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Conclusions

CABINET

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

THURSDAY 6 APRIL 1989  
at 8.30 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 Douglas Hurd MP  
Secretary of State for the Home Department

The Rt Hon Peter Walker MP  
Secretary of State for Wales

The Rt Hon George Younger MP  
Secretary of State for Defence

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 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

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon David Waddington QC MP  
Parliamentary Secretary, Treasury

The Rt Hon Peter Brooke MP  
Paymaster General

SECRETARIAT

Sir Robin Butler  
Mr R T J Wilson (Item 2)  
Mr R G Lavelle (Item 3)  
Mr P J Weston (Items 3 and 4)  
Mr A J Langdon (Item 1)  
Mr G Monger (Item 2)  
Mr W D Reeves (Item 4)  
Mr S S Mundy (Item 1)

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

The Cabinet considered a memorandum by the Secretary of State for Employment (C(89) 7) about the Dock Labour Scheme.

THE SECRETARY OF STATE FOR EMPLOYMENT said that with a number of colleagues directly concerned he had been considering the future of the Dock Labour Scheme. They had reached the firm view that it should be abolished. It enforced a statutory monopoly of dock work in the Scheme ports: employers committed a criminal offence if they employed anybody other than a registered dock worker on work covered by the Scheme. It meant that employers could not recruit workers or make them redundant without the agreement of the unions. It encouraged restrictive practices and made the Scheme ports costly and uncompetitive. Jobs had therefore declined in Scheme Ports, while non-Scheme ports had increased their share of the market and now accounted for nearly 30% of the United Kingdom's trade, excluding oil. The Scheme was no longer necessary to achieve its original purpose, the elimination of casual work in the docks. The nature of dock work had changed substantially since it was introduced, and at the non-Scheme ports there was now very little casual labour: at the two biggest, Felixstowe and Dover, there was virtually none. Waiting for the Scheme to wither away was not an option, since that would happen only when all the Scheme Ports closed. Abolition would have the backing of the Government's supporters in Parliament, who were likely to press for it on the report Stage of the current Employment Bill if the Government took no action. Announcement of the Government's intention would probably lead to a strike in the ports. But the Transport and General Workers' Union seemed unlikely to put their funds at risk by defying the courts over secondary action, and an assessment by the Cabinet Office had concluded that there should not be an unacceptable impact on food and oil supplies. A draft Bill had been prepared to effect abolition of the Scheme. It would establish special payments for dockworkers made redundant after abolition. Payments would be up to £35,000 in the first eighteen months and £20,000 for a further eighteen months. A White Paper, and a popular summary, had also been prepared, and the draft White Paper was attached to C(89) 7.

THE SECRETARY OF STATE FOR EMPLOYMENT said that he sought the agreement of Cabinet to making a statement in Parliament that afternoon announcing the Government's intentions, and to the publication of the White Paper, and introduction of the Bill.

In discussion the following were the main points raised.

- a. There was a very strong case for abolition of the Scheme. Its most serious consequence was that it made the ports covered uncompetitive, and this disadvantage would become increasingly

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important as 1992 approached. Recent events at Aberdeen and Grimsby had drawn attention to it, and a statement now of the intention to abolish the Scheme would be well timed.

b. The Government must be prepared for a strike in the ports. But this would have no effect on market confidence so long as the Government maintained its resolve, as it must, to carry through the change. The police might have a major task in dealing with any disturbances, but preliminary contact with some senior officers had confirmed that they would be able to cope. Support from military personnel in loading and unloading vessels, and driving heavy goods vehicles, could be available if necessary after a short period of notice. A strike could cause some difficulties in Northern Ireland, since it was so dependent on supply by sea, but the main ports involved in trade with the province were not in the Scheme, and the difficulties should not be insuperable. Finally, it would be important, if a strike were to be handled successfully, that the employers also should stand firm; but the improvement in their financial position over the last few years made it more likely that they would do so.

c. The proposals for compensation for dockworkers made redundant after abolition of the Scheme were important. The compensation would be much higher than the standard statutory compensation for redundancy and other workers were likely as a result to feel less sympathy for striking dockworkers. It might be argued that some further concession could have been held in reserve for the unions to win in subsequent negotiations. But any indication that the Government would be prepared to move on the issue was likely in practice only to prolong the action in the hope of extracting further concessions. It was much better to announce generous terms at the outset and then stick to them.

d. It was important for the Government to make it clear that it would proceed quickly with the legislation. It was therefore for consideration whether in his statement that afternoon the Secretary of State for Employment could indicate the timetable for Second Reading. It would however be a mistake to cut across the usual procedures for settling and announcing the timetable for Bills. It should be possible to find a form of words taking account of all these requirements and the matter should be further discussed between the Secretary of State for Employment and the Lord President of the Council.

e. At present the passage of the Bill was being planned on the assumption that it would go through its various stages on the conventional timetable. But its passage could be accelerated if industrial developments showed that to be necessary.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the recommendations in C(89) 7. They agreed that the Secretary of State for Employment should make a statement accordingly in Parliament that afternoon, publish the White Paper attached to C(89) 7, and introduce the Bill.

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took note, with approval, of the Prime Minister's summing up of their discussion and invited the Secretary of State for Employment to proceed accordingly.

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that during his recent visit to Pakistan he had gained the impression that the Pakistan Prime Minister, Benazir Bhutto, was moving things sensibly back in the direction of full democracy and had much influential support in doing so although the economy remained a possible Achilles heel. She was aware of the need to extend her authority further over the intelligence services. She conveyed the impression of growing political maturity. She also appeared to have a relationship of genuine warmth with the Indian Prime Minister, Mr Rajiv Gandhi, whom he had also seen when he visited India. The Congress Party there was divided but it was expected that Mr Gandhi's personal authority would carry the day in the general election. Mr Gandhi spoke warmly of the relationship with the United Kingdom and had evinced no anxiety over Sikh terrorism, on which he was grateful for the Government's action, even if there were some lingering signs of disgruntlement elsewhere in the Indian Government.

THE FOREIGN AND COMMONWEALTH SECRETARY said that during his visit to Pakistan he had met the Head and other members of the Afghan Interim Government. They were clearly not of one mind among themselves and had no close relationship with Afghan resistance commanders in the field. He had urged the resistance leaders to look to their public image and to be very careful in the methods they employed, so as not to discourage public support. It seemed likely to be some time yet before the regime of Mr Najibullah was displaced. So long as it remained there was a need to keep on reminding people that it was an imposed government kept in power over the years solely by the force of Soviet arms; and that the Afghan people had to find a way to choose freely who should govern them, even if this process might take time.

THE FOREIGN AND COMMONWEALTH SECRETARY said that a major incursion from Angola into Namibia by the South West Africa People's Organisation (SWAPO) had got implementation of the United Nations (UN) peace plan off to the worst possible start. Unfortunately because of earlier delays, caused in particular by the Front Line States and not by Permanent Members of the UN Security Council, there were still too few UN supervisory forces present in Namibia. SWAPO had been clearly in the wrong despite the fact that their leader, Mr Sam Nujoma, had been trying to put a different construction on events. Efforts now needed to be concentrated on encouraging all those

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concerned to strengthen the authority and involvement of the UN and in this the Soviet Union was already playing a positive part. The UN Secretary General, Mr Perez de Cuellar, was clear what needed to be done and very grateful for the support of the United Kingdom. Zambia too had now joined in pressing SWAPO in the direction of a ceasefire and withdrawal of their forces north of the 16th parallel in Angola, after which the full authority of the UN forces on the spot needed to be firmly established. The South African Foreign Minister, Mr Pik Botha, had himself played an important restraining role, as even some Africans at the UN had had to acknowledge. The Prime Minister's presence in Namibia when the SWAPO incursion had occurred had clearly been critical in persuading Mr Pik Botha to adopt a responsible attitude. The value of the United Kingdom's influence on South Africa was now recognised even by those who had taken a different view on sanctions.

THE PRIME MINISTER said that the South African Government by remaining firmly within the terms of the peace agreement had not put a foot wrong so far, and this would stand it in good stead. South African troops had moved out of their bases after the SWAPO incursion only with the explicit agreement of the UN Special Representative, the Administrator-General for Namibia, and General Prem Chand. The overriding need now was for all SWAPO forces to return north of the 16th parallel and for them to be monitored there by the Angolans, who in turn would need to be closely observed by UN monitors. It could become very dangerous if SWAPO forces in Namibia insisted on staying put.

THE PRIME MINISTER, commenting on her recent visit to Morocco, said that King Hassan was among the most intelligent and perceptive of observers of the Middle East situation. He was beginning to feel it might be time to host a further Arab Summit. On the central dispute with Israel he recognised that the real difficulty still remained whether Israel would accept negotiations on the basis of land for peace as required by United Nations Security Council Resolution 242, on which the Israeli Prime Minister, Mr Yitzhak Shamir, was likely to take a very hard line in Washington. The Moroccans had made enormous efforts for her visit, which had gone perfectly.

THE PRIME MINISTER said that during a brief stop-over in Nigeria she had been able to lunch with the President, General Ibrahim Babangida. He was very pleased with the United Kingdom's support to Nigeria over the stand-by agreement concluded with the International Monetary Fund. He was also looking forward to his State Visit to the United Kingdom.

In Zimbabwe the issue of sanctions against South Africa had been almost entirely ignored during discussions. In the company of the President, Mr Robert Mugabe, and the Mozambique President, Mr Joaquim Chissano, she had visited the training ground at Nyanga and had been very impressed by the British army's programme there to train both the Zimbabwe army and contingents from the Mozambique army. It was clear that the guerrilla organisation RENAMO in Mozambique was very brutal, highly skilled and well equipped and would be very hard to beat. It seemed that for the moment President Chissano was still not ready for a solution on the pattern of that achieved in Angola. Meanwhile refugees were leaving Mozambique in large

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numbers; for example Malawi had already received 650,000. In Malawi she had seen President Hastings Banda who remained a law unto himself. But he had a firm grip of agriculture, the country was not in debt and whites were welcome everywhere, even if there were some difficulties with the resident Asian community. President Banda remained very grateful for United Kingdom support.

Continuing, the PRIME MINISTER said that during her short stay in Namibia she had visited the Rossi Mining Company which was one out of only thirty companies in the world to have won an award for an outstanding safety record, with no deaths there in the last six years. The company had an ambitious programme of building houses, schools and hospitals. It was the best possible kind of operation, though senior management were worried about the company's future.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said the Prime Minister was to be congratulated on an outstandingly successful visit.

1. The Cabinet warmly endorsed the Secretary of State's congratulations.

THE FOREIGN AND COMMONWEALTH SECRETARY said that there was intelligence to the effect that the Soviet Union was in the process of supplying 15 SU24 Fencer fighter-bomber aircraft to Libya. This should be raised with the Russians during President Gorbachev's current visit to London. It should be pointed out to them how odd such a move seemed against the background of President Gorbachev's recent call for an end to arms sales in another sensitive region, Central America. Taken together with the apparent Soviet reluctance to be robust with Libya over the chemical weapons facility at Rabta, it was perhaps evidence that Soviet foreign policy was still multi-faceted.

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been a successful meeting of the Council of the Western European Union at Ministerial level in London on 3 April. This had revealed broad support by all members for the balanced policy approach favoured by the United Kingdom, emphasising that the Soviet Union still retained a predominant military position by dint of its huge amount of weaponry, while at the same time recognising the real changes that were now occurring in Soviet domestic and foreign policy.

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THE SECRETARY OF STATE FOR DEFENCE said that he had visited Malaysia the preceding week and had been given by the Malaysian Foreign Minister a list of defence equipment which Malaysia wished to purchase from the United Kingdom. This included Tornado aircraft, air defence radars, submarines, command, control and communications systems, and land bases. The value of such orders would be in the region of fl.25 billion, potentially the largest single deal after that already concluded with Saudi Arabia. He was awaiting final agreement from the Malaysian Prime Minister's office and would then intend to make an announcement within the following few days.

THE CHANCELLOR OF THE EXCHEQUER said that the main item considered at the recent meeting in Washington of the Group of Seven (G7) and the Interim Committee of the International Monetary Fund had been the new United States proposals on Latin American debt. These proposals differed in many ways from those put forward in the past and as originally presented caused concern in a number of respects. In particular they would have raised the expectations of Latin American debtors far beyond what could be satisfied; involved governments and international institutions more heavily in the private sector debt problem than was healthy or desirable; and involved an unacceptable transfer of risks from the commercial banks to the public sector. The proposals had been discussed at length in the G7 where there had been some dissension. The United States approach had been supported by Japan whose position might have been linked in part with their ambition to become the second largest member of the International Monetary Fund. The French had also given it their support, the United States Treasury Secretary suggesting that the United States proposals had drawn a great deal on those put forward by President Mitterrand. However, in addition to himself, the German Finance Minister, Mr Stoltenberg, had made clear his reservations about them. The Italians and Canadians had taken up a middle position. It was important that the meeting came to an agreement and in the event a compromise had been reached involving a watering down of the original proposals and reduction in the expectations that they would have raised. In the subsequent discussions in the Interim Committee the language had been further improved and made more robust partly as a result of the views expressed by India which was repaying debt in full and disliked the notion of special treatment for others. Much further work was required on the detail of the proposals and this question would represent a major issue at the Paris Summit.

The Cabinet -

2. Took note.

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4. The Cabinet considered a memorandum by the Secretary of State for Defence (C(89) 6) on the Statement on the Defence Estimates 1989.

THE SECRETARY OF STATE FOR DEFENCE said that the major themes in the Statement were the 40th Anniversary of the North Atlantic Treaty Organisation (NATO) and the Ministry of Defence's continuing drive for greater management efficiency and cost-effectiveness. In the key first and second chapters the White Paper set NATO's defence policy in the context of the strategic situation and the signs of change in the East. It welcomed what President Gorbachev was doing, while stressing the need for continuing caution. On arms control the White Paper set out NATO's future priorities and included a useful essay on the continuing value of nuclear deterrence. Subsequent chapters dealt on traditional lines with the activities of the armed forces, the equipment procurement programme, the budget and measures to improve management efficiency, and the East-West military balance. French and German language versions of the White Paper would also be available, together with larger numbers than last year of the popular version for free distribution. The draft reflected amendments agreed with the Treasury and the Foreign and Commonwealth Office since earlier discussion in the Defence and Overseas Policy Committee. It would be necessary to look again at the passage about President Gorbachev's visit immediately after the visit was over, and also at the passages on chemical weapons.

THE PRIME MINISTER congratulated the Secretary of State for Defence on producing a very good draft White Paper. She agreed that the passage on President Gorbachev's visit should be looked at again after the visit. Chemical weapons was a difficult subject given that the Russians continued to take the line that the United Kingdom's information on Soviet capabilities was not well-founded. She would have to go over the ground again on this with President Gorbachev. The White Paper would be published on 8 May.

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Invited the Secretary of State for Defence to review the passages on President Gorbachev's visit and on chemical weapons immediately following the visit, and to arrange for the issue of the Statement on the Defence Estimates 1989, together with a popular version thereof, on 8 May.

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6 April 1989

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