

1986, 38th
Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 20 NOVEMBER 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 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 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

SECRETARIAT

Mr D F Williamson
Mr C L G Mallaby
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.

dispute at
J E Hanger
Ltd

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Labour Party had chosen, as one of the subjects for the first Opposition day of the Session, the industrial dispute at J E Hanger Ltd who were the suppliers to the National Health Service of artificial limbs. There had been a strike at the factory for the previous two to three months. The background to the dispute was complicated but essentially it had arisen out of management proposals designed to improve productivity. The Advisory and Conciliation Service (ACAS) had unsuccessfully attempted to achieve a settlement. The Government's line in the debate should be that while they would naturally be concerned if the supply of artificial limbs were disrupted, they were not responsible for the working arrangements of an independent company. These were a matter for the management and workforce of the company to resolve using the good offices of ACAS as appropriate.

Abolition of
Domestic
Rates
(Scotland)
Bill

THE SECRETARY OF STATE FOR SCOTLAND said that, subject to the approval of the Legislation Committee (L), the Abolition of Domestic Rates (Scotland) Bill would be introduced in the House of Commons in the following week. Second Reading of the Bill would take place as soon as possible thereafter, during the second week of December, and the aim would be to have at least two Committee sittings on the Bill before the Christmas adjournment.

Previous
Reference:
CC(86) 37.1

Subjects for
Debates

THE PRIME MINISTER said that the response of a number of Departments to a request from the Chief Whip for suggestions for subjects of positive effect within their responsibility for debates in Parliament had been disappointing. Colleagues should ensure that they were personally involved in considering their Departments' replies to a further letter which the Chief Whip would shortly circulate.

The Cabinet -

Took note.

HOME AFFAIRS

Privatisation of British Gas

2. THE SECRETARY OF STATE FOR ENERGY said that the price of shares of British Gas would be announced on 21 November and the prospectus on the sale of shares would be available to the public from 25 November. The final date for bids to purchase shares would be 3 December. It was important that Ministers should not say anything in public about or relevant to the prospects of the shares in the market.

Acquired Immune Deficiency Syndrome
Previous Reference:
CC(86) 37.1

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that his talks with the Chairman of the British Broadcasting Corporation and the Chairman of the Independent Broadcasting Authority on measures to alert the public to the dangers of Acquired Immune Deficiency Syndrome (AIDS) had gone well. Contacts had also been established with the written media. The Government's campaign of advertising would begin in the press the following weekend. There would be a debate in the House of Commons on the following day; initial contacts with other parties suggested that an all party approach to the problem of AIDS might prove possible.

In discussion, it was noted that all possible approaches to combat AIDS should be considered by the Ministers concerned, but the problems posed by each would require very thorough examination.

Teachers' Pay, Duties and Conditions of Service
Previous Reference:
CC(86) 37.2

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the situation concerning the teachers' pay dispute was still developing. The proposed agreement between the majority of the employers and the majority of the unions was still only in draft. He was in contact with some union leaders and was making the Government's position clear. He would keep colleagues informed of developments. The draft of the Education Bill would be circulated that day to colleagues, so that publication would be possible in the following week.

The Cabinet -

Took note.

FOREIGN AFFAIRS

Argentina
Previous Reference:
CC(86) 22.2

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the declaration issued by the Government of Argentina on 17 November on various matters relating to the Falkland Islands had made even a formal cessation of hostilities following the war in 1982 dependent on a number of moves by the United Kingdom. The declaration was an act of propaganda, designed to coincide with a visit by the President of Argentina, Dr Raul Alfonsin, to the United States, to precede by one week the debate on the Falkland Islands in the United Nations General Assembly, and to follow shortly after the British announcement that a Falkland Islands Interim Conservation and Management Zone (FICZ) would be introduced around the

Falkland Islands on 1 February 1987. Most of the British media had understood the propaganda motives behind the declaration. The Government should continue to make clear to the media and to other countries the reasons concerned with the conservation of fish stocks which had made the FICZ necessary, the Government's continued interest in a multilateral arrangement for conserving fish stocks and Argentina's continued refusal to discuss practical aspects of bilateral relations with the United Kingdom.

Visit by the Prince and Princess of Wales to Arabia

THE FOREIGN AND COMMONWEALTH SECRETARY said that the visit of Their Royal Highnesses the Prince and Princess of Wales to Oman, Qatar, Bahrain and Saudi Arabia had been very successful. The only shadow had been that the Crown Prince of Saudi Arabia, Prince Abdullah, had left the country shortly before the arrival of Their Royal Highnesses, ostensibly on medical grounds but possibly as a gesture of displeasure at the United Kingdom's breach of diplomatic relations with Syria. The effect had been that King Fahd of Saudi Arabia had become much more prominent in the programme of the Prince and Princess of Wales, so that the visit had been elevated almost to the level of a State Visit.

Uganda

Previous Reference: CC(86) 6.2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the visit to the United Kingdom from 16 to 18 November of the President of Uganda, Mr Yoweri Museveni, had gone as well as could have been hoped. The Prime Minister had received the President. The President's talks with Ministers had provided the opportunity to impress upon him that he should not trust Libya and its leader, Colonel Muammar Qadhafi; the President had seemed to accept this to some degree. The President had been appreciative of the help Uganda was receiving from the United Kingdom.

Iran

THE FOREIGN AND COMMONWEALTH SECRETARY said that the President of the United States, Mr Ronald Reagan, had spoken on television the previous day about the question of United States arms supplies to Iran. According to early reports, the President had seemed rather uncertain in his presentation of the subject. A number of aspects of the matter remained unclear. There were still rumours that the United States Secretary of State, Mr George Shultz, might resign. The United Kingdom should make clear that its policy remained that there should be no negotiations with terrorists and that its policy on arms sales to Iran and Iraq was unchanged.

In discussion, it was pointed out that negotiations for the export of Land Rover vehicles from the United Kingdom to Iran were unlikely to result in a sale; but that any question of a sale, if it arose, would need careful handling.

Arms control
Previous
Reference:
CC(86) 37.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Prime Minister's discussions with the United States President about arms control on 15 November had been extremely satisfactory. The Prime Minister had succeeded in refocussing attention on the steps that should be feasible and were desirable in the coming period, namely a far reaching agreement on intermediate nuclear range forces, 50 per cent cuts in the strategic offensive nuclear weapons of the Soviet Union and the United States and a ban on chemical weapons, and in deflecting emphasis from more visionary and unwelcome proposals which might lend support to opponents of the British nuclear deterrent.

THE PRIME MINISTER said that the statement which she had agreed with the United States President, Mr Ronald Reagan, and issued after her meeting with him, had been prepared with the greatest care, and every word of it was significant. Copies would be circulated to colleagues during the present meeting. Among the key points stressed in the statement were the need for consultations on arms control within the North Atlantic Alliance, the importance of verification in arms control agreements, the importance of nuclear deterrence in the Alliance's strategy of forward defence and flexible response and the principle that reductions in nuclear weapons would increase the importance of eliminating the disparity in conventional forces between East and West in Europe. The President had reaffirmed that the United States would proceed with its strategic modernisation programme, including the Trident weapons system, and his full support for the modernisation of the United Kingdom's nuclear deterrent through Trident.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Agriculture
Previous
Reference:
CC(86) 33.4

4. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that there had been a difficult Agriculture Council on 17-18 November. On milk there were Commission proposals on the table but the disagreement between member states made it impossible for the United Kingdom Presidency to put forward any compromise. On beef some progress had been made and he did not rule out some agreement at the next meeting in December. Very late in the meeting the Commission had come forward with a proposal for changing the rates of the green pound and the green franc on beef and sheepmeat. The measures would have helped to reduce the pressure on the French Government over sheepmeat without damaging United Kingdom interests. There was therefore a satisfactory measure of agreement between the United Kingdom and France. Unfortunately this proposal had run into difficulties with other member states and had to be remitted for further discussion at official level. In discussion it was pointed out that, despite the lack of progress on milk and beef, it would not be desirable to highlight this issue at the European Council. There would be a serious risk that a debate there would be difficult for the Federal German Chancellor, Herr Kohl, and that in the period immediately before the Federal German elections he might be forced to take a strong

line against change in the common agricultural policy. This would not be helpful in achieving the changes required during 1987. The difficulties in the milk sector were great: reductions in milk quotas could give rise to serious political and economic problems in the United Kingdom itself and the Milk Marketing Board was indicating that, if further quota cuts were made, dairies would be closed and jobs would be lost. None the less, the Community budget situation and the pressure on the 1.4 per cent Value Added Tax ceiling were so serious that action on agricultural surpluses, including possibly an element of transfer to national responsibility, was a priority.

Finance:
Liberalisation
of Capital
Movements and
Loans to Small
Businesses

THE CHANCELLOR OF THE EXCHEQUER said that the Economic and Finance Council on 17 November had agreed to a significant directive on capital movements. The Commission had put forward a programme for complete freedom of capital movements and this measure was a step towards that liberalisation. The Council had also reached agreement on 1.5 billion ecu of lending to small firms, half of which would come from funds raised by the Commission and half from the European Investment Bank. It would be helpful to draw attention to this in the discussion on small and medium businesses at the European Council. There had also been a discussion within the framework of budgetary discipline leading to conclusions on research and development expenditure and on fisheries structural measures. There had been an identity of view between France, the Federal Republic of Germany and the United Kingdom but other member states had been little concerned about the need for budgetary restraint. It remained true that the only really effective discipline on spending was the existence of the Value Added Tax ceiling.

Previous
Reference:
CC(86) 33.4

Aid for
Shipbuilding

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the question of aid for shipbuilding had been addressed at the Industry Council on 18 November. Although there was no immediate problem, this question would present real difficulties for the United Kingdom in December, since most other member states were ready to accept a lower maximum level of aid for shipbuilding than we considered necessary. We would need to find a way through the difficulty in order to avoid a serious effect on the shipbuilding industry, particularly in North-East England and in Scotland.

The Cabinet -

Took note.

Cabinet Office

20 November 1986