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CABINET

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

THURSDAY 27 APRIL 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 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 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

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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 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)

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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.

Water Bill
Previous
Reference:
CC(89) 8.1

THE LORD PRIVY SEAL said that Lord Nugent of Guildford had tabled amendments for consideration at Committee Stage of the Water Bill in the following week which sought to provide that, rather than becoming public limited companies, the newly privatised water undertakings should be based on the existing private statutory water company (SWC) model, with controls being imposed on dividend payments and assignment of funds to reserves as opposed to prices. Lord Nugent had tabled further amendments, which would probably not be reached for a further fortnight, which sought to provide that the assets which the water authorities had held when they had been transferred from local authority control in 1973 should be returned to them after privatisation. The Government would be strongly resisting both proposals.

In a brief discussion, it was noted that many of the SWCs had recently increased their water charges by very large amounts. The point was also made that it was questionable whether the House of Lords should be considering amendments to the Bill which would, if carried, involve substantial losses to the Exchequer.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that Lord Nugent's amendments should be firmly resisted.

The Cabinet -

Took note.

HOME AFFAIRS

Abolition of
the Dock
Labour Scheme

Previous
Reference:
CC(89)14.2

2. THE SECRETARY OF STATE FOR EMPLOYMENT said that it was now three weeks since the Government had announced that legislation would be introduced to abolish the Dock Labour Scheme: the Bill to secure this was under consideration in Standing Committee in the House of Commons; and no industrial action was currently taking place. There had been surprisingly few developments since the Cabinet had discussed the matter at their previous meeting. The Transport and General Workers Union had decided to call a strike ballot, but the union had not yet decided on the precise form of the question on which their members should be consulted and the ballot papers were not expected to be issued until the following week. Mr Bill Morris, the union's deputy general secretary, had written to all registered port employers to ask them individually to enter into national negotiations and had

sought replies by noon on 28 April. There would probably be some industrial action, but not in the immediate future: it was now thought that 22 May was the earliest date on which industrial action could begin. Almost without exception, the national and regional press had supported the Government's decision to end the Dock Labour Scheme.

THE PRIME MINISTER said that it was important for the Government to keep the arguments for the Government's position in front of the public and to sustain the momentum of the Bill so that if any industrial action should take place it would have made as much progress as possible by that time.

Contamination
of Baby Food

THE HOME SECRETARY said that seventeen incidents had been reported between 7 and 25 April of baby food having been contaminated and a further eleven incidents had been reported on the previous day. A number of these were clearly examples of deliberate contamination and were the subject of police inquiries co-ordinated by the Metropolitan Police. There was now an obvious risk of further "copy cat" incidents. It was not clear whether baby food containers were always tamper proof and the Department of Health were considering with his department whether some further action was required.

The Cabinet -

1. Took note

General
Practitioners'
Remuneration

Previous
Reference:
CC(89)13.2

THE SECRETARY OF STATE FOR HEALTH said that the British Medical Association (BMA) was that day holding a conference of delegates from its Local Medical Committees to consider the Association's position in the long-standing negotiations on a new contract for general practitioners (GPs). He believed that the BMA's negotiators wished to control the situation so that they emerged from the conference with a mandate to continue negotiating, and it was very much in the Government's interest that the contract should now be swiftly settled, in order to disengage this question from the issues dealt with in the White Paper on the reform of the National Health Service (NHS), which would be implemented by the Health Services Bill in the following session. The BMA's leaders had, however, deliberately stimulated an extraordinary degree of opposition to the new GP's contract and they might find that the situation had got out of their control, and that their members refused them a further negotiating mandate. It should become clear within about a few weeks whether the question of the contract could be settled on a negotiated basis: if it could not be so settled, he would need

to come to Parliament with his own proposals. Once the question of the contract was settled, the Government would be able to concentrate on the presentation of its proposals for the reform of the NHS, where the essential point to stress would again be the Government's prime concern with achieving the most effective provision of patient care. At present the BMA had clouded the issues by an extensive publicity campaign which straddled the GP's contract and the NHS reform issues, and which painted a picture of doctors concerned to protect patient care against a Government that was motivated solely by cost-cutting. This travesty of the facts was being promoted by the BMA in a very extensive campaign which included leafleting in doctors' surgeries and a great deal of national advertising, and this inevitably made its impact in the media. The Government had, however, a very good story to tell, and he would continue to emphasise as vigorously as possible that it was the Government's proposals that represented true concern for the care of patients.

In discussion the following main points were made.

- a. The two matters on which the doctors felt most strongly were the new GP's contract and the proposal that GPs should be required to operate within a drugs budget. The first of these did much to link pay to performance, while the second was needed to cut out overprescribing that wasted money that could otherwise be spent elsewhere in the NHS. Although the BMA's presentation of these proposals as an attack on the care of elderly and other vulnerable patients was wholly irresponsible, the BMA campaign was calculated to make a vivid impact in the media.
- b. Since many sections of the media found the Government's careful presentation of a reasoned argument less newsworthy than the BMA's strident campaign, it was essential that the Government should use every proper device to get its story across. It was not altogether clear how the conventions on paid Government publicity applied, for example, to advertisements carrying certain kinds of messages from the Secretary of State for Health, and this question should be urgently examined.
- c. Although many doctors saw the need for change and welcomed the Government's approach, it required great courage for them to speak out, since the medical profession was dominated by self-interested elements that opposed any change in their privileged position. It would nevertheless be important that as the preparation for the Health Services Bill proceeded, those doctors and NHS managers who wished to co-operate with the Government's proposals on, for example, self governing hospitals should be encouraged to express their support. The position on that issue would be much clearer in June, by when hospitals should have responded to the general invitation to express their interest.

d. There were a number of simple, easily grasped, figures that made manifest the need for the changes in the management of the NHS which the Government was proposing. A good example was the numbers of similar operations that were performed by surgeons in different hospitals. These figures provided telling support for the Government's case, and more public reference should be made to them, though it would not be right to use them in a way that would attract criticism as a personalised attack on doctors' clinical judgement.

e. The medical profession had a long history of hysterical opposition to proposals for change, but of quickly accommodating itself to new realities in the event. The doctors had, for example, vigorously opposed the introduction of the selected list of drugs, but they had accepted the changes as soon as they were made and the savings had been used for the benefit of the NHS. It was very likely that the GP's contract would similarly be accepted by the profession as soon as it began to take actual effect.

THE PRIME MINISTER, summing up the discussion, said that the BMA's distortion of the Government's proposals on the GP's contract and the reform of the NHS, and its appeal to patients to oppose the Government's plans, showed a lamentable lack of professional ethics. Nevertheless the Government had an overwhelmingly strong case on both issues and everything possible should be done to ensure that it was fully understood in the country. More use should be made of simple facts that demonstrated the need for major changes in the NHS and the Secretary of State for Health should consider, in the light of advice from the Cabinet Office, the further material that he might disseminate within the conventions on paid Government publicity.

The Cabinet -

2. Took note, with approval, of the Prime Minister's summing up of the discussion and invited the Secretary of State for Health to proceed as the Prime Minister had indicated.

St Fergus
North Sea Gas
Terminal

THE SECRETARY OF STATE FOR ENERGY said that the St Fergus North Sea gas terminal had been closed down the previous afternoon following the discovery during a routine inspection of a defect in the machinery which appeared to pose a potential risk to safety. The present signs were that it would be possible to repair the defect relatively quickly and that the plant should resume production in two to three weeks. St Fergus was the main gathering complex for the northern North Sea basin and there

would be a considerable fall-off in production of gas there while the plant was closed. However, there was unlikely to be any significant impact on the balance of payments since British Gas would be able to obtain the requisite supplies from other fields. The incident provided an example of the effective working of the safety arrangements, since the defect had been discovered during a routine inspection by the company and neither the workers at the plant nor those living in the area had been endangered.

Industrial
Action on the
London
Underground

Previous
Reference:
CC(89) 14.2

THE SECRETARY OF STATE FOR TRANSPORT said that there were now three actual or potential disputes involving the London Underground. First, as he had informed the Cabinet at their previous meeting, drivers of one-person operated trains had staged an unofficial 24 hour strike on the previous Thursday in pursuit of a pay claim, back-dated to 1985, which sought to restore their differentials with drivers of two-person operated trains. The management and the unions would be meeting on 2 May to discuss a productivity deal for one-person operator drivers which London Underground maintained would be self-financing and he would be writing to interested colleagues about this. Second, the rail unions were strongly resisting the implementation of a recommendation in the Fennell Committee report on the King's Cross fire disaster that the system of promotion for station staff should in future be based on merit rather than on seniority. Third, the annual pay negotiations might lead to a further dispute, but it was too early to judge the likelihood of this.

In discussion, the point was made that, while the public would have no sympathy for industrial action against a proposal to base promotion on merit rather than on seniority, there was a risk that discontent about transport arrangements in the South-East would be fanned by any strike that took place.

THE PRIME MINISTER, summing up a brief discussion, said that, if it looked likely that industrial action would continue after the talks on the following Tuesday, there was a strong case for either the Secretary of State for Transport or London Underground to inform the public, possibly through advertisements in the national press, of the strength of the management's case, and the Secretary of State for Transport should set in hand the necessary preparations on a contingency basis.

The Cabinet -

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

Monopolies and Mergers Commission Report on the Supply of Beer

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that there had been a very large letter-writing campaign against the recommendations in the Monopolies and Mergers Commission (MMC) Report on the Supply of Beer. While the decision whether to accept the MMC's recommendations was a matter for him, he would be holding discussions with interested colleagues.

The Cabinet

4. Took note.

FOREIGN AFFAIRS

Short Range Nuclear Forces in Europe

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the position which had emerged from recent discussions among the coalition partners of the Federal German Government appeared to cast doubt on the need for land based nuclear systems in Europe and called for early negotiations on short range nuclear missiles and nuclear artillery shells. It also implied that the North Atlantic Treaty Organisation (NATO) might well not need a replacement for the existing Lance missile when it came to take a decision on deployment in 1992. This was a very unattractive position for the West. The United States Administration had already spoken sharply to the Federal German Foreign and Defence Ministers, Herr Genscher and Herr Stoltenberg, during their recent visit to Washington. There were signs that the awfulness of the German position paper and the way it had been handled had stiffened American determination. The minimum necessary position for NATO was to insist on the long-term requirement for effective and up-to-date short range nuclear forces (SNF) and on its resistance to arms control negotiations about them. He himself had spoken on the telephone to Herr Genscher the preceding evening. The latter had at least made clear that the German position paper was a purely national position which he realised could not be imposed on the Alliance as a whole. The Federal German Chancellor, Herr Kohl, had addressed the Bundestag that morning. It was encouraging that he had spoken toughly about Soviet preponderance in such weapons systems and their unwillingness to make reductions and had re-affirmed the need for effective NATO defence together with a continued willingness for dialogue with the East. He had also made it clear that the German position paper was for discussion with the allies. This might provide some grounds for compromise.

In a brief discussion, it was noted that the Prime Minister would be seeing Herr Kohl on 30 April which would provide a valuable opportunity to try to steer Herr Kohl back in the direction of what he had earlier described as his true convictions on the subject, which were more orthodox. But it was possible that these had since been modified by the deteriorating domestic political situation in Germany. Herr Kohl had spoken at the time of the European Council in Rhodes.

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1988 of the need for a decision on SNF before the European elections in 1989. But he had also spoken at the same time about his determination to extend the period of obligatory military service from 15 to 18 months to help cope with demographic pressures. This decision also he had now reversed. Herr Genscher's apparently unqualified belief on the change of Soviet attitude under President Gorbachev had had an impact on German public opinion. If centre right convictions in Germany about the need for sure defence collapsed in the face of Mr Gorbachev, there was a danger that either the extreme left or the extreme right would profit in electoral terms.

Republic of
South Africa

Previous
Reference
CC(88) 32.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that five men including three United Kingdom citizens and an administrative officer of the South African Embassy in Paris had been arrested there on 21 April in connection with the theft and supply to South Africa by Northern Ireland loyalists of technology for Javelin and Blowpipe missiles, and the supply of arms to loyalists during 1988. This had been a major success for the British and French security services. The French judicial process was likely to take many months. The South African State Arms Corporation, Armscor, was almost certainly involved as intermediary in this arms traffic. Whether the South African Government as such had been involved was not clear, against the background of continuing rivalry between the military and the Government in South Africa. The South African Ambassador in London had been summoned and told that the Government deplored what had occurred. The Prime Minister and he had also raised the matter when the South African Finance Minister, Mr B J du Plessis, had called on them earlier that week. The latter probably realised that those South Africans concerned had behaved very foolishly. It was important to avoid jeopardising the new dialogue with the South African Government.

In a brief discussion, it was noted that Mr du Plessis was a politician of outstanding quality who was anxious to move ahead toward reform in South Africa, realising that the country would be politically and economically doomed if further progress were not achieved. It was also noted that the French had committed significant resources and some 70 members of their security forces to the case. As in the previous French interception of the arms-running ship "Eksund", they were continuing to co-operate very fully with their British counterparts and the Secretary of State for Northern Ireland had been able to thank the French Minister of the Interior personally for this during his visit to Paris on 26 April.

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Iran-
Iranian
relations

Previous

Reference:

CC(88) 11.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that Iran had earlier that week announced the expulsion of 18 British citizens. This was evidently in response to the Government's decision in March to expel from the United Kingdom 18 Iranians who had been regarded as security risks in the context of the threats to British life and property during the Rushdie affair. In this latest move Iran appeared to have found it difficult to identify sufficient British nationals to expel. Eight of those listed were already out of Iran when the announcement was made. There would only be 12 British subjects left in Iran including Mr Roger Cooper, together with some 150 British wives of Iranian nationals. One of those on the latest Iranian list was a Mr John Bowden, a frequent offender against Iranian law who was currently being held in prison on fraud charges. The Government were nevertheless asking Sweden as the protector of British interests in Iran to make representations on his behalf. More generally, the political tide in Iran was still running in a radical direction. The Vice Minister of Foreign Affairs, Mr Larjani, had been dismissed after allegations of espionage. The Iranian Permanent Representative at the United Nations had been recalled. Both had since disappeared from public view. As against that the Iranian Foreign Minister, Dr Velayati, and the Speaker of the Iranian Parliament, Mr Rafsanjani, were still in place. There would be elections of a kind during the summer and Mr Rafsanjani would stand again as Speaker.

Japan

Previous

Reference:

CC(88) 29.2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Japanese Prime Minister, Mr Noboru Takeshita, had announced on 25 April his intention to resign as soon as the Diet adopted the 1989/90 budget, which would probably not be until well into the month of May. So far it appeared that Mr Takeshita was guilty of misleading Parliament rather than of criminal wrongdoing, but there was evidence that he and his late Private Secretary had received the equivalent of £1 million. The great concern from Japanese industry, the bureaucracy and within the ruling liberal party at the Japanese Government's inability to push through the budget had forced Mr Takeshita's hand. The most likely replacement for him as Prime Minister was Mr Masayoshi Ito, a former Ministry of Agriculture bureaucrat who was in his late seventies.

Soviet Union

Previous

Reference:

CC(88) 38.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that President Gorbachev had earlier that week removed from the Central Committee of the Communist Party of the Soviet Union 118 full or candidate members, most of them political deadwood rather than people who had failed the test of recent elections for the new Supreme Soviet. The most well-known departure among these was Mr Andrei Gromyko who thus ended a very long political career.

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stretching back to the Molotov/Ribbentrop Pact. The new Central Committee would be a slimmed down body.

Jordan

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been quite serious riots in a number of towns in Jordan from 18 to 22 April. The main cause had been discontent at price rises resulting from the economic reforms negotiated with the International Monetary Fund (IMF). There was no evidence that the riots had been inspired politically by radicals or fundamentalists. In the absence of King Hussein abroad the riots had been skillfully handled by Crown Prince Hassan. Calm had been restored and the army had not been called in. The Government of Prime Minister Zaid Rifa'i had resigned. More disturbances were possible as other austerity measures agreed with the IMF were introduced. A programme of measures was likely to be put to the Board of the IMF in June and the United Kingdom would have to be prepared to offer Jordan some help in that process.

China

THE FOREIGN AND COMMONWEALTH SECRETARY said that there were continuing large scale public demonstrations in China.

Previous
Reference:
CC(88) 40.2

Following the death of Hu Yaobang on 15 April these had begun on a fairly good-natured basis in Peking, spreading subsequently to other regional cities such as Xian and Changsha. On 21/22 April, the night before Hu's funeral, there had been another demonstration numbering some 100,000 in Tienanmen Square. The Embassy in Peking were reporting these demonstrations in less dramatic terms than the media and had been struck by the lack of intervention so far by military forces. The seventieth anniversary of the 1919 democracy movement would be celebrated on 4 May and could give rise to further public unrest. The People's Daily had recently issued an authoritative editorial warning against this in severe terms. The latest news overnight was that the demonstrations might be becoming more serious. It was unlikely that the students would obtain the political reforms they wanted by this means, whatever the continuing prospects for the economic reform programme.

Canada

THE SECRETARY OF STATE FOR DEFENCE said that the Canadian High Commissioner would be calling on him later that morning to tell him that the Canadian Government had decided, for budgetary reasons, to abandon its plans to acquire nuclear powered submarines. This might well be a prudent decision for Canada notwithstanding the disappointment for British sales prospects.

Previous
Reference:
CC(89) 4.3

The Cabinet -

Took note.

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COMMUNITY
AFFAIRS
Foreign
Affairs
Council
24 April

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that the main issues considered at the meeting of the Foreign Affairs Council on 24 April had been the Uruguay Round and relations with Eastern Europe. On the first, there had been a general welcome for the results achieved by the Trade Negotiations Committee. A Portuguese bid, linked to the prospective liberalisation of textiles, for a special restructuring programme for the Portuguese industry, had been satisfactorily contained. On Poland there had been general agreement that greater flexibility should be shown in the negotiations for a trade and co-operation agreement. Agreement had also been reached that negotiations on a trade agreement with Romania should be suspended and not resumed until Romania had improved its human rights record.

Agriculture
Council
17-22 April

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the outcome of the 5^{1/2} day meeting of the Agriculture Council on the Commission's proposals for prices for 1989/90 had been satisfactory and United Kingdom objectives had been fully met. The decisions reached had maintained the momentum of reform of the Common Agricultural Policy which would be essential for the success of the Uruguay Round. The expenditure forecast for 1989 and 1990 was well below the budget ceilings. This reflected in part the effects of drought in the United States, but also maintenance of the reforms introduced following the February 1988 European Council. It had been necessary to resist pressures to take advantage of the availability of resources to introduce additional programmes. The results achieved also represented a satisfactory outcome for United Kingdom farmers. In particular there had been a substantial devaluation of the green pound. This was both satisfactory in itself and represented a significant step towards the complete dismantling of monetary compensatory amounts by 1992. While in recent years there had been monetary compensatory amounts of as much as 28-31 per cent, these had now been reduced to no more than 3 per cent in most commodities and in some cases had been abolished altogether. One welcome effect of this was that it reduced the scope for abuse on the border between Northern Ireland and the Irish Republic. A further satisfactory feature of the agreement had been the reduction in the level of milk co-responsibility levy. The agreement as a whole would have only a very small estimated effect on the retail price index. He had taken the opportunity to keep up the pressure for reduction in the incidence of fraud against the Community budget. There was increasing evidence that these issues were now being taken seriously by other Member Countries and the Commission and further control measures were to be brought forward.

In a brief discussion it was noted that the agriculture provision in the 1989 budget had been some £1.2 billion below the guideline agreed in February 1988. The internal Commission

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proposals for agricultural spending in 1990 in the 1990 Preliminary Draft Budget were for spending of some £2.9 billion below the agreed guideline. These savings reflected to a substantial extent the effective operation of the stabilisers and the watertight compartments imposed by the budget discipline arrangements which prevented savings in one commodity area being spent on other commodity regimes. Against this background, the German authorities had increasingly been having recourse to special set aside arrangements and VAT refunds.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet congratulated the Minister of Agriculture, Fisheries and Food on the very satisfactory outcome to the annual agricultural price fixing discussions.

Visit to
Washington by
Minister of
Agriculture,
Fisheries and
Food

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that he had visited Washington on 23-25 April for discussions with the Secretary of Agriculture and other members of the United States Administration. In general the atmosphere of the discussions had been better than in past visits. On the Uruguay Round, the view taken was that the outcome in the Trade Negotiations Committee had been satisfactory, although there would be much hard work ahead to achieve detailed implementation of the broad agreements reached. His impression was that earlier US enthusiasm for the concept of decoupling, making support available on a basis not linked to production, had decreased. However, there was much interest in translating all elements of agricultural support into the form of tariffs. This approach presented a number of difficulties in practice, not least of definition, and he had made clear that it could pose major problems for the Community since it could be represented as striking at the heart of the Common Agricultural Policy. As regards the Farm Bill, the approach being taken was to complete new legislation as soon as possible on a basis which seemed more concerned with the maintenance of existing support programmes than potential developments in the Uruguay Round. It had been apparent during his visit that environmental and food safety issues had become more prominent over the past year. As regards food safety, it appeared that the United States authorities had encountered a number of the same problems of scare campaigns as had the United Kingdom. His meetings with the United States Trade Representative, Mrs Carla Hills, had suggested that the problem of oil seeds might present more difficulty, at least in the short term, than that of hormone treated beef. It was important, however, that progress be made on both issues if they were not to have an unhelpful impact on the Uruguay Round. Mrs Hills had also explained that she was under heavy pressure from the Californian Congressional Delegation to take unilateral action on canned fruit.

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Nissan Motors

Previous

Reference:

CC(89) 244

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY recalled that, following the resolution of problems in this area with France, there had been suggestions that Italy would place obstacles in the way of imports of Nissan cars manufactured in the United Kingdom. He had pursued the matter with the Commission. He had now been informed that these reports had been put out by the Italian authorities solely for internal consumption. No problems over imports to Italy were in fact foreseen.

Community.
Competence

THE PRIME MINISTER said that she had recently had drawn to her attention indications that the Commission was attempting to extend Community competence into new areas. In particular a document sponsored by the Commission had proposed the adoption of a Framework Directive which would require Member States to develop publicly-funded child care services for children up to the age of ten. It was important that colleagues should be fully alert to Commission proposals to extend the Community's competence in the social area and bring them into the open.

In discussion it was noted that constant vigilance was required in relation to this issue generally. The problem was exacerbated when individual Commissioners adopted an unhelpful stance, as had Commissioner Papandreu in relation to both social security and labour market issues. The European Court of Justice also tended to interpret the Treaty in ways which extended Community competence. Instead of working to establish a market with the minimum of regulation, there were continuing pressures for standardisation in such areas as social security, company and labour market legislation. Analogous problems arose in relation to frontiers where the Commission interpreted the Single European Act as providing authority to dispense with checks required, for example, for reasons of plant and animal health. Commissioner Brittan had, however, made a helpful speech on frontier issues recently. It was suggested that the approach being taken by his predecessor, Lord Cockfield, on the wider evolution of the Community, including a single currency, was so patently extreme as arguably to be welcome on that account. It was noted that the Sub-Committee on European Questions of the Defence and Overseas Policy Committee (OD(E)) had recently instituted a monitoring arrangements to identify potentially controversial developments in European Community business.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet needed to be fully alert to the competence issue. The Foreign and Commonwealth Secretary should arrange for an analysis of departments' knowledge of attempts by the Commission to extend Community competence, notably in the social area, to be considered initially by OD(E) and then by a meeting of the

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full Committee. Regular reports would be needed about such attempts and the Cabinet itself might need to consider this issue from time to time.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Foreign and Commonwealth Secretary to proceed accordingly.

Cabinet Office

27 April 1980

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