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CC(86) 5th  
Conclusions

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CABINET

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

THURSDAY 6 FEBRUARY 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 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 Rifkin QC MP  
Secretary of State for Scotland

The Rt Hon Paul Channon MP  
Secretary of State for Trade and Industry

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ALSO PRESENT

The Rt Hon John Wakeham MP  
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong	
Mr D F Williamson	(Items 2-4)
Mr C L G Mallaby	(Items 2-4)
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.

Northern  
Ireland  
Local  
Authorities

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the Privy Council meeting on 12 February would be invited to approve an Order in Council which would give him power to replace by Commissioners local councils in Northern Ireland who failed to make a rate. The power would be additional to that under existing legislation which enabled officials of the Northern Ireland Department of the Environment to administer a specific service when local councillors failed to meet their responsibilities in relation to it. The new power would be discretionary and it would not necessarily have to be used. It was, however, necessary to have the power in being before 15 February, which was the statutory date for making a rate. Unionist councillors should be in no doubt of all the options open to the Government before they took their final decisions. They should not be allowed to believe that they could carry on as councillors whilst failing to undertake their duties under the law. Unionist attitudes could still change: a pending case of judicial review involving Belfast City Council might help in this respect.

The PRIME MINISTER, summing up a short discussion, said that, although the special circumstances of Northern Ireland must be recognised, the Government would wish to think very carefully before taking a power to send in Commissioners to a local authority. Legislation had been drafted for such an eventuality in Great Britain, but the Government had not brought it forward, not least because it would have taken pressure off the local authorities concerned. It was important to make sure that the strategy which had worked in Great Britain was inappropriate for Northern Ireland. It would be possible in principle to arrange a meeting of the Privy Council after the departure of Her Majesty The Queen on 16 February.

The Cabinet -

Invited the Secretary of State for Northern Ireland to discuss the question of an Order in Council with the Lord President of the Council, who would report back as necessary.

FOREIGN  
AFFAIRS

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Haiti

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation in Haiti remained uncertain. President Duvalier seemed for the moment to have re-established his position in the capital but the general expectation was that he would be deposed before very long. There was no obvious successor: a military regime was one possibility. There was no resident British Embassy in Port-au-Prince but a British diplomat was currently there on a visit. There were up to 85 British nationals in

Haiti. The United Kingdom and United States Governments had joint contingency plans for evacuation of their nationals, if necessary.

Uganda  
Previous  
Reference:  
CC(86) 4th  
Conclusions,  
Minute 4

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had taken the opportunity of the meeting of the European Community countries and the Front Line States in Lusaka on 3 and 4 February to discuss the situation in Uganda with several Foreign Ministers of the Front Line States. All had thought that the Ugandan President, Yoweri Museveni, was likely to prove preferable to his recent predecessors. All had agreed that the key question was the degree to which President Museveni would achieve reconciliation with the provinces not at present under the control of the National Resistance Army. The United Kingdom should build up its dialogue with President Museveni, so as to influence him in positive directions. The Minister of State, Foreign and Commonwealth Affairs (Mrs Lynda Chalker), would visit Kampala on 12 February.

Nigeria  
Previous  
Reference:  
CC(86) 1st  
Conclusions  
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that on 3 February the Nigerian Government had granted agrément for the new British High Commissioner in Lagos. The appointment of Mr Ewans would probably be announced on 7 February. The Nigerian Government had not yet nominated a new High Commissioner in London, but the prospect of the exchange of High Commissioners marked a distinct step forward in the rebuilding of Anglo-Nigerian relations. There had been useful contacts between the Central Bank of Nigeria and the Bank of England on the question of possible fraud cases relating to Nigeria and involving certain banks and firms in the City of London. Informal talks continued between Nigeria and the International Monetary Fund about a package of economic measures which Nigeria could present as being self-imposed but which the Fund would subsequently endorse. The appeal hearing in the case of the two British engineers from Bristow Helicopters Limited, who were held in prison in Nigeria, was expected in late February.

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

THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation in the Republic of South Africa had become a little calmer for the time being. Children had returned to school. President Botha's speech on 31 January had been better than the one he had made in Durban in August 1985. He had promised some legislative reform in the present Session of the South African Parliament. But the speech had mainly been a statement of principles. The important question, therefore, was how the speech would be followed up by the South African Government. It was noteworthy that even Chief Buthelezi, who was the black leader most likely to consider joining the proposed National Statutory Council, had not yet decided

whether to do so. Another important question was whether the South African Government would release Mr Nelson Mandela, the former African National Congress leader, from prison.

Meeting between European Community Countries and the Front Line States

THE FOREIGN AND COMMONWEALTH SECRETARY said that the meeting between the European Community countries and the Front Line States on 3 and 4 February in Lusaka had been very useful. The only European Foreign Ministers to participate had been the Netherlands and Greek Foreign Ministers and himself. His own presence had helped to consolidate the position of the United Kingdom in relation to Southern African affairs. The number of participants on each side - twelve representatives of European Community countries and six of Front Line States - had provided a good basis for the Europeans to press the Africans to engage in dialogue about the problems of Southern Africa. The communiqué issued by the meeting in Lusaka had been moderate: the United Kingdom had held the line on further measures against South Africa and had emphasised the importance of the Commonwealth Eminent Persons Group.

During the meeting in Lusaka, an official from the Foreign and Commonwealth Office had had a meeting with representatives of the African National Congress (ANC). There had been no question of the United Kingdom engaging in Ministerial contact with the ANC. Virtually all the countries of the European Community had already had contact with the ANC at official level. The meeting had provided the opportunity to explain the role and importance of the Commonwealth Eminent Persons Group, and the ANC had seemed willing to give the Group a chance. The United Kingdom had also urged the ANC not to engage in violence and had made clear the reasons for British opposition to mandatory sanctions against South Africa. The main point made by the ANC had been the importance of the release from prison in South Africa of Mr Nelson Mandela.

Libya  
Previous Reference: CC(86) 4th Conclusions Minute 4

THE FOREIGN AND COMMONWEALTH SECRETARY said that on 4 February Israel had forced a Libyan aircraft flying from Libya to Syria to land in Israel. In reacting publicly, the United Kingdom Government had condemned the interception of the aircraft and had avoided taking a position on whether that interception would have been legitimate if, as the Israelis had evidently expected, there had been important terrorists on board. This position was compatible with the one which the United Kingdom had adopted after the interception by the United States of an Egyptian aircraft on 10 October 1985. The Israeli interception of the Libyan aircraft was being discussed in the Security Council of the United Nations. The United Kingdom was co-operating with France and the United States in an attempt to modify the language proposed by non-aligned members of the Security Council for a public statement by the Council.

The Cabinet -

Took note.

COMMUNITY  
AFFAIRS  
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Inter-  
governmental  
Conference

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that it had been expected that the member states other than Denmark would sign the text incorporating the results of the Intergovernmental Conference before the Danish referendum. Denmark, however, had now suggested that the signing should be postponed. The date of signing was, therefore, again under consideration, in view of the need to take account of any potential difficulties for the Danish Government.

Previous  
Reference:  
CC(86) 4th  
Conclusions,  
Minute 5

The Cabinet -

Took note

ECONOMIC  
AFFAIRS  
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British  
Leyland  
plc

4. THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that discussions had taken place on two separate proposals concerning the future of British Leyland (BL). First, after an approach by the Government, General Motors had been discussing with BL a possible takeover of the businesses within Land Rover Leyland, the commercial vehicle side of BL which included Land Rover. This course held out better prospects for continuing truck manufacture as the Trucks Division was now making significant losses, and of opening the United States market to Land Rover sales. The talks were at an advanced stage; there was, however, no specific proposition yet from General Motors. The Government would require certain assurances. The Sub-Committee on Economic Affairs of the Ministerial Steering Committee on Economic Strategy (E(A)) had agreed that an arrangement on these lines would be advantageous, and had authorised him to pursue discussions with General Motors accordingly. It was probable that the situation would be sufficiently clarified for the Government to take a final decision before the end of the month. Secondly, there was a more tentative proposal which had been put to the Government that the Ford Motor Company should take over the Austin Rover Group (ARG) and Unipart from BL. It was regrettable that the existence of this proposal had been leaked, probably from within BL. Talks were at a very early stage. It would be necessary for the Government to decide whether the Ford proposal would be politically acceptable. If not, there were two alternatives: either it might be possible to stitch up a deal with a minority shareholding by Honda Motors and with the co-operation of BL's management and labour force, so that the company could be privatised by the end of the decade, or the present situation could be allowed to continue, with the probability of increasing financial commitments to BL by the Government. So far BL had had about £2.2 billion in grants and the Government was exposed to guarantees of about £1.6 billion. There was considerable concern among

colleagues, particularly in the Midlands, about the suggestion that Ford should take over ARG and Unipart, and the debate in the House of Commons on 5 February had been very difficult. A quick decision was needed whether or not this would be politically acceptable.

In discussion the following points were made -

- a. Cabinet colleagues with an important departmental, constituency, or regional party interest in a matter such as the future of BL should be kept in touch and should not hear of developments for the first time when they appeared in the newspapers.
- b. Public opinion both in the West Midlands and more widely was likely to show understanding of the case for the deal with General Motors but to draw a distinction between that action and the suggested takeover of ARG and Unipart by the Ford Motor Company. There was much more political concern about the major car producing operation of BL. In his public statements, however, Mr Edward Heath MP had linked the two proposals together, and this had magnified the political problem.
- c. When Ford's approach had been discussed in the Sub-Committee on Economic Affairs of the Ministerial Steering Committee on Economic Strategy Ministers had been conscious that, if they had turned down even the suggestion to explore Ford's approach, the financial and industrial consequences could have been difficult. It was for this reason that they had agreed to the talks and asked for a fuller assessment of the implications of the Ford proposal.
- d. There was a large number of component suppliers in the West Midlands which did business with BL and Ford. These companies now saw themselves as in danger from changes which might come at BL. The fear would be that, if Ford took over ARG, some of these suppliers would go out of business and others would have to deal with a monopsony customer. The Government had followed the course of encouraging greater efficiency at BL and had agreed to links with Honda Motors. BL was widely recognised as a company which had made big strides in modernisation and in the process of recovery under the present Government. Discussion with Ford was now being seen as a completely new tack, which appeared to be inconsistent with the record of progress achieved. So long as this suggestion was in the air, fewer BL cars would be sold and Japanese confidence in the link with BL would be reduced. There was a risk that, as a result of Ford's approach, the Government would be drawn into criticising the performance of BL, which would run against the widespread view that the recovery programme should be regarded as a success.
- e. There was a fundamental problem of survival for a company with too small a share of the world market. BL's corporate plans had been too optimistic and there was a serious risk that losses would continue and that profits would not materialise. A large amount of

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public financial support might be needed, and this would be at the expense of other priorities for resources.

f. The scale and speed of changes in BL's position was important. The Government had taken the view that BL should be encouraged to take the steps necessary to recovery. Jaguar had been privatised. The proposed deal with General Motors was sensible. The Government should not, however, risk going beyond the point of political credibility.

g. It would be unfortunate if the debate on BL were conducted in terms only of keeping British production here. It was necessary to stress also the opportunities for penetrating overseas, and particularly European, markets.

h. The suggestion that the Ford might take over ARG and Unipart also raised the question of competition. To the man in the street the first result would probably be a reduction in the number of car dealers and of competition.

The Cabinet -

1. Agreed that, where a Cabinet colleague had an important constituency, regional party or departmental interest in an issue of political importance, he should be kept informed of Government discussions on the issue.

2. Invited all Ministers and the Cabinet Office to give particular attention to this point, when submitting questions for Ministerial discussion.

3. Took note that the issues relating to British Leyland plc would be discussed later that day in the Sub-Committee on Economic Affairs of the Ministerial Steering Committee on Economic Strategy.

Cabinet Office

6 February 1986

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