

**CONFIDENTIAL**

BV

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

COPY NO. 78

CC 89/1st  
Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 12 JANUARY 1989  
at 10.00 am

P R E S E N T

The Rt Hon Margaret Thatcher MP  
Prime Minister

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 Lord Mackay of Clashfern  
Lord Chancellor

The Rt Hon Peter Walker MP  
Secretary of State for Wales

The Rt Hon Norman Fowler MP  
Secretary of State for Employment

The Rt Hon Tom King MP  
Secretary of State for Northern Ireland

The Rt Hon Nicholas Ridley MP  
Secretary of State for the Environment

The Rt Hon Lord Young of Graffham  
Secretary of State for Trade and Industry

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

The Rt Hon Kenneth Clarke QC MP  
Secretary of State for Health

The Rt Hon John MacGregor MP  
Minister of Agriculture, Fisheries  
and Food

The Rt Hon Malcolm Rifkind QC MP  
Secretary of State for Scotland

The Rt Hon Paul Channon MP  
Secretary of State for Transport

The Rt Hon John Moore MP  
Secretary of State for Social Security

The Rt Hon John Wakeham MP  
Lord President of the Council

The Rt Hon The Lord Belstead  
Lord Privy Seal

The Rt Hon Cecil Parkinson MP  
Secretary of State for Energy

The Rt Hon John Major MP  
Chief Secretary, Treasury

The Rt Hon Antony Newton MP  
Chancellor of the Duchy of Lancaster

**CONFIDENTIAL**

**CONFIDENTIAL**

THE FOLLOWING WERE ALSO PRESENT

Rt Hon David Waddington QC MP  
Parliamentary Secretary, Treasury

The Rt Hon Peter Brooke MP  
Paymaster General

SECRETARIAT

Sir Robin Butler  
Mr R G Lavelle (Items 3 and 4)  
Mr P J Weston (Items 3 and 4)  
Mr A J Langdon (Items 1 and 2)  
Mr S S Mundy (Items 1 and 2)

C O N T E N T S

Subject	Page
PARLIAMENTARY AFFAIRS	1
Air Crash (East Midlands)	1
Air Crash at Lockerbie	2
Salmonella in Eggs	2
HOME AFFAIRS	2
Takeover Bids in the Electronics Industry	2
FOREIGN AFFAIRS	4
Chemical Weapons	4
Shooting Down of Libyan Aircraft by United States Forces	5
Conference on Security and Co-operation in Europe	5
Death of Emperor Hirohito of Japan	6
Visit to Middle East	6
COMMUNITY AFFAIRS	7
Imports of Hormone Treated Meat	7

**CONFIDENTIAL**

PARLIAMENTARY  
AFFAIRS

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

Air Crash  
(East  
Midlands)

THE SECRETARY OF STATE FOR TRANSPORT said that on the evening of Sunday 8 January a British Midland Airways Boeing 737-400 aircraft had crashed on the M1 motorway near East Midlands Airport while on a scheduled flight from London Heathrow to Belfast. Forty four of the people on board had been killed. The pilot of the aircraft had reported a fire in the right engine about 15 minutes after take-off and the investigators had found evidence consistent with that engine having been shut down in flight. No evidence had yet been found, however, to indicate a malfunction in the right engine, while there were clear signs of a fire having taken place in the left engine. As he had emphasised in his statement in the House of Commons on 10 January, it was wrong to speculate about the causes of the accident before the facts had been established. At the present time there was no sound basis for reaching a judgment on what had occurred, and it would be some days before a clear view could be taken. Nevertheless, there had been much speculation in the press, and this had swung round from the theory that the pilot had mistakenly shut down the wrong engine to the proposition that some technical failure was to blame. Some sections of the media had irresponsibly tried to make stories out of the Government's refusal to be drawn into excluding any explanation while the investigation was proceeding, and they veered between wishing to avoid pre-judging the issue and drawing conclusions from the checks ordered by the authorities. The Civil Aviation Authority had ordered all British airlines flying Boeing 737-300 and 737-400 aircraft to carry out more regular engine inspections on these models and to check the cross-engine monitoring wiring on them, and in the United States the Federal Aviation Administration was considering similar wiring checks. In addition, the three other Boeing 737-400 aircraft on the United Kingdom register were being subjected to full engine checks before being returned to service.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that it was welcome that the press had avoided creating the impression that such flights to Belfast on Sunday evenings carried a preponderant number of servicemen returning from leave. He understood that nothing had come to light that pointed to the sabotage of the aircraft, and he had judged it best to take that line when he had been asked to comment. Most of the aircraft's passengers had ties with Northern Ireland, and the speed with which the Prime Minister and the Secretary of State for Transport had visited the scene of the accident and consoled the survivors had been very much appreciated there.

**CONFIDENTIAL**

Air crash  
at Lockerbie  
Previous  
Reference  
CC(88) 40.1

THE FOREIGN AND COMMONWEALTH SECRETARY said that a team of Czech officials was that day visiting the United Kingdom for talks on the properties of the plastic explosive Semtex (which was manufactured solely in Czechoslovakia), and to help with the forensic examination of material from the Lockerbie air crash. On 10 January the Minister of State, Foreign and Commonwealth Office, had spoken to the Czech Foreign Minister in Paris, where they were both attending the chemical weapons conference, to urge upon him the desirability of marking Semtex with an agent to enable its detection. The United States Government was making similar representations to the Czech Government in Prague, and the Government was encouraging its partners in the European Community to take parallel action. Experts on aviation from the seven summit countries were meeting in Paris on 19 and 20 January to discuss aviation security and the Government was working, together with the United States Government, for a special meeting of the International Civil Aviation Organisation Council in February at Ministerial level.

Salmonella  
in Eggs  
Previous  
Reference:  
CC(88) 39.5

The Secretary of State for Health said that the Chief Medical Officer with other health and agriculture officials had given evidence to the Select Committee on Agriculture on the previous day. Although some sections of the press had tried to dramatise the use of the word 'epidemic', which the Chief Medical Officer had made clear that he was using in a technical sense, the session had passed off reasonably satisfactorily.

The Cabinet -

Took note.

HOME AFFAIRS  
---  
Takeover Bids  
in the  
Electronics  
Industry

2. THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that, on the advice of the Director General of Fair Trading, he had earlier that morning referred to the Monopolies and Mergers Commission (MMC) the bid by GEC/Siemens for Plessey. There were indications that the European Commission were also interested in examining the bid. There had recently been speculation about a possible bid for GEC and, if such a bid emerged, he would be advised by the Director General in the usual way.

In discussion, the following main points were made.

- a. In examining proposed takeovers, the MMC was required to consider the likely effects on the relevant market which, in the case of the defence electronics industry, they might well decide was the United Kingdom, although they would doubtless be guided on

**CONFIDENTIAL**

this by the evidence which they would need to obtain from the Ministry of Defence. The European Commission, on the other hand, would examine the likely effects on the European market. GEC/Siemens would be likely to feel extremely aggrieved if the European Commission were not to begin its enquiry until after the MMC had completed its investigation. While, in view of the possibility of conflicting determinations being reached, it might be undesirable for the enquiries by the MMC and the European Commission to take place simultaneously, the European Commission might be asked to provide an informal view in parallel with the MMC's investigation, in the same way that procedures had developed under United States anti-trust law for preliminary opinions to be given before a merger went ahead. It was important that the Secretary of State for Trade and Industry should continue to keep in close touch with Sir Leon Brittan, the newly appointed European Commissioner with responsibility for competition, over the European Commission's handling of the bid.

b. A proposed European Community regulation on merger control was currently under consideration by the Sub-Committee on European Questions of the Defence and Overseas Policy Committee (OD(E)). While the United Kingdom was opposed to the efforts by some of its European partners, notably France, to treat the proposed regulation as a means for developing a European industrial policy, there might be scope for reshaping it in a way which would provide for the curtailment and rationalisation of the European Commission's role in mergers issues, although discussions to that end might well be protracted. The current text of the proposed regulation would give the European Commission exclusive powers to investigate large mergers and, while such a development might clearly help to resolve the difficulties occasioned by successive investigations by the MMC and the Commission, it was not clear that it would be wise to give exclusive powers in this area to the Commission. There was increasing concern among British industry that British companies were more open to hostile takeover bids than was the case in some other European countries, and it was essential that effective steps should be taken to secure a more even playing field. The West German market was especially difficult to break into because many of the leading companies were owned by banks and fewer were listed on the stock exchange.

c. While the number of European companies which had been bought by British companies in recent years was greater than the number of British companies which had been bought by European companies, many of the British purchases had been of relatively small undertakings.

THE PRIME MINISTER, summing up the discussion, said that the Government would doubtless continue to face pressure to make known its views on the speculation about a possible counter bid for GEC. The line on this should remain that, under the Fair Trading Act 1973, the Secretary of State for Trade and Industry was required to take into account the advice of the Director General of Fair Trading in deciding whether to refer a merger proposal to the MMC and that it was then for the MMC to

**CONFIDENTIAL**

**CONFIDENTIAL**

reach a view on whether the bid was against the public interest; and that it would be wrong for the Government to offer a view in advance of the conclusion of those procedures. There was clearly a tension between the United Kingdom merger machinery and that of the European Community, and the Cabinet noted that the proposed European Community regulation on merger control was being examined in OD(E). The possibility that an enquiry by the MMC into a proposed merger would be followed by an enquiry by the European Commission was a cause for concern and the Secretary of State for Trade and Industry should continue to keep in close touch with Sir Leon Brittan and explore the possibility of the European Commission's providing at least a preliminary view on the bid for Plessey by GEC/Siemens while the MMC enquiry was under way.

The Cabinet -

Took note, with approval, of the Prime Minister's summing-up of the discussion and invited the Secretary of State for Trade and Industry to be guided accordingly.

FORGN AFFRS  
Chemical Weans

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Paris Conference on Chemical Weapons had ended satisfactorily on 11 January with the adoption of a consensus declaration reaffirming the 1925 Geneva Protocol banning the use of chemical weapons. The Conference had also expressed support for the role of the United Nations Secretary General, Mr Perez de Cuellar, in investigating allegations of use of chemical weapons. The speech at the Conference by the Soviet Foreign Minister, Mr Eduard Shevardnadze, announcing the Soviet intention to begin destroying their chemical weapons stockpile in 1989 had to be put in a realistic perspective. The Soviet Union had long possessed a stockpile of chemical weapons which was larger than any other country and also larger than they acknowledged. It was not clear how much of this would be destroyed and over what period. It was easy for the Soviet Union to make this kind of public commitment in order to gain propaganda advantage. The important objective remained to press them to accept a global ban on the production and possession of chemical weapons.

There had also been much publicity prior to and during the Paris Conference about the Libyan chemical weapons programme. He himself had drawn attention to this in the countries he had recently visited in the Middle East. The United Kingdom's independent evidence about the Libyans' intentions had played a positive role in persuading those who doubted the United States' claims. The disastrous mishandling by the Libyan authorities of the invitation to the international press to visit the chemical plant at Rabta had also served to convince the media that suspicions of Libyan intentions were well founded. The Federal German Government had initially sought to dismiss the fact that the United Kingdom had independent evidence of the construction of a chemical weapons plant in Libya.  
communications

THIS IS A COPY. THE ORIGINAL IS  
RETAINED UNDER SECTION 3(4)  
OF THE PUBLIC RECORDS ACT

**CONFIDENTIAL**

**CONFIDENTIAL**

THIS IS A COPY. THE ORIGINAL IS  
RETAINED UNDER SECTION 3 (4)  
OF THE PUBLIC RECORDS ACT

shootg  
own  
libya  
ircraft  
United  
state  
orce

CONFIDENTIAL

THE FOREIGN AND COMMONWEALTH SECRETARY said that the United States, the United Kingdom and France had vetoed on 11 January a resolution in the United Nations security Council which sought to condemn the United States for the shooting down by American carrier based forces in the Mediterranean of two Libyan fighter aircraft on 4 January. It was clear that the Americans had acted in self-defence although an incident of the kind had been made more likely by the conditions of heightened tension prevailing in relations between the United States and Libya. The United Kingdom had helped to draw a line under the incident by ensuring that there was no public statement by the European Community and by making clear to other governments that the shooting down was totally unconnected with the American worries about the Libyan development of a chemical weapons facility. It had been clear to him during his recent tour of the Middle East that other Arab states had little sympathy for the Libyan leader, Colonel Qadhafi, even if some residual solidarity with Libya remained a necessary feature of the declaratory policy of non-aligned countries.

conference  
on Security  
and  
co-operation  
in Europe

CONFIDENTIAL

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Vienna Conference on Security and Co-operation in Europe was scheduled to conclude on 17-19 January. Last minute problems over the final document had been resolved, including a dispute between Greece and Turkey over the definition of the zone for the conventional stability talks. The concluding document of the Conference would contain important new commitments on human rights and would open the way for initiating a new set of negotiations on conventional arms control in Europe. The United Kingdom and the United States had accepted, and Canada would also soon accept, that there should be a human rights conference in Moscow in 1991 as part of the follow-up action to the Vienna meeting. But the Government continued to insist that United Kingdom attendance in 1991 was conditional upon Soviet performance in human rights and further progress: of particular importance were the promised changes in Soviet criminal legislation. The Government had stated five criteria and it would be important that the House of Commons should be aware of these. The deterrent effect of British opposition to a Moscow conference had probably achieved as much as it could. The emphasis had to be switched to the inducement that a successful conference there could offer to the Soviet government to make further progress.

CONFIDENTIAL

**CONFIDENTIAL**

**CONFIDENTIAL**

THE FOREIGN AND COMMONWEALTH SECRETARY said that public reaction to the level of attendance at the funeral of Emperor Hirohito of Japan remained mixed. There was widespread recognition that after forty years since the Second World War and exchanges of visits between the Royal Families, and given the importance of the United Kingdom's relations with Japan, it was acceptable and right that the Royal Family should be represented by His Royal Highness The Duke of Edinburgh and the Government by the Foreign and Commonwealth Secretary. Some media criticism would no doubt continue. United Kingdom representation at the funeral was consistent with the high level of representation from other countries which included President-Elect George Bush for the United States and all other Western Royal Families with the exception of the Dutch.

it to  
dle East

THE FOREIGN AND COMMONWEALTH SECRETARY said that he had just returned from visits to Kuwait, Saudi Arabia, the United Arab Emirates, Oman, the Yemen Arab Republic and Djibouti. He had been warmly received everywhere and had been struck by the respect in the region for Britain's role there and for our influence in attempts to bring about peace between Iran and Iraq and to resolve the Arab/Israel dispute. The role of the Royal Navy in the Persian Gulf was particularly appreciated not only for their quiet efficiency but also for their courtesy and as a practical expression of the United Kingdom's commitment to stability in the region. The States he had visited had also expressed widespread appreciation of British efforts in promoting moderation on the part of the Palestine Liberation Organisation and in particular the recent changes in the policy of that Organisation as announced by Mr Yasser Arafat. On all these matters the United Kingdom was seen as having a balanced position within the United Nations.

Bilaterally he had found some bruised feelings in Kuwait on the question of the ownership of British Petroleum shares but relations were now back on an even keel thanks to skilful handling by those concerned. In Saudi Arabia he had eventually had a very good meeting with King Fahd. The Yamamah project was going well but a continuing watchfulness would be required to ensure that the terms of the contract were fulfilled. In Abu Dhabi a deal for the supply of Hawk aircraft had been concluded but not yet announced. In Oman he had found the Sultan in good form although there were problems over the financing of the purchase of Tornado aircraft. In Djibouti his hosts had clearly appreciated the visit of a British Cabinet Minister but they were worried at the erosion of their position as a result of conflicts in Somalia and Ethiopia. In Kuwait and Djibouti he had encountered concern about the possibility of changes in the United Kingdom tax treatment of foreign nationals resident in the United Kingdom.

The Cabinet -

Took note.

**CONFIDENTIAL**



**CONFIDENTIAL**

COMMONWEALTH  
AFFAIRS

Imports of  
Hormone  
Treated  
Meat

4. THE MINISTER FOR AGRICULTURE, FISHERIES AND FOOD said that the United Kingdom had consistently voted against a European Community ban on imports of hormone treated meat for which the Government saw no justification on scientific grounds. The United Kingdom had taken the initial Council decision to the European Court of Justice but the United Kingdom's views had only been upheld on a procedural point. During the previous autumn the United Kingdom had lobbied other member countries, including those, such as Denmark, likely to be most affected by United States retaliatory action and had also had discussions with the United States authorities themselves. These efforts had not however met with success. A ban had come into operation on 1 January and had been immediately followed by United States retaliatory measures. He believed, however, that Commissioner Andriessen, who now had responsibility for the external affairs portfolio, understood the need to find a solution to this dispute through procedures in the General Agreement on Tariffs and Trade (GATT).

In discussion it was reaffirmed that the adoption in response to consumer pressures of a decision for which there was no valid scientific justification was most unfortunate. The extent of the trade in question, some \$100 million, was less significant than this point of principle. Although the ban was of a non-discriminatory character, it would reinforce concerns about a fortress Europe. This could in turn provide an unhelpful background in such cases as the recent United States Customs reclassification of certain four-wheel drive vehicles, one effect of which was to increase tariffs on Range Rovers from 2.5 per cent to 25 per cent. The Government had found it necessary to take up with the Commission other actions of a protectionist character, including anti-dumping measures which applied procedures developed for textiles to high technology areas, such as video equipment, having a quite different pattern of cost recovery. On the hormone question, the issue of Community counter-retaliation would be discussed in the Foreign Affairs Council at its meeting on 23-24 January. The United Kingdom had successfully resisted automatic counter-retaliation. It was important to prevent an escalation of this dispute, which would have unhelpful implications for the Uruguay Round, and find ways to secure a satisfactory outcome through negotiation in the GATT.

The Cabinet

Took note.

Cabinet Office

12 January 1989

**CONFIDENTIAL**

**CONFIDENTIAL**