Prime Minister, Mr David Lange, appeared deliberately to have closed the door on naval visits by means of the proposed legislation. British naval ships could not visit New Zealand while such legislation was in force. The only course seemed to be to wait until there was another New Zealand Government which might adopt a different policy.

South Africa

Previous
Reference:
CC(85) 35th
Conclusions,
Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the past week had been somewhat quieter in South Africa than the preceding period. The Eminent Persons Group of the Commonwealth would meet from 12 to 14 December. The Government were in close touch with the British member, Lord Barber. There had been worrying indications that France might be considering some eye-catching move in the direction of supporting mandatory sanctions against South Africa. She had inquired about French intentions during a visit to Paris on 4 December. The Minister of State, Foreign and Commonwealth Office (Mr Rifkind) had visited Paris on 10 December specifically to follow this up. The French Government had said that they had taken no decisions and that they did not intend to push for new moves regarding sanctions at the Summit of certain African countries and France, which was shortly to take place. It seemed possible, however, that the French Government would see domestic political advantage in an initiative concerning South Africa before the French Parliamentary elections in March 1986.

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Gibraltar

Previous
Reference:
CC(85) 35th
Conclusions,
Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the Foreign and Commonwealth Secretary had held thorough talks with the Prime Minister, Senor Felipe Gonzalez, and the Foreign Minister, Senor Fernandez Ordonez, of Spain in Madrid on 5 and 6 December. The talks had been dominated, as expected, by the question of Gibraltar. The Spanish Ministers had adopted a hard-hitting approach in private but their public line had been reasonably restrained. Senor Gonzalez had attempted to argue that the British commitment to respect the views of the Gibraltarians was a ploy which was likely to cause prolonged delay on the question of the sovereignty of Gibraltar. He had said that, if relations between the United Kingdom and Spain were to prosper, the United Kingdom must agree a framework in which a solution on this matter could be sought within three years.

In a short discussion, it was noted that the Foreign and Commonwealth Secretary had given a firm reaction to the unjustified suggestion of a new framework for considering the sovereignty of Gibraltar. Spain would not wish to put at risk her valuable bilateral relationship with the United Kingdom especially since the interests of the two countries within the European Community would often coincide.

The Cabinet -

1. Took note.

Uganda

Previous
Reference:
CC(85) 35th
Conclusions,
Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that fighting continued in Uganda, although reports in the British press of widespread killing in Kampala were exaggerated. Major General Pollard of the British Army remained available in Nairobi to offer advice if there were a peace settlement. The British Military Advisory and Training Team (BMATT) stationed at Jinja in Uganda, which now consisted of only seven people, was avoiding any kind of involvement in the troubles there.

The Prime Minister, summing up a brief discussion, said that the safety of the staff of the British High Commission in Kampala and of BMATT, and the question of any withdrawal of personnel, should remain under continuous review.

The Cabinet -

2. Invited the Secretary of State for Defence and the Minister of State, Foreign and Commonwealth Office (Baroness Young) to be guided by the Prime Minister's summing up.

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United Kingdom Participation in Strategic Defence Initiative Research

Previous Reference: CC(85) 35th Conclusions, Minute 2

THE SECRETARY OF STATE FOR DEFENCE said that he had signed with the United States Defense Secretary, Mr Caspar Weinberger, on 6 December the proposed Memorandum of Understanding about the arrangements for British participation in research under the United States Strategic Defence Initiative (SDI). This was essentially an enabling document, providing major opportunities for the United Kingdom. An SDI Participation Office would now be established in the Ministry of Defence; officials for the Department of Trade and Industry and the Department of Education and Science would be among its staff.

The Cabinet -

3. Took note.

NORTHERN IRELAND AFFAIRS

Previous Reference: CC(85) 35th Conclusions, Minute 4

3. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the first meeting of the Anglo-Irish Intergovernmental Conference, established under the Anglo-Irish Agreement of 15 November 1985, had taken place on the previous day on the Stormont estate in Belfast. It was important that the meeting had been held in Belfast, since this emphasised the determination of the two Governments to proceed with the implementation of the Agreement. Unionist demonstrations at Stormont and outside the premises of the Secretariat of the Intergovernmental Conference had led to some unpleasant scenes. But there had been very little violence; perhaps 40 or 50 extreme opponents of the Agreement had attempted to assault the police outside the Secretariat building. A march of some 4,000 workers from Short Brothers Limited and Harland and Wolff Limited had taken place in the middle of the day but it had not lasted long because the management of the two firms had insisted that workers should return to work after their lunch break. The meeting of the Intergovernmental Conference had taken place in a good atmosphere. There had been progress on the major subject of enhanced cross-border co-operation in the field of security. The Chief Constable of the Royal Ulster Constabulary (RUC), Sir John Hermon, had given a good presentation on the terrorist threat presented by the Irish Republican Army (IRA), including intelligence about the structure of the IRA and some of the leading personalities in it and their whereabouts. The Irish side had accepted this in a constructive spirit. As the Joint Statement on the meeting said, the Irish Government had agreed that extra resources should be deployed in the border area to combat terrorism. There was now hope for much broader co-operation with the Republic. There would, however, be no instant successes in combating terrorism and there might be setbacks. A wave of most unpleasant attacks by the IRA against police stations was taking place. The IRA was also engaging in intimidation of the management of building contractors to prevent the reconstruction of buildings damaged by terrorist attacks.

The early television reports of the meeting of the Intergovernmental Conference had concentrated on the demonstrations, but later reports had

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given due prominence to the strengthening of the Garda deployments in the border area. It was unfortunate that press reports that morning had highlighted the plan to introduce a new Code of Conduct for the RUC; the reports had ignored the clear statement in the Joint Statement on the meeting that the Chief Constable of the RUC had for some time been preparing such a code, and had thus given the impression that its introduction might be a concession to the Irish side.

It had always been clear that the first meeting of the Intergovernmental Conference would be a difficult moment. It had perhaps gone better than might have been expected. Moreover, some people in Northern Ireland were beginning to say that the Anglo-Irish Agreement should be looked at more closely. Any trend away from outright opposition to the Agreement and towards an objective analysis of its merits would help the Government.

The Cabinet -

Took note.

4. THE SECRETARY OF STATE FOR ENERGY said that it was an objective of the members of the Organisation of Petroleum Exporting Countries (OPEC) both to try to keep their own quota arrangements in effect and to put pressure on countries outside the Organisation to cut down oil production. Saudi Arabia had been willing in the past to reduce its own production in order to keep total output by OPEC countries within the target area but, for balance of payments and other reasons, was no longer willing to do so. At the recent OPEC meeting it had been clear both that OPEC countries wished to maintain their quotas and that, despite the effect on price, Saudi Arabia would now be ready to bring its production more nearly into line with its quota. The conclusions of this meeting and the remarks of Sheikh Yamani, the Chairman of the Ministerial Executive Committee of OPEC, had given rise to a fall in oil prices. It would be wrong for the United Kingdom to react to this by reducing the volume of North Sea oil production. The United Kingdom had consistently made clear that the Government did not control and was not prepared to control commercial oil production in this way. It would, in any event, make little difference to world prices. The current estimate was that, if OPEC countries respected their quota figures, supply and demand would not be seriously out of balance. If they did not, prices were liable to fall further after the winter.

THE CHANCELLOR OF THE EXCHEQUER said that the conclusions of the OPEC meeting had not been fully anticipated in the foreign exchange markets. For this reason the value of the pound had been affected with a significant fall the previous day but some recovery later. The Prime Minister's speech on 11 December had helped to steady the rate. It should be stressed that defeating inflation was a more important

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ECONOMIC
AFFAIRS

Oil Prices

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objective than tax cuts. The possibility of a fall in oil prices after the peak demand for energy during the winter, meant there was a prospect of lower Government revenues from oil; this would reduce the scope for tax reductions in the Budget.

Westland plc

THE SECRETARY OF STATE FOR DEFENCE reported on developments since the meeting of the Sub-Committee on Economic Affairs of the Steering Committee on Economic Strategy (E(A)) on 9 December had considered certain proposals relating to the future of Westland. He suggested that those developments were such as to make necessary a further meeting of Ministers, to which he could circulate a memorandum.

The meeting on 9 December had agreed that time should be given until 13 December for a consortium of British and continental European firms to make firm and fully worked out proposals for participation in Westland, so that these could be properly considered along with the proposals by United Technologies and Fiat.

The Prime Minister, summing up a short discussion, said that E(A) had taken a decision at its meeting on 9 December. The matter had been raised at Cabinet without notice. Cabinet could not properly consider the matter or take decisions without papers and without time for preparation. There was nothing in the developments since 9 December or in the discussion in Cabinet to invalidate or give grounds for reconsideration of the decision reached on 9 December.

The Cabinet -

Took note.

Cabinet Office

12 December 1985

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MOST CONFIDENTIAL RECORD

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MOST CONFIDENTIAL RECORD
TO
CC(85) 36th Conclusions

Thursday 12 December 1985

WESTLANDS
PLC

THE SECRETARY OF STATE FOR DEFENCE reported on developments since the meeting of the Ministerial Sub-Committee on Economic Affairs (E(A)(85) 24th Meeting) on 9 December had considered certain proposals relating to the future of Westlands. He suggested that those developments were such as to make necessary a further meeting of Ministers, to which he could circulate a memorandum.

The meeting on 9 December had agreed that time should be given until 13 December for a consortium of British and continental European firms to make firm and fully worked out proposals for participation in Westlands, so that these could be properly considered along with the proposals by United Technologies and Fiat. The European firms' proposals would need to be presented to Westlands by 3.00 pm on Friday 13 December 1985. Significant progress had been made. British Aerospace (BAe) and Mr Alan Bristow had expressed willingness to join the European consortium. One of BAe's reasons was that, if a United States corporation gained control of a British firm like Westlands, this would prejudice the interest of BAe and other British companies in European programmes such as the European Fighter Aircraft and Airbus. As well as the industrialists concerned with a possible European offer and the National Armaments Directors of the countries involved, the Ministers of Defence of those countries were also in touch with each other. If the European consortium was to make a firm offer, it would have to be based on the goodwill of the Defence Ministers and the knowledge that it was in line with their future procurement policies. It followed that his own views must be presented to Lloyds Merchant Bank, which was leading the European consortium, and also to United Technologies. Before doing this, he needed the agreement of other Ministers to the views he would be putting forward.

In discussion, it was pointed out that the minutes of the Sub-Committee's meeting on 9 December 1985 recorded the decision that, if a viable European package which the Westlands board could recommend were not available by 4.00 pm on Friday 13 December, the United Kingdom Government would not thereafter be bound by the recommendation of the National Armaments Directors of the United Kingdom, West Germany, France and Italy, to the effect that the Governments of all four countries should in future meet their helicopter requirements in three specified classes by equipment designed and built in Europe. The discussion in the Sub-Committee on 9 December, for part of which Sir John Cuckney, the Chairman of Westlands had been present, had been the third meeting of Ministers on this subject. No further decisions were needed at the present time. The Westlands Board had legal duties towards shareholders and employees and must take the ultimate decision between the proposals of Sikorsky and a possible European option. There was a real danger that, if the Government intervened, it would incur a degree of



responsibility for the company which could prove to be extremely expensive.

The following points were also made in discussion -

a. Neither the Secretary of State for Trade and Industry, who was the Minister responsible for Westlands, nor the Prime Minister had been warned that the question of Westlands would be raised at the present meeting of the Cabinet.

b. Sikorsky, with their present British partner, Short Bros Ltd, had tried a year previously to sell their Blackhawk helicopter to the Ministry of Defence. This offer had been rejected, since the Ministry had neither a requirement nor the funds for such a helicopter. Sikorsky had now made clear to the Ministry of Defence that they would expect to sell the Blackhawk if it was manufactured by Westlands. Without orders in the United Kingdom, Westlands was unlikely to be able to sell the Blackhawk overseas in markets which were not the property of Sikorsky.

c. If the Ministry of Defence were to buy the Blackhawk helicopter from Westlands, it would be thought that the Government, having resisted pressure from Short Bros despite the economic problems of Northern Ireland, had succumbed to pressure for the west of England. On the other hand, the Minister of State, Northern Ireland Office had been present at the meeting on 9 December, and had not reserved his Secretary of State's position on the decision taken.

d. The decision reached by the Sub-Committee on 9 December had been based on the expectation that a serious European offer to Westlands could be put forward. No such offer could be made without a full discussion of Ministers. Such a discussion had apparently been envisaged by the Cabinet Office, which at 10.00 am on 10 December had telephoned Ministers' offices about the possibility of such a meeting but had later rung to say that no meeting was being called. Against these points, it was pointed out that the Cabinet Office often made exploratory enquiries about Ministers' availability in case a meeting should be required.

The Prime Minister, summing up a short discussion, said that E(A) had taken a decision at its meeting on 9 December. The matter had been raised at Cabinet without notice. Cabinet could not properly consider the matter or take decisions without papers and without time for preparation. There was nothing in the developments since 9 December or in the discussion in Cabinet to invalidate or give grounds for reconsideration of the decision reached on 9 December.

The Cabinet -

Took note.

Cabinet Office

13 December 1985