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Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 12 JUNE 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 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 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 the Environment

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

The Rt Hon Kenneth Baker MP
Secretary of State for Education and Science

The Rt Hon Kenneth Clarke QC MP
Paymaster General

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

The Rt Hon Malcolm Rifkind MP
Secretary of State for Scotland

The Rt Hon John Moore MP
Secretary of State for Transport

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP
Attorney General (Item 5)

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

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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 M J Eland (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.

In discussion it was noted that the business would be so arranged as to schedule the proposed debate on South Africa for the whole day on Tuesday 17 June; this would enable the Foreign and Commonwealth Secretary both to open that debate and to be present for the first day of the meeting of the Council of Ministers (Foreign Affairs) of the European Community on Monday 16 June, when the Report of the Commonwealth Group of Eminent Persons on South Africa would be considered.

FOREIGN
AFFAIRS

Austria

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that Dr Kurt Waldheim had won a convincing majority in the presidential elections in Austria on 8 June. The Prime Minister had sent a message to Dr Waldheim which acknowledged the democratic verdict and wished the President-Elect well. The tone of this message was in line with messages sent by other Western leaders. The inauguration of the new President would take place on 8 July. The Government would consider carefully the question of British representation on that occasion and whether to advise Her Majesty The Queen to send a message.

Haiti
Previous
Reference:
CC(86) 5.2

THE FOREIGN AND COMMONWEALTH SECRETARY said that disturbances continued in Haiti, but the situation had so far been contained. The question of evacuating foreign nationals might arise. There were 70 British citizens in Haiti. The United States intended to take action, if necessary, to protect the lives of foreign residents. The Government would need to take care, if the question of any reaction arose, to be concerned only with this aspect and not to be drawn into wider operations.

People's
Republic
of China

THE FOREIGN AND COMMONWEALTH SECRETARY said that the visit of the General Secretary of the Central Committee of the Communist Party of China, Hu Yaobang, which had ended that morning, had gone very well.

Previous
Reference:
CC(85) 18.2

In a brief discussion it was noted that Hu Yaobang was a man of great energy, initiative and enthusiasm; and that he had handled adroitly some difficult questions raised after his talk at the Royal Institute for International Affairs on the previous day.

The Cabinet -

1. Took note.

Arms
Control

Previous
Reference:
CC(86) 2.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Warsaw Pact had made a further set of proposals concerning arms control. They had proposed reductions in conventional forces in the whole of Europe from the Atlantic to the Urals. The proposal had been put forward with the propaganda skill now associated with the General Secretary of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev. The Government would say that it welcomed any serious proposals in arms control and would point out that the members of the North Atlantic Treaty Organisation, following the recent meeting of their Foreign Ministers at Halifax, Nova Scotia, had established a task force to consider the question of reductions in conventional forces in Europe. The Government would also point to the new proposal, put forward recently by the West at British instigation, in the negotiations on mutual and balanced force reductions in Vienna. The Government would remind public opinion in this country of the full range of far-reaching arms control proposals which the West had on the table: proposals for a reduction of 50 per cent in the strategic nuclear armaments of the Soviet Union and the United States, for the global elimination of intermediate range nuclear forces, for a complete ban on chemical weapons and on other matters.

In a brief discussion it was noted that a recent example of the Soviet Union's attempts to divide the West through proposals on arms control was the offer of bilateral talks on nuclear weapons with the United Kingdom and with France. The positions of France and the United Kingdom on this matter were the same.

The Cabinet -

2. Invited the Foreign and Commonwealth Secretary to write in his Government capacity to all Members of Parliament to draw attention to the arms control proposals of the West.

South
Africa

Previous
Reference:
CC(86) 22.2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Report of the Commonwealth Group of Eminent Persons (COMGEP) would be published that day. Its conclusions were sharply critical of South Africa. The Group, whose work had seemed for a time to offer a potential opening towards dialogue, had reached this negative conclusion principally because the South African Government had been unable to agree to respond in a reasonable way. The last straw had been the raids by South Africa on neighbouring countries on 19 May when the Group had been visiting South Africa. Lord Barber, the British member of the Group, had managed to prevent the inclusion in the Report of a specific recommendation for economic measures against South Africa. But the report did refer with evident approval to "effective economic measures" and "concerted action of an effective kind".

Meanwhile, the tenth anniversary of the Soweto riots, which fell on 16 June, might be the occasion of intensified violence in South Africa. Black organisations were planning protests. There was every sign that the security forces would act harshly. There might be an early debate in the United Nations Security Council.

He had recently discussed the matter with the Foreign Ministers of the European Community countries and with the United States Secretary of State, Mr George Shultz. Pressure for further measures against South Africa was building up in the United States Congress. In the House of Representatives, a Bill had passed the Foreign Affairs Committee. In the Senate, on present prospects, movement was likely to be slower. The Administration wished to hold the line, but Mr Shultz accepted the possibility that further measures against South Africa might be necessary. In the European Community, Denmark, under pressure from domestic opinion, favoured further measures. Greece was likely to take the same position. But Portugal, with many of its nationals living in South Africa, took the same position as the United Kingdom. The Federal Republic of Germany was standing firm against further measures. In France the Prime Minister, Monsieur Jacques Chirac, was openly against sanctions, while the President, Monsieur François Mitterrand, took the opposite position. In the most recent vote on sanctions in the United Nations Security Council, France had not joined the United Kingdom and the United States in casting a veto. But in the European Community, France was likely on balance to be helpful to the British position. Italy and Belgium had a sensible attitude. The Netherlands, despite domestic pressure for further measures, had come recently to see more clearly the case for action in concert by the European Community countries.

In the Commonwealth, there would of course be active advocacy of further measures by countries such as Zambia, Zimbabwe and India. Australia and New Zealand now favoured further measures.

A group of officials (MISC 118) was analysing the various implications of the measures that had been listed in the Commonwealth Accord (agreed by Commonwealth Heads of Government at Nassau in October 1985) and of some other measures likely to be advocated in the coming period. In Parliament, there would be Members who were strongly opposed to further measures. There would also be support, which probably would be stronger, for the adoption of some further measures. The Government should respond to the reference in the COMGEP Report to the need for "effective measures" by pointing out that no measures could be effective unless they were taken by all the main industrialised countries, notably the seven participants in the Economic Summits and the members of the European Community. Reference should also be made to the need for countries bordering South Africa to consider objectively the effect on them of possible further measures against South Africa. The Government should be active in restraining the European Community countries and the United States from moving towards wide-ranging further measures against South Africa. The Government should point out that the United Kingdom already applied certain measures and that the adoption of comprehensive trade sanctions would produce the opposite effects in South Africa from

those sought by the advocates of such a policy. At the same time, it could be indicated that intermediate positions were possible, where certain carefully chosen measures might be considered, such as might help to keep alive the prospect of dialogue in South Africa. The Government should seek to maintain control in this debate, and not be swept along by the pressure for excessive measures.

In discussion the following points were made -

a. The Department of Employment had estimated that the imposition of full economic sanctions against South Africa could cost the loss of 100,000-120,000 jobs in Britain. The losses of jobs would continue long after the political and media effects of the imposition of sanctions had died down. There was, however, little support in the international community for a general trade boycott. In the Commonwealth, the more responsible members were talking of specific measures concerned with such matters as investment or tourism. The United Kingdom Government should consider whether measures were available which would have little impact on British economic interests.

b. The first of the possible measures listed in the Commonwealth Accord was a ban on air links with South Africa. The United Kingdom had the second largest airline industry in the world, and interference with air links would set a precedent harmful to British interests. Moreover, the Government would be obliged, if it wished to terminate the Air Services Agreement with South Africa, to engage in consultations lasting two months and then to give twelve months' notice of termination. The revenues to British Airways from services with South Africa and from related services exceeded £80 million per annum. These points were among others being considered by MISC 1K8.

c. It was difficult to be confident about the evolution of United States policy on this subject. The Administration wished to resist movement towards further measures. The line might be held in the Senate until September. But major trouble in South Africa could affect the attitude of the Administration. If the United Kingdom decided to consider the adoption of a few limited measures, this might help to hold the Administration back from more far-reaching measures.

d. Countries which would not be affected by far-reaching measures against South Africa were the most avid advocates of such measures. For the United Kingdom, there would be economic losses from measures which, by contrast, were very likely to be evaded by South Africa. There would be benefits for the Soviet Union if South Africa ceased to be a reliable source of supply for the West for platinum, gold, vanadium and other special metals, as well as diamonds. It was generally thought that the moral arguments pointed towards further measures; but there was also the counter-argument that far-reaching measures would increase the instability in South Africa without offering any prospect that a

new stability would subsequently emerge. The final paragraph of the COMGEP Report, which called for "concerted action of an effective kind" as "the last opportunity to avert what could be the worst bloodbath since the second world war" was open to the objection that the imposition of wide-ranging measures might actually precipitate a cycle of violence.

e. If the United Kingdom were to be isolated in the Commonwealth in resisting further measures against South Africa, the position of Her Majesty The Queen as Head of the Commonwealth and Head of State of a number of member countries should not be affected. Decisions on measures against South Africa were a matter for each individual Commonwealth Government.

THE PRIME MINISTER, summing up the discussion, said that the United Kingdom's immediate objective should be to hold the situation, so as to allow discussion with other industrialised countries before the meeting in London from 2 to 5 August of the Heads of Government of the seven countries represented in COMGEP. The Government should take no action on further measures against South Africa unless other industrialised countries took the same measures. The report by officials on the measures should be considered initially by a group of the Ministers most closely concerned.

The Cabinet -

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

COMMUNITY
AFFAIRS

Nuclear
Energy

3. THE SECRETARY OF STATE FOR ENERGY said that there were reports that at the European Council on 26-27 June there would be pressure, in particular from the Republic of Ireland, for a Community nuclear inspectorate with access to nuclear installations such as that at Sellafield. It was important that the United Kingdom position on this and similar nuclear issues should be closely concerted with the French and other nuclear member states.

In discussion it was noted that this had been discussed at the informal meeting of Foreign Ministers on 8 June and that the United Kingdom could expect strong support from the French.

ECONOMIC
AFFAIRS

Unemployment

4. THE SECRETARY OF STATE FOR EMPLOYMENT said that the monthly figures on unemployment to be released that day would show a reduction of 54,000 but the seasonally adjusted figure would be 6,000 higher, compared with the previous month. Unemployment now seemed to have been slightly rising over the last six months.

In discussion it was pointed out that this trend was not surprising. There had been a pause in economic recovery in a number of major industrialised countries, and the United Kingdom economy was rather flat. It remained, however, the expectation of informed observers, including the Organisation for Economic Co-operation and Development, that towards the end of 1986 the beneficial effects of the fall in oil prices would be more widely felt and that there would be a resumption of growth. While economic growth in 1986 might be lower than had been foreseen earlier, economic growth in 1987 might be better.

In discussion of the recent higher than expected money supply (M3) figures and the possible trend of inflation, it was said that there were no signs of overheating in the economy and none of the signs which would have been associated with monetary laxity. The various monetary indicators were being affected by the substantial changes in financial markets associated with deregulation and by the large measure of financial innovation now taking place. Because the financial framework was changing, the interpretation of the monetary statistics was difficult. The United Kingdom would have low inflation that year. It was to be hoped that this would encourage businesses to make more moderate wage increases. It was possible that there would be a slight increase in inflation again in the following year because the direct effect of the oil price fall and of some reduction in interest rates would already have been reflected during 1986. The absolute level, however, should remain low.

The Cabinet -

Took note.

NORTHERN
IRELAND
ASSEMBLY

5. The Cabinet considered a memorandum by the Secretary of State for Northern Ireland (C(86) 16) proposing the introduction of an Order in Council to dissolve the Northern Ireland Assembly before the Summer Recess.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the Northern Ireland Assembly had been established four years earlier. It had two purposes: to consider how to achieve devolution and to operate committees to scrutinise the work of Northern Ireland Departments. The first purpose had never been fulfilled, largely because the Social Democratic and Labour Party (SDLP) had not joined the Assembly. The scrutiny function had been discontinued after the signature of the Anglo-Irish Agreement of November 1985. The representatives of the Alliance Party had subsequently ceased to attend the Assembly, and it

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was now reduced to a rump of Unionist members meeting once a week in order to criticise the Anglo-Irish Agreement, often in extravagant and offensive terms. The Exchequer was paying for this irresponsible activity. The Government had so far been tolerant, but action to dissolve the Assembly was now needed, since otherwise elections would automatically follow in the autumn. They would coincide with the first anniversary of the Anglo-Irish Agreement and would be used by unionists to revive their campaign against the Agreement. The need to undertake an election campaign might drive the Ulster Unionist Party (UUP) closer to the more extreme Democratic Unionist Party (DUP) or, if the two parties competed in the election, the DUP might make gains at the expense of the UUP. The Government had powers under the Northern Ireland Act 1982 to dissolve the Assembly by Order in Council at any time. That was what he was proposing. It was important that the dissolution should take effect before the marching season in Northern Ireland got going in July. In announcing the dissolution, he would make clear that the Assembly was not being abolished but only dissolved; that the Government would continue to seek devolution in Northern Ireland; that the Government had repeatedly warned that action would be taken regarding the Assembly if it continued to behave unacceptably; and that the unionist leaders had recently refused to see him to discuss the subject.

Some people in Northern Ireland would seek to stir up trouble following dissolution of the Assembly. There would be accusations that opportunities for unionists to express their views were being stifled. But the facts were otherwise: it was the unionists who had deprived themselves of opportunities to express their views, by refusing to talk to Ministers, by not attending the House of Commons, by walking out of local government and by misuse of the Assembly itself. The leader of the UUP, Mr James Molyneaux MP, regarded it as inevitable that the Assembly would be dissolved and did not seem to mind this greatly. Mr James Prior MP, who as Secretary of State for Northern Ireland had established the Assembly, and other interested Conservative Members of Parliament agreed that action should be taken on the Assembly. There would be wide support.

If the Cabinet agreed his proposal, the Secretary of State for Northern Ireland would make a statement that afternoon in the House of Commons on the dissolution of the Assembly and the Order in Council would immediately be laid. The Parliamentary procedures should be completed as rapidly as possible. Consideration was being given to a special meeting of the Privy Council to bring the Order into effect. Dissolution would follow immediately after that.

In discussion it was noted that public opinion in Great Britain was moving against the unionists because of their continuing opposition to the Anglo-Irish Agreement in the face of the overwhelming approval which it had received in Parliament. It was confirmed that the Government had powers under the Northern Ireland Act 1982 to dissolve the Assembly by Order in Council at any time. The Secretary of State for Northern Ireland would be speaking, before his statement on dissolution, to the Speaker of the Assembly and also to other politicians with a direct

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interest. In his statement to Parliament he would make clear inter alia that the Government stood firmly by the Anglo-Irish Agreement. The Government would continue to seek contact with the Unionist parties as well as the SDLP.

The Cabinet -

1. Agreed that the Northern Ireland Assembly should be dissolved as soon as possible.

2. Agreed that the Secretary of State for Northern Ireland should that day make a statement to this effect in the House of Commons and lay the requisite Order in Council.

Cabinet Office

12 June 1986

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