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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 24 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 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 and 3)
Mr C L G Mallaby	(Items 2 and 3)
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 on its return from the Summer Adjournment on Tuesday 21 October, and that it was expected that the new Session would be opened on Wednesday 12 November.

Progress of
Legislation

THE PRIME MINISTER said that the Cabinet would want to congratulate the business managers in both Houses on the progress of legislation, which had made it possible for the House of Commons to rise for the Summer Adjournment on the following day.

Previous
Reference:
CC(86) 28.2

THE LORD PRESIDENT OF THE COUNCIL said that the House of Lords would consider the House of Commons amendments to the Social Security Bill that afternoon. A three-line whip was being imposed - a rare occurrence in the House of Lords - and he would open the debate himself. He was hopeful that the House would accept the Commons amendments.

The House of Lords would rise for the Summer Adjournment at the end of the following week and return on Monday 6 October. The Financial Services Bill, the Housing and Planning Bill and the Public Order Bill were the most important items of business still remaining.

Rover Group
(formerly
British
Leyland)

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that he would be making a statement that afternoon on the proposed sale of Unipart - the Rover Group's parts distribution company - and Leyland Bus. As far as Unipart was concerned, the Rover Group Board had recommended to the Government acceptance of an offer by a management consortium supported by United Kingdom investment institutions which would take a 75 per cent share in the company. The Board had also recommended acceptance of the bid by a management buy out consortium backed by finance from investment institutions for Leyland Bus. Following discussion with colleagues most concerned it had been decided to accept both recommendations, that on Leyland Bus subject to negotiations of satisfactory terms. Although some redundancies were inevitable in Leyland Bus he thought that the decision would be popular with the Government's supporters and that the official Opposition would have difficulty in opposing it.

Previous
Reference:
CC(86) 17.6

Royal
Ordnance plc

THE SECRETARY OF STATE FOR DEFENCE said that he would be making a statement that afternoon on the sale of the Royal Ordnance factory in Leeds to Vickers. The terms of the sale were favourable. Vickers would pay 111 million for the factory and would give undertakings to sustain its operations and build new premises in Leeds.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

South Africa

Previous
Reference:
CC(86) 28.3

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (BARONESS YOUNG) said that the Foreign and Commonwealth Secretary had held lengthy meetings in South Africa on the previous day with the President, Mr P W Botha, and the Foreign Minister, Mr Pik Botha. It had been confirmed that he would have a further meeting with President Botha on 29 July. He intended to report to Cabinet on 31 July on his various discussions in Southern Africa. The position so far could be summarised by saying that the Foreign and Commonwealth Secretary's task was a far from easy one but that the ball was still in play as his discussions continued.

In a brief discussion, it was noted that there would probably be pressure in the House of Lords, which would continue to sit until 31 July, for a statement on the Foreign and Commonwealth Secretary's visit to Southern Africa.

In a brief discussion of the Commonwealth Games, which would start that day in Edinburgh, it was noted that 31 countries had withdrawn and 26 would take part. The number of athletes who had withdrawn was only some 800 to 900, and the number participating would still be over 2,000. This was almost the same number as at the previous Commonwealth Games in Brisbane in 1984, which had been the highest participation ever.

Turks and
Caicos Islands

Previous
Reference:
CC(86) 28.3

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that leaders of other Caribbean countries were being informed of the steps which the Government would be taking following the report by Mr L J Blom-Cooper QC on the administration of government in the Turks and Caicos Islands. The Governor of the territory had made arrangements to inform Ministers there later that day. The statement in the House of Commons, which she had hoped would take place that day, would now take place on the morning of the following day, the first Parliamentary opportunity after the Governor had informed Ministers in the Turks and Caicos Islands. Failure to make an oral statement would be criticised by Caribbean countries as inappropriate on a matter of constitutional importance. Opposition leaders had been informed in confidence that there would be an oral statement, and the Opposition in the House of Commons would be likely to express understanding for the Government's decisions.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the arrangements that the Governor of the Turks and Caicos Islands should speak to Ministers there on that day and that an oral statement in the House of Commons the following morning should proceed.

Ministers should give no public indications of those decisions until the statement was made.

The Cabinet -

1. Took note.

Sikh Rally
in London

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that a rally and march were planned by Sikh organisations in Britain to take place in Hyde Park on 2 August, the day before the arrival in London of the Prime Minister of India, Mr Rajiv Gandhi, for the Commonwealth Review Meeting on South Africa. This could cause Mr Gandhi to take offence.

In discussion, it was pointed out that the rally had been moved from Trafalgar Square to Hyde Park. Its taking place there could be banned only if, in the view of the police, it was likely to lead to public disorder. The view of the police was that the rally was not likely to cause disorder; indeed, there might be greater disorder if attempts were made to prevent it, and if it took place before Mr Gandhi's arrival there might be a reduced risk of Sikh demonstrations against him during his visit.

THE PRIME MINISTER, summing up the discussion, said that it was unlikely that the Government would be able to take action to prevent this rally but that contact should be made with the organisers to see whether they would reconsider their plans.

The Cabinet -

2. Invited the Home Secretary and the Minister of State, Foreign and Commonwealth Office to investigate further whether the Government could take any action, on the lines indicated in the Prime Minister's summing up.

Immigration
Controls at
London
Airport

THE HOME SECRETARY said that large numbers of Nigerians continued to arrive at London Airport, so that the strain on the immigration services remained serious. Efforts had been made to dissuade the Nigerian authorities from sending as many people to this country as had arrived in the previous week.

Previous
Reference:
CC(86) 28.3

In discussion, it was noted that action could be taken to switch arrivals of flights from Nigeria from London Airport to Stansted Airport, where this would be helpful to the immigration services. There was a possibility that the number of Nigerians coming to the United

Kingdom would decline after the price of tickets for such flights went up on 1 August.

Mexico

THE CHANCELLOR OF THE EXCHEQUER said that the debt problems of Mexico had already been serious before the recent drop in the oil price and had been compounded by that development. There had been protracted negotiations between Mexico and the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development. Agreement in principle had been reached on the previous day and Mexico had signed a letter of intent. The arrangements should contain the problem in the short and medium term. There would be a contribution of \$1.5 billion from the IMF, geared to the price of oil; if that price fell further, the IMF contribution would increase, and if it rose the contribution would become less. Because of Mexico's serious cash position, there had also been discussion about an international bridging loan, to ease Mexico's difficulties until the money from the IMF became available. The United Kingdom was willing to participate with other countries in such a loan. It seemed likely that the negotiations on these arrangements would be concluded within a matter of days, but after the House of Commons had risen for the Summer Recess.

Supplementary
Extradition
Treaty Between
United States
and United
Kingdom

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the Supplementary Extradition Treaty between the United States and the United Kingdom had been passed by the United States Senate by an overwhelming majority. This was a most satisfactory result of the protracted discussions surrounding the Treaty, and owed much to the President's vigorous support. The United States Congress had also decided on a contribution to the International Fund set up under the Anglo-Irish Agreement of 15 November 1985.

Previous
Reference:
CC(86) 24.2

The Cabinet -

3. Took note.

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COMMUNITY
AFFAIRS

Trade with
New Zealand
and with
Japan

Previous
Reference:
CC(86) 28.4

3. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (BARONESS YOUNG) said that a satisfactory result had been reached at the Council of Ministers (Foreign Affairs) on 21-22 July on access for New Zealand butter in 1987 and 1988. Mr Palmer, the New Zealand Deputy Prime Minister, had made clear to her his appreciation of this decision and of the role played by the United Kingdom in achieving it. On trade between the Community and Japan the Council of Ministers (Foreign Affairs) had accepted the conclusions proposed by the British Presidency, which reflected growing concern at the difficulty of trading into the Japanese market. In particular, it had been agreed that if there were not satisfactory progress on the present Japanese discrimination against imported alcoholic drinks, then the Community would launch action in the autumn under article XXIII of the General Agreement on Tariffs and Trade. If necessary, other areas would be selected for similar action.

Community
Budget for
1987

THE CHANCELLOR OF THE EXCHEQUER said that, as the revised 1986 Community budget had been settled, the British Presidency now had to address the draft budget for 1987. This had been discussed in the Council of Ministers (Budget) on 21-22 July but no agreement had been reached. It was satisfactory that a majority of member states, including the United Kingdom, had wished to respect budgetary discipline and had maintained a solid and cohesive view. Four member states, however - Italy, Spain, Greece and the Republic of Ireland - had wanted higher figures. It was possible that Spain might later be detached from this group. Once again the importance of the value added tax ceiling had been demonstrated. The Council would resume discussion on 8-9 September.

The Cabinet -

Took note.

Cabinet Office

24 July 1986

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