

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 3 JULY 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 QC MP
Secretary of State for Scotland

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

The Rt Hon John Moore MP
Secretary of State for Transport

ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

CONFIDENTIAL

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 M J Eland (Item 1)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
	Dates of the Summer Adjournment	1
	Funding of Voluntary Organisations	1
	Public Order: Travellers	1
	The Timing of Legislation to Privatisise Water Authorities	2
	Radioactive Contamination of Sheepmeat	2
	Presentation of Government Policy	3
2.	FOREIGN AFFAIRS	
	Nicaragua	3
	Federal Republic of Germany	4
	Libya	4
3.	COMMUNITY AFFAIRS	
	European Council: South Africa	5
	European Council and Programme of the United Kingdom Presidency	6
	European Community/United States Trade Relations	6
	New Zealand	6
	Community Budget for 1986	7
	Research and Development (EUREKA)	7
	Transport	8
4.	NORTHERN IRELAND AFFAIRS	8

PARLIAMENTARY
AFFAIRS

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

Dates of the
Summer
Adjournment

THE LORD PRIVY SEAL said that he hoped that the House of Commons would be able to rise for the Summer Adjournment on 25 July. This would, however, be partly dependent on the progress of business in the House of Lords and in particular on the timing and method adopted to reverse Government defeats in that House on the Social Security Bill. He would discuss the matter further with his fellow business managers and report the outcome to Cabinet at an early opportunity.

Funding of
Voluntary
Organisations

THE PRIME MINISTER said that while many voluntary organisations were engaged in activities of a wholly laudable kind, there appeared to be a growing number who also acted as pressure groups for particular causes, and engaged in political activities of various kinds for that purpose. Many such organisations received central Government funding, and it was not clear that the use of that funding was always confined to the purposes for which it was intended. In order to establish facts of this matter, she therefore proposed to arrange for the compilation of a list of voluntary organisations in receipt of central Government funds, and the amounts of money involved.

Public Order:
Travellers

Previous
Reference:
CC(86) 22.1

THE LORD PRESIDENT OF THE COUNCIL said that the Home and Social Affairs Committee had met the previous week and agreed a course of action to be taken to counter the activities of groups of travellers like the so-called peace convoy which had caused such public disquiet in recent months. This action would involve the introduction of a new limited criminal offence of trespass. This could either be introduced as an amendment or addition to the Public Order Bill in the current Session or as a separate Bill in the next Session. He saw some advantage in the latter course, as it would avoid introducing a change in the Public Order Bill which could take up a good deal of Parliamentary time at a point in the Session when time was short, but he recognised that there were arguments the other way, and he would discuss the matter further with the Home Secretary. Either way, the objective would be to have the provision enacted before the summer of 1987.

The Cabinet -

1. Took note.

The Timing of
Legislation to
Privatise
Water
Authorities

THE LORD PRESIDENT OF THE COUNCIL said that, as he had reported in a minute to the Prime Minister of 1 July, it was now clear that preparation of legislation to privatise water authorities was proving more complicated than had been expected: the late introduction of a Bill of such size and controversiality in the next Session would present great difficulty for the management of the legislative programme. Moreover, water authorities had been given legal advice that they might be exceeding their powers if they did more to prepare for privatisation than they were currently doing. A short Bill to enable them to do more preparatory work was an essential preliminary to the completion of preparations for privatisation.

In discussion it was agreed that the presentation of a decision to postpone this legislation to the following Parliament would need to be handled with care, so as to avoid creating any impression that the Government's resolve to privatise water authorities had slackened, or that other parts of the privatisation programme were at risk.

THE PRIME MINISTER, summing up the discussion, said that Cabinet agreed that it would not now be practicable for legislation to privatise the water authorities to be introduced in the next Session. In the circumstances, it would be right for that decision to be made known as soon as possible. The announcement should emphasise that it remained the Government's intention to privatise water authorities as soon as possible. It appeared that a short interim Bill might well be necessary, to enable water authorities to contribute fully to further work on the preparation of plans for privatisation: if the Secretary of State for the Environment wished to proceed with such a Bill, he should bring forward detailed proposals in the usual way.

The Cabinet -

2. Invited the Secretary of State for the Environment to proceed in accordance with the Prime Minister's summing up of their discussion.

Radioactive
Contamination
of Sheepmeat

Previous
Reference:
CC(86) 24.1

THE SECRETARY OF STATE FOR WALES said that subject to the resolution of some final points, he hoped to be able to announce later that day that the Order made on 20 June 1986, under the Food and Environment Protection Act 1985, prohibiting the movement and slaughter of sheep and lambs within two areas in North Wales and Cumbria could be partially lifted. This would involve removing the restrictions from approximately a third of the original affected area in Cumbria and from approximately 10 per cent of the original affected area in Wales. Full results of the monitoring exercise that was being conducted on lambs in these areas would be released at the same time. The intention was to lay the amending Order on the following day. There was likely to be pressure to make a statement to the House of Commons in the following week.

Pressure was also mounting for him to release details of compensation arrangements: he was discussing this with the Chief Secretary, Treasury.

THE SECRETARY OF STATE FOR SCOTLAND said that he hoped to make a similar announcement in respect of Scotland in the following week.

Presentation
of Government
Policy

THE PRIME MINISTER said that it was most important that Government policy was presented effectively and that inaccurate statements in the media about that policy were corrected as speedily and authoritatively as possible. To that end, Ministers in charge of Departments should ensure that not only the morning press but also morning broadcasts on both television and radio were monitored by their Information Officers and that steps were taken to ensure the correction of inaccuracies, by a Minister, by lunchtime on the same day. A record of refusals by the media to allow such corrections should be kept. It was also important to ensure that Government policy continued to be presented effectively during the Summer Adjournment; the fact that this was a quiet period for news should present an opportunity to get the Government's message across. To assist this process, Ministers in charge of Departments should send her office a note of Ministers on duty each day during August and September.

The Cabinet -

3. Took note.

FOREIGN
AFFAIRS

Nicaragua

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the approval by the United States Congress of support worth \$100 million to the "Contras" opposition movement in Nicaragua had aroused widespread criticism. The Nicaraguan Government had reacted by closing the only opposition newspaper. On 27 June, one day later, the International Court of Justice had ruled that certain United States action in support of the "Contras", including the mining of Nicaraguan ports in 1984, had been contrary to international law. The Foreign and Commonwealth Office had issued a restrained statement reiterating respect for international law and for the Court and saying that the United Kingdom would continue to support efforts towards a negotiated settlement in Nicaragua. In line with the Government's policy, the statement had neither criticised nor supported United States policy in Nicaragua.

Federal
Republic of
Germany

Previous
Reference:
CC(86) 25.1

THE FOREIGN AND COMMONWEALTH SECRETARY said that the State Visit, which would conclude that day, of the President of the Federal Republic of Germany, Richard Freiherr von Weizsaecker, was going very well. The Federal President had made a speech of the highest distinction at a joint session of the Houses of Parliament on the previous day. It had been an occasion of notable warmth. The Speaker of the House of Commons and the Lord Chancellor had spoken very effectively before and after the Federal President.

The Cabinet -

Took note.

Libya

Previous
Reference:
CC(86) 18.2

THE FOREIGN AND COMMONWEALTH SECRETARY said that British Caledonian Airways (BCal) had sold two Airbus aircraft to a company based in Hong Kong which had immediately sold them to another company. The aircraft were now in Dubai in the United Arab Emirates and Amman in Jordan. There were strong indications that their ultimate destination was Libya. It was most undesirable that they should reach Libya, not least because about 30 per cent of the value of the aircraft, was of United States manufacture. There was talk in parts of the Administration in Washington of action against BCal if the aircraft reached Libya. Such action would be greatly to the disadvantage of United States/United Kingdom relations in the field of aviation. The Secretary of State for Transport had arranged for the withdrawal of the British Certificate of Airworthiness from the aircraft: without it they could not fly. The British Embassies in Amman and Dubai were making use of the deregistration of the aircraft and other arguments in strenuous attempts to persuade the authorities not to allow the aircraft to proceed to Libya. He had spoken to Sir Adam Thomson, Chairman of BCal, who at first had seemed not to be fully alert to the dangers to BCal's interests in the United States if the aircraft reached Libya. Sir Adam had claimed that BCal had acted in good faith in selling the aircraft. In a subsequent conversation, he had found that Sir Adam now understood more fully the importance of this matter for BCal's services to the United States. The Government had suggested that BCal might consider whether the contracts under which the aircraft had been sold to the present owner by the company which had purchased them from BCal were fully valid and, if not, whether BCal could take legal action to prevent the aircraft reaching Libya.

In discussion, it was pointed out that, since BCal apparently no longer owned the aircraft, they were unlikely to be able legally to repossess them except as a result of litigation. The idea, which BCal had mentioned in recent contacts with the Government, that they might remove from Dubai the aircraft presently located there, provided that the Government gave them an indemnity against legal action by the owners of the aircraft, did not seem feasible.

THE PRIME MINISTER, summing up the discussion, said that the Government should do everything possible within the legal scope available, to prevent the two Airbus aircraft reaching Libya. Efforts should also be made to defend BCal against repercussions for its interests in the United States.

The Cabinet -

Invited the Secretary of State for Transport and the Foreign and Commonwealth Secretary to be guided by the Prime Minister's summing up of their discussion.

COMMUNITY AFFAIRS

European Council: South Africa

Previous Reference: CC(86) 25.2

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the South African question had dominated the discussions in the European Council on 26-27 June. The four main points which had been satisfactorily and unanimously agreed were: increased financial and material aid for the victims of apartheid; a renewed call for an early and peaceful political dialogue within South Africa, for the release from prison of Mr Nelson Mandela and other political prisoners and for the lifting of the ban on the African National Congress and other political parties; consultation with other industrialised countries on further measures which might be needed, covering a ban on new investments and the import of coal, iron, steel and gold coins from South Africa; and the decision that he should himself go to southern Africa representing the 12 countries of the European Community, in order to establish conditions in which the necessary negotiations could commence. He had made clear that his mission to southern Africa was not a fact-finding exercise but was intended to build on the work of the Commonwealth Eminent Persons Group. He intended to make more than one visit, his present plan being to make a short visit to southern Africa soon and a more extensive visit in the last week of July. Action was already being taken to seek as much backing as possible from other Commonwealth countries, and he was in touch with the United States and Japan. A policy review was under way in Washington; the President of the United States, Mr Reagan, was concerned to avoid new or premature measures but there would be pressures on him to make some further move during July.

In discussion it was said that after the first visit the Foreign and Commonwealth Secretary would need to inform the other European Community countries of how it had gone. The House of Commons might best be informed in the course of a debate which was likely to be arranged between his two visits to southern Africa. It was important that these factors should not complicate his task on his second visit.

European Council and Programme of the United Kingdom Presidency

Previous Reference: CC(86) 24.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the European Council on 26-27 June had endorsed the principal objectives for the United Kingdom Presidency during the second half of 1986. The economic discussion in the European Council had focussed on employment and has supported the approach set out in the paper which the United Kingdom, with the support of some other member states, had made available to the Council of Ministers (Social Affairs). There had been favourable public comment in a number of member states on this United Kingdom initiative. The conclusions of the European Council also gave some impetus to the work of the completion of the internal market, which was a United Kingdom priority. The United Kingdom's Presidency had now begun and had got off to a good start. It was important that all colleagues should keep up the momentum on the agreed objectives. In discussion the results of the European Council were welcomed. On action following the nuclear accident at Chernobyl there was some risk that the Commission and, in particular, Commissioner Clinton Davis might interpret the reference to concerted action on the safety of installations as an incentive to put forward further proposals. It was pointed out, however, that this section of the European Council's conclusions referred specifically to the Community institutions and the member states, each within the limit of their powers. The United Kingdom Permanent Representative to the European Communities, Sir David Hannay, had discussed this point with Mr Clinton Davis who had said that the Commission had abandoned any idea of proposing a Community nuclear safety inspectorate.

European Community/ United States Trade Relations

Previous References: CC(86) 24.3 and 18.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the developing dispute between the European Community and the United States over the effects of the accession of Spain on United States' cereal exports had been successfully dealt with for the present. Agreement had been reached between the Commission and the United States on an interim arrangements. This has not yet been approved by all member states. It seemed likely, however, that it would achieve the withdrawal of the United States' threatened measures against Community exports and the Community's threatened counter-measures. In discussion it was agreed that this would be a satisfactory result, both defusing the present trade dispute and providing the time for any longer term settlement.

New Zealand

Previous Reference: CC(86) 24.2

THE FOREIGN AND COMMONWEALTH SECRETARY said that an agreement between France and New Zealand in relation to the two French agents imprisoned in New Zealand following the attack on the ship, the Rainbow Warrior, seemed to be imminent. It was probable that this would open the way for a Commission proposal in relation to access for New Zealand butter to the United Kingdom market in 1987 and 1988. In discussion it was said that the New Zealand authorities might be too optimistic in assuming that the Commission would propose figures of 77,000 and 75,000 tonnes of

butter. The Commission might not be willing to make such a proposal simply because it was apparently acceptable to France and New Zealand. It was by no means certain that this issue would be easily settled in July.

Community
Budget for
1986

Previous
Reference:
CC(86) 22.3

THE CHANCELLOR OF THE EXCHEQUER said that the judgment of the European Court of Justice in the case brought by the Council against the European Parliament on the legality of the Community's 1986 budget had been given that morning. He was glad to report that the European Court of Justice had decided in favour of the Council. The Court had found that the decision of the President of the European Parliament to sign the budget without the agreement of the Council on the provision for non-obligatory expenditure was illegal and that consequently the budget was void. The Council - and the United Kingdom - had won a very important point of principle. It would now be for the United Kingdom Presidency to settle a new and valid budget. He hoped that it would be possible to do this in July. Because of the supplementary demands, resulting in particular from the effect of the fall in the dollar on agricultural expenditure in the Community, the new budget would be larger than the budget which had been declared illegal.

In discussion it was said that the decision of the European Court of Justice was good for the United Kingdom. It would be reassuring to British public and Parliamentary opinion that the European Parliament could not go ahead on its own in increasing public expenditure in the Community. The two issues - the powers of the European Parliament and the immediate decision on a revised 1986 Community budget - were separate. The revised budget which had now to be adopted would be higher because it would include the Commission's proposed supplementary budget. The supplementary element contained a substantial sum, about £300 million, for the United Kingdom.

Research and
Development
(EUREKA)

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the Ministerial conference on market-oriented research and development under the EUREKA programme, held in London on 30 June, had been very successful. Sixty two collaborative projects between different companies and institutions in the field of high technology had been announced. It was widely considered that the United Kingdom had played an important role in developing EUREKA.

CONFIDENTIAL

Transport
Previous
Reference:
CC(86) 25.3

THE SECRETARY OF STATE FOR TRANSPORT said that at the Council of Ministers (Transport) on 30 June he had successfully negotiated the retention of the United Kingdom's maximum axle weight, 10.5 tonnes, under a derogation which was without time limit and could only be changed by unanimity. This had been well received in the House of Commons. On aviation, however, no significant progress had been made at this meeting of the Council of Ministers.

The Cabinet -

Took note.

NORTHERN
IRELAND
AFFAIRS

Previous
Reference:
CC(86) 20.5

4. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the marching season in Northern Ireland had begun peacefully. There had been a number of marches on 1 July which had passed off without trouble. On 6 July, however, there would be a loyalist march at Portadown which was planned to go through the sensitive Roman Catholic area called "The Tunnel". Sinn Fein apparently intended to mount a rival march in Portadown at the same time. The Chief Constable of the Royal Ulster Constabulary was considering whether to order the rerouting of the loyalist march and was likely to decide to do so. The period ahead in Northern Ireland could be difficult.

The Cabinet -

Took note.

Cabinet Office

3 July 1986

CONFIDENTIAL