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CC(85) 37th  
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 19 DECEMBER 1985  
at 10.00 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 Lord Hailsham of St Marylebone  
Lord Chancellor

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign and  
Commonwealth Affairs

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 Tabbitt MP  
Chancellor of the Duchy of Lancaster

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 Lord Young of Graffham  
Secretary of State for Employment

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

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 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 week beginning 13 January 1986.

Westland plc

Previous  
Reference:  
CC(85) 36th  
Conclusions,  
Minute 4

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that at the meeting of the Sub-Committee on Economic Affairs of the Ministerial Steering Committee on Economic Strategy (E(A)) on Monday 9 December the Secretary of State for Defence had been authorised to explore the possibility of an acceptable proposition by a consortium of European companies to rescue Westland, as an alternative to the proposition put forward by United Technologies (UT) and Fiat. The meeting had decided that the Government would not regard itself as bound by the recommendation of the National Armaments Directors (NAD) of the United Kingdom, France, the Federal Republic of Germany and Italy (that certain helicopter requirements should be met solely from aircraft designed and built in Europe) if Westland had not by 4.00 pm on Friday 13 December received an acceptable European proposal. In the event a European proposition had been made to Westland shortly before that time, but the directors of Westland had not regarded it as sufficiently firm or attractive and had accordingly announced that they would be recommending the UT-Fiat proposal to their shareholders. He had accordingly announced in his statement in the House of Commons on Monday 16 December that the Government was not bound by the NAD's recommendation, that the directors of Westland were recommending the UT-Fiat proposal, that the Government had ensured that Westland had an alternative European proposition to consider, and that it was for Westland as a private sector company to decide the best route to follow in order to serve its future and that of its employees. In answer to Parliamentary Questions the following day the Prime Minister had confirmed that Westland was a public liability company and must make its own decisions. Details of the UT-Fiat proposal had now been announced, and further details of the alternative European proposal would be announced very shortly. There would be an extraordinary general meeting of the company on 13 January 1986, at which the shareholders could decide which proposal to accept. In the meantime the Government should continue to say that the decision was one for the company to take, and that the Government was not advocating one solution in preference to another. Ministers should not be drawn into public comment on the comparative merits of the two proposals.

THE SECRETARY OF STATE FOR DEFENCE said that the directors of Westland were recommending the UT-Fiat proposal, and that proposal had the conditional acceptance of the company's bankers, subject to there being no better offer. Details of the proposal by the European consortium, which included British Aerospace plc and General Electric Company plc as well as three European firms, would be announced very shortly. He had been authorised by E(A) to help to establish the genuineness of the European proposal: this could only have been done by a Minister, since it involved discussion with and ensuring the support of other European Ministers of Defence. The Prime Minister's answers in the House of Commons on 17 December had been clear and helpful. Because of his role in the matter and his responsibilities for defence procurement, he was

inevitably asked many questions. As the Ministry of Defence was a major customer of Westland, he was bound to answer questions, whether from the UT-Fiat groups or from the European consortium, about the implications of defence procurement for the workload on Westland, and to ensure that information on this matter was equally available to both the UT-Fiat group and the European consortium group as well as to Westland and its bankers.

THE PRIME MINISTER, summing up the discussion, said that, in view of the continuing public interest in this matter, she would certainly face further questions in Parliament that afternoon, and it was important that she should have the agreement of the Cabinet to what she proposed to say. She would confirm that the statement made by the Secretary of State for Trade and Industry on 16 December (based on the decisions of a Cabinet Committee on 9 December) and her own answers to questions on 17 December represented the policy of Her Majesty's Government; that it remained the policy of the Government that it was for Westland to decide what was the best course to follow in the best interests of the company and its employees; and that, given that that was the Government's policy, no Minister was entitled to lobby in favour of one proposal rather than another. She would make it clear that major issues of defence procurement were for collective decision. Information about the implications of defence procurement for Westland's workload should be made equally available to both groups as well as to Westland and its bankers, and questions on the subject should not be answered in any way which favoured one group or proposal rather than another.

The Cabinet -

Took note with unanimous approval of the Prime Minister's summing up of the discussion, as a basis for her answers to Parliamentary Questions later that day.

FOREIGN  
AFFAIRS

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Ministerial  
Meeting of  
the North  
Atlantic  
Treaty  
Organisation

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Ministerial meeting of the North Atlantic Council on 12-13 December had gone well. There had been general agreement that the opportunities in arms control opened up by the recent United States/Soviet Summit must be grasped; but the United States Secretary of State, Mr George Shultz, had made clear that the United States would not enter into agreements that were unsatisfactory. The impression in some of the media that the Europeans had lectured the United States at the meeting on the need for results in arms control had been false. The Europeans had, however, underlined the importance of abiding by the second Treaty on Strategic Arms Limitation (SALT II) and the Anti-Ballistic Missile Treaty. There had been a discussion at the Ministerial meeting of the question of the inclusion of British and French nuclear weapons in the Geneva negotiations on nuclear arms control. He and the French Foreign Minister had welcomed Mr Shultz's confirmation that such inclusion was unacceptable. This was a matter which the Government would continue to watch carefully.

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The Ministerial meeting had also endorsed a strategy for the improvement of co-operation in armaments manufacture among the members of the Alliance.

Soviet  
Proposals  
for  
Constraints  
on Nuclear  
Weapons  
Testing

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Minister-Counsellor at the Soviet Embassy had that morning conveyed to the Foreign and Commonwealth Office various Soviet proposals for constraints on nuclear weapons testing. The Soviet Union had offered to prolong its unilateral moratorium on nuclear weapons testing beyond the end of 1985, provided that the United States would also observe a moratorium. The Soviet Union had also proposed the resumption of tripartite negotiations between the United States, the Soviet Union and the United Kingdom on a comprehensive ban on nuclear weapons tests. The Soviet Union had expressed willingness to take advantage of the offer by India, Sweden, Tanzania, Greece, Mexico and Argentina to accept seismic monitoring stations on their territory, to help in the verification of a comprehensive nuclear test ban. The Soviet Union had said that it would be willing, if the United States would co-operate in this, to consider some measures of on-site inspection to verify a nuclear test ban. The Soviet Minister-Counsellor had expressed the hope of a positive British response to his approach.

The Foreign and Commonwealth Secretary said that his initial impression of the Soviet approach was that it was an attempt to increase pressure on the United States to accept constraints on nuclear weapons testing. The offer of on-site inspections would require careful handling: it might be of interest or it might be mere propaganda.

In a brief discussion, it was noted that the Soviet move had already attracted considerable publicity. The Government's initial line, in public comment, should be that the approach was being considered carefully; but it would be important to work out a considered response quickly, so that the Soviet Union were not left holding the propaganda initiative for too long.

Soviet  
Government  
Premises in  
London

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Soviet Embassy had complained about a recent break-in at its press section. As chance would have it, there had been a number of recent incidents of this kind at Soviet premises in London. The Soviet authorities were very sensitive, just as the Government would be sensitive about such incidents in relation to British premises in Moscow. Surveillance on all Soviet premises in London had been intensified.

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Southern  
Africa

Previous  
Reference:  
CC(85) 36th  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Eminent Persons Group of the Commonwealth had made a good start at its first meeting on 12-13 December in London. The members were getting on well together. Lord Barber was keeping the Government informed. The Group's first approach to the South African Government had conformed to the Group's wish to proceed with discretion and without publicity. The approach had been conveyed to the South African Government by the British, Canadian and Australian Ambassadors in Pretoria. The initial South African response had been cautious but not unhelpful. The Group had agreed that the six-month period allotted to it in the Commonwealth Accord was not a deadline but a "review period".

There had meanwhile been further trouble on the border between South Africa and its neighbours: in this case an incident close to the border with Zimbabwe in which six white people had been killed. It was uncertain how far the Government of Zimbabwe gave support to the operations of the African National Congress, which had acknowledged responsibility for this incident. The Government had made clear their shock at this incident and were trying to exert influence on both sides to prevent an increase in tension. The Government had made clear to South Africa that they hoped that there would be no "hot pursuit" operation across the border into Zimbabwe. The Prime Minister would also be writing to the Prime Minister of Zimbabwe, Mr Robert Mugabe.

Uganda

Previous  
Reference:  
CC(85) 36th  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the peace agreement between the Military Council and the National Resistance Movement had been signed in Nairobi on 17 December. It was a real achievement for the President of Kenya, Mr Daniel Arap Moi. But it was far from sure that the agreement would be effective. Tension between rival groups remained strong and there were no clear arrangements for the handing in of arms. All concerned knew that the United Kingdom was not prepared to participate in arrangements for monitoring the agreement. Major General Pollard of the British Army, who was in the area, would only provide advice, notably on the merging of the rival forces into a single army. Canada might send one or two army officers to exercise a similar function. Consideration was being given to the possibility that the seven members of the British Military Advisory and Training Team, still at Jinja in Uganda, might support Major General Pollard in providing advice.

The Cabinet -

Took note.

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COMMUNITY AFFAIRS

Intergovernmental Conference

Previous Reference: CC(85) 35th Conclusions, Minute 3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that Foreign Ministers meeting in the Intergovernmental Conference on 16-17 December had followed up the points remitted to them by the European Council. The United Kingdom had maintained its position close to that of France and the Federal Republic of Germany; this had headed off attempts by Italy, in particular, to reopen or add to the texts which had been agreed by Heads of Government on 2-3 December. There had been agreement on a clarification of the text indicating that there would be no automatic legal consequences if some proposals for the completion of the common market were not adopted by the target date, 31 December 1992. The text on the European Parliament had also been clarified but without extending its powers: there was now a clear provision that in cases covered by the new procedure a Commission proposal would lapse if it were not adopted within a time limit. On sea and air transport the United Kingdom had been successful in applying qualified majority voting to Article 84 of the European Community Treaty; this was subject only to a safeguard clause which already existed elsewhere in the Treaty. Other proposals had been satisfactorily set aside. The results of the Intergovernmental Conference would be included in a European Act, the United Kingdom having ensured the rejection of the proposal to entitle this a Treaty of European Union. The United Kingdom had maintained its specific reserve on the voting provisions on measures to protect health and safety at work, making clear that it could not accept majority voting which would lead to a burden on small and medium-sized enterprises. The general reserves of Italy and Denmark remained. It was clear, however, that the Danish Government was likely to commend the package to the Danish Parliament. Despite their concern to take account of the views of the European Parliament, the Italians were looking for ways in which they could commend the package to their own Parliament. Subject to these reserves, the texts would now be submitted for legal and linguistic checking with a view to submission to Governments for signature early in 1986. Despite some histrionic complaint about the inadequacy of the package from Monsieur Delors, the President of the Commission, the predominant reaction of Foreign Ministers of the member states was relief that agreement had been reached and recognition of modest progress.

Finance

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

THE CHANCELLOR OF THE EXCHEQUER said that the Council of Ministers (Budget) and the European Parliament had not reached agreement on the Community's 1986 budget. The figure proposed by the Council was already too high but the European Parliament had now voted in favour of a higher figure. It was expected that the President of the European Parliament would sign and that the Commission would seek to implement a budget which, in the view of the United Kingdom and other member states, was illegal. Since the European Parliament should not be allowed to set figures above the level agreed by the Council of Ministers (Budget), it was now necessary for the Council, acting by a simple majority, to take this question to the European Court of Justice. If such a majority were not obtained, a number of member states in addition to the United Kingdom were likely in any event to challenge the budget by launching

proceedings in the European Court of Justice. It would also be necessary to decide soon what contribution should be made to the budget while the judgment of the European Court of Justice was awaited. In discussion it was argued that, as the United Kingdom would be a beneficiary, for example under the Social Fund, from the extra money put into the disputed budget, it was desirable that, if possible, a legal challenge should be made by the Council as a whole or by a group of member states acting together rather than by the United Kingdom alone. It was reported that there was already support from other member states for action in the European Court of Justice. The Federal Republic of Germany, the Netherlands and Luxembourg wanted legal proceedings by the Council and France was likely to agree. The United Kingdom was making representations to Belgium and Denmark which were undecided.

Number of  
European  
Councils

THE FOREIGN AND COMMONWEALTH SECRETARY said that, in line with the United Kingdom's view that the number of European Councils should be reduced from three to two a year, the Dutch Presidency had decided to cancel the meeting proposed for the following March. The next meeting would now be on 26-27 June 1986. Although the formal position was that there should be at least two meetings a year, it was expected that the normal position would not be to hold no more than two European Councils each year.

Tin

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the United Kingdom had been trying to persuade the members of the International Tin Council to take their responsibilities for a settlement of the outstanding problems. In order to get a bandwagon rolling for such a settlement, the support of the European Community was important. France and the Federal Republic of Germany, however, had not been prepared to go along with a proposed Community position. The producer countries, however, had at last begun to show a greater interest in a settlement.

Fish

THE SECRETARY OF STATE FOR WALES said that it seemed that real progress had been made in the negotiations by the Minister of Agriculture, Fisheries and Food in the Council of Ministers (Fisheries) on 16-17 December on total allowable catches, quotas and related issues.

The Cabinet -

Took note.

HOME  
AFFAIRS

Report of  
the Committee  
on Fraud  
Trials

4. THE HOME SECRETARY said that the report of the Committee on Fraud Trials, chaired by Lord Roskill, had been submitted to the Lord Chancellor and himself. A number of the matters raised in it would require legislation. An appropriate vehicle would be the Criminal Justice Bill, which would come before Parliament in the next Session. There would meanwhile be collective discussion by Ministers. The report would be published when the House of Commons resumed in January after the recess. The Government would then make a statement, which should be as positive as possible pending full consideration of the report. This statement would be made on 13 January, one day before the Financial Services Bill was due for its Second Reading.

The Cabinet -

1. Took note.

White Paper  
on Social  
Security

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that colleagues would be provided after Cabinet with speaking notes and other material on the White Paper published earlier that week. It would be helpful if colleagues with speaking engagements during the next few weeks would take opportunities to comment on this matter in public, since interested pressure groups would doubtless remain vocal during that period.

The Cabinet -

2. Took note.

NORTHERN  
IRELAND  
AFFAIRS

Previous  
Reference:  
CC(85) 36th  
Conclusions,  
Minute 3

5. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that all the Unionist Members of Parliament had now resigned their seats. It was likely that the by-elections would take place on 23 January 1986. Tension in Northern Ireland was very high. Unionist opinion was mainly against the Anglo-Irish Agreement, and the leaders of the Democratic Unionist Party were in the vanguard. The Government would need to consider policy in the period following the by-elections, when a risk of unconstitutional action against the Agreement could arise. The security situation in Northern Ireland was already difficult: the Provisional Irish Republican Army was carrying out a campaign of violence against police stations and was intimidating contractors to dissuade them from participating in the reconstruction of police stations. On the previous day, 27 terrorists had been sentenced to imprisonment in a "super-grass" trial. Some of those convicted were threatening hunger strikes.

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THE PRIME MINISTER, summing up a brief discussion, said that the Government must continue confidently with the implementation of the Anglo-Irish Agreement.

The Cabinet -

Took note.

Cabinet Office

19 December 1985

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