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CC(86) 3rd  
Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 23 JANUARY 1986  
at 10.30 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 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 George Younger MP  
Secretary of State for Defence

The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales

The Rt Hon John Biffen MP  
Lord Privy Seal

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

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 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

The Rt Hon Malcolm Rifkind QC MP  
Secretary of State for Scotland

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ALSO PRESENT

The Rt Hon John Wakeham MP  
Parliamentary Secretary, Treasury

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)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
	Westland plc	1
2.	FOREIGN AFFAIRS	
	Lesotho	1
	Uganda	1
	People's Democratic Republic of South Yemen	2
	International Tin Council	2
	Group of Five Meeting	3
3.	COMMUNITY AFFAIRS	
	Intergovernmental Conference	3
	Agriculture	4
4.	ECONOMIC AFFAIRS	4
5.	NORTHERN IRELAND AFFAIRS	5

PARLIAMENTARY  
AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

Westland plc

THE PRIME MINISTER said that she would make a full statement in the House of Commons later that day about the circumstances in which the contents of a letter from the Solicitor General to the former Secretary of State for Defence had at the time been made available to the press. The essential point that she would emphasise would be the importance of ensuring that there was nothing misleading in statements made on behalf of the Government at a time when commercially sensitive judgments about Westland's future were being taken.

The Cabinet -

Took note, and expressed their sympathy and support for the Prime Minister.

FOREIGN  
AFFAIRS

Lesotho

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Lesotho Paramilitary Force (LPF) had deposed the former Prime Minister, Chief Jonathan, in a coup on 28 January. The country was now under the control of a Military Council chaired by Major General Lekhanya, Commander of the LPF. King Moshoeshoe II remained Head of State. Chief Jonathan was at a house in the country. Other former Ministers had been ordered to remain in their homes. The South African blockade of the Lesotho border appeared still to be in place but the Military Council was negotiating with the South African Foreign Minister. There were 600 British citizens in Lesotho, who appeared to be safe. A curfew had been imposed and the situation was calm. Chief Jonathan had not been popular with the Front Line States but General Lekhanya would be suspect in their eyes as a possible South African puppet.

Uganda

Previous  
Reference:  
CC(86) 2nd  
Conclusions,  
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the ceasefire in Uganda had broken down. There had been clashes between the National Resistance Army and Government forces. Shops and business had been closed. The British community in Kampala had been advised to stay at home. The United Kingdom's offer of assistance - consisting of a small military advisory team, some aid and a contribution in cash or material towards logistic back-up for monitoring a ceasefire - remained on the table. But it was dependent on an end to the fighting and the implementation of the peace agreement of 17 December 1985. Kenya appeared to be reluctant to commit troops for the monitoring of a ceasefire. Tanzania also had reservations. The Government were continuing to ensure that Kenya and Tanzania expected no more British assistance than was actually on offer.

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People's  
Democratic  
Republic of  
South Yemen

Previous  
Reference:  
CC(86) 2nd  
Conclusions,  
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the evacuation of foreigners from the People's Democratic Republic of South Yemen was proceeding well. HMY Britannia, along with French and Soviet vessels, had evacuated up to 1,200 persons, including 21 British citizens, from Little Aden in the previous two days. All British citizens in Aden itself seemed now to have been evacuated. The merchant ship "Diamond Princess" had evacuated 248 foreigners, including 22 British citizens, from Mukalla, three hundred miles east of Aden. A fleet survey vessel, HMS Hydra, was trying to evacuate 42 foreigners including one British person from Al Gaider further north. It appeared that only about eight British citizens were now in any part of South Yemen. Her Majesty The Queen had agreed that HMY Britannia should remain in the area as long as was necessary for the evacuation. But the Government hoped to arrange for HMY Britannia to reach New Zealand in time for The Queen's visit there from 22 February to 2 March.

The political situation in South Yemen remained confused. The rebels appeared to have gained the upper hand. The British Ambassador, Mr Arthur Marshall, who was aboard HMY Britannia, had estimated that 10,000 people might have been killed in the fighting. The Soviet Government were trying to negotiate a conclusion to the fighting, but so far without success. There was no sign of Soviet or Ethiopian intervention in South Yemen. The Soviet Embassy in Aden had been among the buildings damaged in the fighting.

The unusual co-operation between the United Kingdom and the Soviet Union in this evacuation was symbolised by the presence on HMY Britannia of a representative of the Soviet Embassy in Aden, who recently had been maintaining the communications between Moscow and the Soviet Embassy.

In a short discussion, it was noted that the Royal Navy and the British Ambassador and his staff had been widely congratulated for their roles in this evacuation. The Royal Navy had indeed acted in the best traditions of the Service.

International  
Tin Council

THE FOREIGN AND COMMONWEALTH SECRETARY said that the meeting that week of the International Tin Council (ITC) had focused on a new proposal put forward by Japan on 21 January. This proposal was not, as it stood, a satisfactory basis for settling the problems of the ITC. But it did represent an attempt to make progress. The Government were now trying to move matters forward, by combining the best elements of the Japanese proposal and the earlier "Newco" proposal put forward by independent financial experts.

In a brief discussion, it was noted that the Japanese Foreign Minister, Mr Shintaro Abe, had that week told the Secretary of State for Trade and Industry that the Japanese Government did not attach importance to the precise details of their proposal. Moreover, when the Chancellor of the Exchequer had raised this subject at the meeting in London the previous weekend of the Group of Five, France had said that she was willing in principle to contribute to a settlement, subject to the question of how

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much money would be involved. This had left the Federal Republic of Germany isolated in the meeting of the Group of Five, and she had said that she would reconsider her refusal to negotiate about a rescue operation for the ITC. These were hopeful signs that progress might be possible.

Group of Five Meeting

THE CHANCELLOR OF THE EXCHEQUER said that there had been a meeting in London the previous weekend of the Group of Five, consisting of the Finance Ministers of the United Kingdom, the United States, the Federal Republic of Germany, France and Japan. The only difficulty about the meeting had been that some people who were not involved in it had raised unrealistic expectations of its results. The meeting had discussed the question of interest rates. It had been felt that, given the prospects of lower rates of inflation, there were reasonable prospects of interest rates coming down in the coming year. But the other countries in the Group of Five preferred the United States to make the first move, and the Administration in Washington was divided on the question of an early move. The meeting of the Group of Five had also discussed fiscal policy and the problem of international debt.

The Cabinet -

Took note.

COMMUNITY AFFAIRS

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Inter-governmental Conference

Previous Reference: CC(86) 1st Conclusions, Minute 4

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the results of the Intergovernmental Conference were still subject to the remaining reserves. The United Kingdom's position, however, was satisfactory. The Dutch Presidency had now put forward a text on the effect of small and medium-sized businesses of measures on the working environment. Although the Italians and Germans had not yet accepted it, this issue was unlikely to be an obstacle. Italy's reserve on the whole package was being maintained until the Italian Parliament had been consulted but, in the light of the moderate attitude in the European Parliament, the Italian Government would probably be able to obtain sufficient support to lift its reserve. The Danish Parliament, however, against the advice of the Danish Government, had now rejected the conclusions of the Intergovernmental Conference. The Danish Foreign Minister, Mr Ellemann-Jensen, had been in London on 22 January and was visiting other member states; he was receiving the message that he expected: the package was not renegotiable. The Danish Government was ready to call a national referendum, which it would probably win. If, on the other hand, Denmark was not able in the end to ratify the agreement, then some improvements in Community procedures and decision-making might still be made without Treaty change on the lines advocated by the United Kingdom at an earlier stage.

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Agriculture

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Council of Ministers (Agriculture) on 20-21 January had reached conclusions on certain special arrangements for the import of meat into the Community.

The Cabinet -

Took note.

ECONOMIC  
AFFAIRS

4. THE CHANCELLOR OF THE EXCHEQUER said that the financial markets were very nervous, mainly as a result of the considerable fall in oil prices since the beginning of the year. The fall in the value of sterling had not been on the same scale, partly because of the widespread expectation of further rises in interest rates. It might not be possible to come through the present difficult period without such a rise.

In a brief discussion the following points were made -

- a. If there was a substantial rise in bank base rates, the building societies would be obliged to raise mortgage rates. This might be an argument for allowing the sterling exchange rate to take some of the strain in the present situation; but the effect on mortgage rates was only one of the factors, which would have to be taken into account in reaching decisions on interest rates.
- b. The dependence of the United Kingdom economy on the price of oil tended to be exaggerated. The Chancellor of the Exchequer would that day be publishing a short fact sheet putting the matter into perspective.
- c. While industrialised countries which were not oil producers would benefit far more than the United Kingdom from the fall in oil prices, it seemed that the balance of positive and negative effects for the United Kingdom might be at least neutral and perhaps if anything slightly favourable.

The Cabinet -

Took note.

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NORTHERN  
IRELAND  
AFFAIRS

Previous  
Reference:  
CC(86) 2nd  
Conclusions,  
Minute 5

5. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that by-elections were taking place that day in the 15 constituencies in Northern Ireland from which Ulster Unionist Party (UUP) and the Democratic Unionist Party (DUP) Members of Parliament had resigned in protest at the Anglo-Irish Agreement of 15 November 1985. The Unionist parties were expected to achieve a very large vote. The outcome as between the two Roman Catholic parties, the Social Democratic and Labour Party and Sinn Fein, was less predictable. The situation in Northern Ireland was moving into a potentially dangerous phase. The Unionist leaders had no clear ideas about the policy they should adopt after the by-elections. It was possible that the current co-operation between the UUP and the DUP would break down. It was not clear whether re-elected Unionist Members of Parliament would stay at Westminster or would withdraw after a period.

The Government should react in a carefully balanced way to the outcome of the by-elections. He himself would be making a broadcast for this purpose. Ministers should say that the Anglo-Irish Agreement would continue to be implemented. Rather than dismissing the by-election results as insignificant, Ministers should show that they took those results seriously; they should point out that there were misunderstandings in Northern Ireland about the significance of the Agreement and say that the Government would seek to dispel these by working for wider recognition of the benefits to be derived from the Agreement. Such a stance by the Government would avoid the risk of encouraging a "laager mentality" among unionists.

The Cabinet -

1. Took note.
2. Invited Ministers to be guided by the suggestions of the Secretary of State for Northern Ireland in their reactions to the results of the by-elections that day in Northern Ireland.

Cabinet Office

23 January 1986