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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 10 JULY 1986
at 11.00 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 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

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

The Rt Hon Baroness Young
Minister of State, Foreign and
Commonwealth Office

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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)

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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. The Lord Privy Seal said that an announcement would be made that afternoon that, subject to the progress of business, the House would rise for the Summer Adjournment on Friday 25 July.

Progress of
Business in
the House of
Lords

THE LORD PRESIDENT OF THE COUNCIL said that the Government programme in the House of Lords was now under considerable pressure. The House had sat until well past midnight on two occasions that week, and that was imposing some strain on the staff in the House. Progress on the Gas Bill continued to be good with no amendments having been carried against the Government and he hoped to meet the Secretary of State for Energy's timetable. He also hoped to secure Royal Assent to the Building Societies Bill before the Summer Adjournment. The Social Security Bill was proving the most difficult Bill to handle. Report Stage had been fixed for 14 and 15 July and Third Reading for 21 July. The intention was to have the Bill returned from the House of Commons on 24 July; he hoped to have it back with the Commons by 7.00 pm that day, thus enabling the Commons to rise on 25 July as planned. He was confident that the House of Lords would accept reversal by the Commons of their amendment to frustrate the proposal that everyone should pay at least 20 per cent of their domestic rates, but the other Lords amendments carried against the Government might prove more difficult to handle. He was in close touch with the Secretary of State for Social Services on this matter, and a major whipping exercise was being mounted.

Parliamentary
Allowances

THE LORD PRIVY SEAL said that a restructuring of the Civil Service secretarial grades with effect from 1 March 1986 had resulted in various proficiency allowances being incorporated within the basic salary. This had had the effect of increasing the top point in the senior personal scale to which the Office, Secretarial and Research Allowance for Members of Parliament was linked. When the general Civil Service pay settlement and likely outcome of the London Weighting negotiations was taken into account, this would mean that, under the terms of the 1984 Resolution on Members' pay and allowances, the Allowance would increase by about 18 per cent compared with 1985-86. There would be a similar effect on the secretarial allowance for Ministers in the House of Lords; and on that part of peers' allowances which covered secretarial costs. This would be an unacceptable increase and rightly criticised as an unintended windfall gain. He had therefore concluded, after discussion with those colleagues most concerned, that the right course would be to table an amending Resolution to rein back the increases to 6 per cent. He would also ask the Top Salaries Review Body to take the quirk in the formula into account in their four-yearly review of the Allowance which was to take place in the coming year. He thought that the majority of Members would see his proposals as fair, though there would be some who would seek to obtain the full increase.

The Cabinet -

1. Took note.

Prisons
Dispute

Previous
Reference:
CC(86) 20.2

THE HOME SECRETARY said that since his last report to Cabinet work had proceeded on the procedure for handling disputes with the Prison Officers' Association (POA), and the POA had balloted their membership to call off their mandate for industrial action. Although ample time had elapsed for the results of the ballot to be declared, no results had yet been announced. It was, however, believed that the voting in the ballot was heavily in favour of calling off industrial action. In the meantime a dispute had arisen about staffing levels in a part of Risley Remand Centre. This minor question was the sort of thing that should have been dealt with locally under the disputes procedure that had been worked out, but the POA were making a national issue of the matter, and were approaching it in a bellicose fashion. It seemed clear, therefore, that the POA were looking for trouble, and they might be prepared to try to use all the techniques of disruption that lay to the hand of a public sector trade union. In that event it would be difficult to maintain tranquility in the prison system or to tackle the shift system and manning practices that had now been revealed to be so wasteful. He was keeping a close eye on the situation and was considering various courses of action that he might need to take in the light of developments.

The Cabinet.

2. Took note.

FOREIGN
AFFAIRS

South Africa

Previous
Reference:
CC(86) 25.2

2. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (BARONESS YOUNG) said that the United Kingdom Government and the South African Government would announce at 1.30 pm that day that the President of the Republic of South Africa, Mr P W Botha, would meet the Foreign and Commonwealth Secretary on 23 July and that a further meeting between them could take place on 29 July if necessary. The Foreign and Commonwealth Secretary would also be meeting the Foreign Minister of the Republic of South Africa, Mr Pik Botha. The first reports of the Foreign and Commonwealth Secretary's meetings with the President of Zambia, Dr Kenneth Kaunda, on 9 July and with the Prime Minister of Zimbabwe, Mr Robert Mugabe, earlier that day showed that these meetings had been more friendly than media reports were suggesting. It had been useful for the Foreign and Commonwealth Secretary to have the opportunity to counter the suspicions of the two leaders about British motives regarding the ending of apartheid. Both leaders had been firm on the questions of substance regarding policy towards South Africa. Neither had suggested that he would seek additional economic aid, if, following the imposition of further measures against South Africa, the latter were to retaliate against Zambia or Zimbabwe.

Plans were in hand for consultations with other industrialised countries about policy on South Africa. The Prime Minister herself was already due to visit Canada the following weekend and would be meeting the Canadian Federal Prime Minister, Mr Mulroney. The Foreign and Commonwealth Secretary had arranged to meet the United States Secretary of State, Mr George Shultz, in Washington on 18 July.

Nigeria and Ghana had withdrawn from the Commonwealth Games, to be held in Edinburgh later that month, citing British policy on South Africa as their reasons for doing so. British High Commissions had been instructed not to over-react to this development but to say that the Government would greatly regret further withdrawals. The Permanent Under Secretary of State, Foreign and Commonwealth Office, had spoken to the Secretary General of the Commonwealth, Sir Shridath Ramphal, stressing that the Commonwealth Games were one of the most popular manifestations of the existence and spirit of the Commonwealth and that withdrawals from the Games would damage the interests of the Commonwealth and of the athletes concerned, without affecting South Africa. The organisers of the Games considered that the Games could go ahead if only a few countries withdrew.

In discussion, the importance was stressed of the Foreign and Commonwealth Secretary carrying out as thoroughly as possible his mission on behalf of the twelve members of the European Community. The total number of meetings during his European mission would of course depend in part on whether certain people and organisations representing the black population in South Africa would decide to see him. But the Commonwealth Eminent Persons Group had held meetings with a number of Ministers in South Africa and the Foreign and Commonwealth Secretary would no doubt need to undertake a number of engagements there. This might well mean that he needed to spend the whole of the period between 23 and 29 July in Southern Africa.

The following points were also made -

- a. Japan would probably follow the example of the major Western industrialised countries with regard to the adoption of any further measures against South Africa.
- b. The President of the United States, Mr Ronald Reagan, was planning to make a major speech about South Africa on 22 July, one day before his Secretary of State would appear before a hearing on the subject in the Senate. The United States Administration was not yet aware of the dates selected for meetings between the Foreign and Commonwealth Secretary and President Botha. If President Reagan announced in his speech that the United States would, or would probably take, new measures against South Africa, this would seriously complicate the Foreign and Commonwealth Secretary's visit to South Africa immediately afterwards and the subsequent meeting of certain Commonwealth Prime Ministers. On the other hand, if President Reagan made a different kind of speech about South Africa, this could be helpful to the Foreign and

Commonwealth Secretary's European mission. Although President Reagan himself was against the imposition of general economic sanctions on South Africa, the approach of the mid-term elections to the United States Congress might influence the political mood in Washington towards consideration of further measures.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet accepted that the Foreign and Commonwealth Secretary might well need to spend the whole of the period between 23 and 29 July on his European mission in South Africa; and agreed that efforts should be made to ensure that any speech on South Africa by President Reagan on 22 July should take account of the interests of the Foreign and Commonwealth Secretary's European mission.

The Cabinet -

1. Invited the Minister of State, Foreign and Commonwealth Office, to be guided by the Prime Minister's summing up of their discussion.

Malaysia

Previous

Reference:
CC(86) 25.2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that, despite high-level pleas by the British and Australian Governments, Mr Kevin Barlow, a British and Australian national, and Mr Brian Chambers, an Australian national, had been executed in Malaysia on 7 July for offences concerned with trafficking in heroin. Other cases were pending in Malaysia. For instance, eight British Dependent Territories citizens from Hong Kong had been sentenced to death in Penang on drugs offences and seemed likely to lose their appeals.

The Cabinet -

2. Took note.

COMMUNITY
AFFAIRS

New Zealand

Previous

Reference:
CC(86) 26.3

3. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (BARONESS YOUNG) reported that both France and New Zealand had accepted the ruling of the Secretary General of the United Nations in the arbitration which they had sought on the case of the two French agents imprisoned in New Zealand after the attack on the ship, Rainbow Warrior. The New Zealand Prime Minister, Mr Lange, had been widely criticised in New Zealand for agreeing to release the two agents to a shorter period of detention on French territory. In consequence Mr Lange's room for manoeuvre on other nuclear issues might be further reduced. She recommended that the United Kingdom should make no comment on this arbitration. There was, however, one consequence for access for New Zealand butter to the British market. In line with the indication that France would be able to agree to figures of 77,000 and 75,000 tonnes for 1987 and 1988 the Commission had made a proposal in that sense. It was hoped that this

could be agreed in the Council of Ministers (Foreign Affairs) on 21 July. In discussion it was pointed out that under a recent Convention the United Kingdom had accepted that prisoners convicted in certain countries could serve their full sentence in their own country; but this did not imply any reduction in the length of sentence. It was important, in relation to the case of the two French agents, that nothing should be said beyond the fact that France and New Zealand had asked the Secretary General of the United Nations to arbitrate and had accepted the arbitration. On but there could be some difficulty if the Commission's proposal, which was a repetition of a proposal made some years ago but blocked at that time by the Irish, were not discussed in the Council of Ministers (Agriculture). It was possible that both Denmark and the Republic of Ireland, despite some Irish assurances to New Zealand, would oppose it.

Community
Budget for
1986

Previous
Reference:
CC(86) 26.3

THE CHANCELLOR OF THE EXCHEQUER said that, as the European Court of Justice had ruled the Community's 1986 budget to be illegal, the United Kingdom Presidency had had the task of sorting out the problems. The Council of Ministers and the European Parliament had now reached agreement on a new budget. Although this agreement still had to be ratified by the plenary session of the European Parliament, it was expected that it would be. The new budget went right up to the 1.4 per cent valued added tax (VAT) ceiling. Although the scale of this budget was unwelcome, there was no doubt that the United Kingdom's Presidency role had been very skilfully handled by the Minister of State, Treasury (Mr Brooke). In the new budget the United Kingdom had secured an increase of 500 million ecu (over £300 million) in the existing provision for the abatement. The Fontainebleau arrangements on the abatement had thus been fully respected. The budget did not, however, show the agreement on budgetary discipline in a good light. There were genuinely exceptional circumstances on agricultural spending because of the large change in the dollar/ecu rate but the increase in provision for the structural funds was also high. The discussions had shown that some member states were prepared to hold down structural fund spending in order to spend freely on agriculture while others were willing to hold down the agricultural provision in order to put more on the structural funds. The United Kingdom, however, was looking for restraint on the budget as a whole. This demonstrated the importance of the discipline imposed by the VAT ceiling.

In discussion it was noted that the new budget for 1986 at this level should have the effect of reducing the potential overrun into 1987, and thus make it easier to keep the 1987 budget within the 1.4 per cent ceiling. It also honoured the undertakings given to Spain and Portugal in the accession negotiations. It was also noted that dissatisfaction with the continued storage of surplus stocks might be highlighted if, as he apparently proposed, a British member of the European Parliament, Mr Newman, encouraged demonstrations at the various storage sites of which he appeared to have obtained details.

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The Cabinet -

Took note.

NORTHERN
IRELAND
AFFAIRS

Previous
Reference:
CC(86) 26.4

4 THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the marching season in Northern Ireland was now approaching its climax. 1,300 marches had so far taken place in 1985 and some 900 were still to come. The bulk of the marches so far had passed off peaceably but a more troublesome phase was now likely. As expected, the previous weekend had seen some disturbances in Portadown. The police had agreed to a church parade by unionists taking place along the planned route, subject to certain conditions designed to minimise trouble and exclude troublemakers. The conditions had been broken and 27 policemen had been injured in the ensuing trouble. The approaching weekend was likely to prove even more difficult. Every precaution would be taken, but there might be at least as much trouble as on the equivalent occasion in 1985, if not more. The leader of the Democratic Unionist Party, Mr Ian Paisley, had issued a call for all unionists to go to Portadown, to insist on their right to march through Catholic areas of the town and to work to destroy the Anglo-Irish Agreement. This call had, like other recent utterances by Mr Paisley, been expressed in extreme, possibly even seditious language. It had not been backed by either the Orange Order or the Official Unionist Party. He was confident that the Royal Ulster Constabulary (RUC) would take a firm non-partisan line in policing the marches; they had been much angered by recent Loyalist attacks upon them. The Provisional Irish Republican Army were, however, deliberately seeking to raise the political temperature in the Province. Two attacks had been mounted near the border in the previous few days. In the first, a policeman had been shot dead while off duty and in the second two soldiers had been killed and two injured in a bomb attack on an army observation point near Crossmaglen. The Irish Garda were questioning two men and a woman in connection with the death of the policeman and the RUC were questioning one suspect who had been detained after the bomb incident. It was clear that both incidents were designed to provoke the unionist population and to raise questions about the effectiveness of security co-operation following the Anglo-Irish Agreement. If there was serious trouble in Portadown during the following weekend, colleagues could reply to any criticism of the Government by pointing out that the same march in 1985 had caused incidents; that the trouble on both occasions had been caused by the exploitation of this particular annual march by people who wished to incite Protestant hostility to Roman Catholics; and that Mr Paisley in particular bore responsibility for what had happened.

The Cabinet -

Took note.

Cabinet Office

10 July 1986

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