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CABINET

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

THURSDAY 6 JULY 1989

at 10.30 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 Paul Channon MP  
Secretary of State for Transport

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

The Rt Hon John Wakenham 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 Anthony 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 (Item 3)  
Mr P J Weston (Item 3)  
Mr P J C Mawer (Item 1 and 2)  
Mr S S Mundy (Item 1 and 2)

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HOME AFFAIRS  
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Abolition of  
the Dock  
Labour Scheme  
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Previous  
Reference  
CC(89) 23.2

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

2. THE SECRETARY OF STATE FOR EMPLOYMENT said that the Dock Work Bill had received Royal Assent on the previous Monday, which was two weeks earlier than had originally been thought possible. The Bill had completed its passage through Parliament, without amendment, in only three months and he wished to record his thanks to the Business Managers on this successful outcome. The result of the second ballot of the Transport and General Workers Union (TGWU) dockworker members was likely to be announced on the following day and it was almost certain that there would be a majority for strike action. Strike action was likely to start almost immediately in the former Scheme ports: this might well crumble quite quickly in some of the smaller ports, but it could be expected to be fairly prolonged in others, for example at Tilbury and Liverpool. The fact that official strike action had been delayed until after the Dock Labour Scheme had been abolished meant that it would be taking place against the background that dockworkers who took strike action could be treated like other employees in a similar situation and replaced by other workers and that there had been ample time for contingency arrangements to be made by traders and others against the possibility of a strike in former Scheme ports. He would be circulating briefing material to colleagues later that day for use in the event of the ballot of TGWU dockworker members producing a majority for strike action. Certain employers in the former Scheme ports had already declared some redundancies, though mostly of a voluntary nature.

THE PRIME MINISTER said that the Cabinet congratulated the Business Managers in both Houses on their success in securing the passage of the Dock Work Bill two weeks ahead of schedule.

The Cabinet -

1. Congratulated the Business Managers in both Houses on the successful passage of the Dock Work Bill

Industrial  
Action in  
the Transport  
and Other  
Sectors

THE SECRETARY OF STATE FOR TRANSPORT said that on the previous day there had been a one-day strike by members of the National Union of Railwaymen (NUR) on British Rail (BR) and a similar stoppage by members of the NUR and the Amalgamated Society of

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Locomotive Engineers and Firemen (ASLEF) on the London Underground. There had also been a strike by engineers employed by London Buses Ltd, which had, however, only affected about one half of London Buses' services. On the same day, the Railways Staff National Tribunal (RSNT) had heard the case of the Transport Salaried Staffs' Association (TSSA) against the imposition by BR of a 7 per cent pay increase. The Tribunal's decision, which would not be binding, was expected quickly. BR hoped that the Tribunal would support the settlement already proposed but, if they were to recommend a moderate increase in the 7 per cent award and provided that BR could find off-setting savings, it was possible that its management would be prepared to contemplate accepting the finding. The NUR and ASLEF (the results of whose ballot in favour of a ban on overtime and rest day working was expected later that day) had declined to take their case to the Tribunal and were thereby in breach of a 1956 agreement on pay negotiating machinery in the rail industry. It was possible, however, that the Tribunal's decision in the TSSA case could open the way for talks between BR and the other unions, especially as there were some signs of resistance among certain NUR members to any escalation of the present dispute. In these circumstances, he would continue to say, if asked, that the NUR and ASLEF should have gone to the Tribunal, but would want to reassess in the light of the Tribunal's decision and reaction to it, whether to go on pressing that they should do so.

Continuing, the SECRETARY OF STATE FOR TRANSPORT said that progress in resolving the disputes about pay and the Action Stations programme on London Underground was likely to be slow, as the attention of the union leaders was concentrated principally on their dispute with BR. There were, however, signs of progress towards a settlement of the pay dispute affecting London Buses, where the trade unions concerned were recommending their members to accept the management's latest offer. Contingency plans to cope with the effects of the previous day's strikes had worked well. The special parking arrangements had been almost fully used and would be repeated and perhaps extended on future occasions. The park and ride scheme at the White City had been less successful but might be tried a further time, together with a similar scheme operating by river bus from the Surrey Docks. Paid advertisements encouraging car sharing and other contingency measures were being considered. He would be circulating briefing on the disputes to colleagues, and writing later that day to Government supporters in Parliament.

In discussion, the following points were made -

- a. There were a number of other disputes which were likely to attract increasing attention. A one-day strike by members

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of the National Association of Local Government Officers had been solidly supported in the North, although less so in the South. A two-day strike was planned in the following week, with further escalation of the action possible thereafter. The dispute was between the local authorities and their employees, and Ministers had expressly been asked not to comment on it by local authority leaders, who were standing firm against the union's demands. However, the industrial action had led to a number of vulnerable groups, such as the elderly, being deprived of local authority services on which they relied, and it was right that this effect of the union's action should be made more widely known. If the dispute escalated, it could have particularly damaging effects on meat supplies, although contingency arrangements were being laid against this and publicity for this potential effect of the dispute would not be helpful. Other current disputes involved steel erectors on major sites in Central London - on strike for three weeks already over a 36 per cent pay claim, a reflection of the overheating in the construction industry - and employees of North Sea contractors, where a pay dispute was being advanced under guise of a campaign for improved safety levels in the wake of the Piper Alpha disaster.

b. There was as yet no sign that the various disputes were co-ordinated, though no doubt there was a tendency on the part of the various trade unions in dispute to take advantage of the disruption caused by the activities of the others. Effective arrangements for the co-ordination of different Departments' interests in the disputes had been established.

c. The substantial pay rises averaging 27 per cent in the last financial year, which top industrial managers had enjoyed, had not helped the management case in the various disputes. It would not do any harm for the Government to take the line that managers must learn to lead by example, not exhortation.

d. The Government's case was strong and must be vigorously presented, although the reaction to the impending decision by the RSNT would need to be considered carefully. Regular contact between the Ministers primarily involved in the disputes and political journalists and leader writers was essential.

e. Everything possible should be done to convince the travelling public of the Government's commitment to its interests. It should also be pointed out that the public was not only paying for the rail service through fares but through subsidy. If that subsidy and the value of asset

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sales by BR last year were taken into account, BR's claimed profit in that year of over £300 million became a current loss of over £400 million.

THE PRIME MINISTER, summing up the discussion, said that some sections of the press had suggested that the Government welcomed the disputes in the transport sector. This was wholly mistaken, not least given the very substantial sums of money which in recent years had been invested in British Rail and the London Underground. The irresponsible actions of the public sector units concerned were driving business away from the railways. The disputes were not between the Government and the trade unions, but between the trade unions and management. The Government's case, and its sympathy for the travelling public, must be presented vigorously. The Government had demonstrated its commitment to the railway industry by investing substantial sums in it: it was for the management of the industry to manage its staff within the resources available to it.

The Cabinet -

2. Noted, with approval, the Prime Minister's summing up of its discussion and invited the Secretary of State for Employment, the Secretary of State for Transport and other Ministers concerned to take account of the points made in discussion in the further handling of the various disputes.

FOREIGN  
AFFAIRS

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Greece

Previous  
Reference  
CC(89) 22.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that an unlikely coalition of New Democracy and the Left had been formed on 1 July with the single objective of starting judicial proceedings in the Greek Parliament against ministers of the PASOK Party thought to have been involved in corruption. This coalition government would have a limited term of three months, with the prospect of fresh elections in October. The new Prime Minister, Mr Tyannis Tzannetakis, was essentially a backroom organiser. Mr Constantine Mitsotakis, the leader of New Democracy, would keep control from behind the scenes and would be well-placed for the next elections. The former Prime Minister, Mr Andreas Papandreou, had now been released from hospital.

Republic of  
Ireland

Previous  
Reference  
CC(89) 23.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that attempts by the Taoiseach, Mr Charles Haughey, to form a new government following the recent elections in Ireland continued. Mr Haughey was attempting to conclude a deal with the Progressive Democrats

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of a kind which would ensure their support without amounting to a formal coalition which he was still resisting. The likelihood was that he would be able to secure some working arrangement in due course.

Sudan

THE FOREIGN AND COMMONWEALTH SECRETARY said there had been a bloodless military coup in Sudan on 30 June. The deposed Sudanese leader, Sadiq Al Mahdi, was in hiding. The overall situation was calm, with evident relief at the departure of the previous government which had been wholly ineffective. The new regime of Lieutenant General Omer Hassan appeared to be pro-Egyptian, not looking for support toward Libya. Lieutenant General Omer Hassan had already made clear that he would make vigorous efforts to bring an end to the war in south Sudan. However matters turned out, it was unlikely that the situation would be worse than that which had preceded the coup.

Israel

Previous  
Reference  
CC(88) 35.4

THE FOREIGN AND COMMONWEALTH SECRETARY said that a major argument had broken out within the ranks of the Israeli Likud Party. As a result the Prime Minister, Mr Yitzhak Shamir, was saying that he had been obliged to modify his proposals for elections in the occupied territories of the West Bank. He had done so in ways which seemed likely to doom the election plan to failure unless very strong countervailing pressure were brought to bear on him from the United States. There was a danger that the governing coalition would break up although Mr Shamir's government was likely to remain in office with the support of the religious parties. This in turn, should it occur, would also be bad for the prospects of the moderate leadership of the Palestinian Liberation Organisation under Mr Yasser Arafat.

Hong Kong

Previous  
Reference  
CC(89) 23.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the purpose of his visit to Hong Kong on 2-4 July had been to reassure the Hong Kong people of the British Government's commitment to the territory and determination to safeguard its future. He had found public opinion there immensely concerned about the implications for Hong Kong of recent repression in China. This concern focussed on both the political and economic prospects for Hong Kong. A wide campaign had been generated in Hong Kong with the objective of obtaining the right of abode in the United Kingdom for all 3.1/4 million holders of Hong Kong British passports. This campaign was vociferously supported by

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expatriates there in an apparent attempt to demonstrate the legitimacy of their own Hong Kong credentials. He had explained at every opportunity during his visit why it was impossible for the British Government to grant this demand. By the end of his visit some of his interlocutors were beginning to acknowledge, at least in private, that they understood this. But it would be some time before the situation in Hong Kong fully settled down again. He had assured people that the Government would respect the views of Hong Kong as to the pace of democratic change in the territory. He had been able to promise that a Bill of Rights for Hong Kong would be introduced soon. He had made it clear that the Government would press China on such issues as the right of the Chinese Government to declare a state of emergency in Hong Kong under Article 18 of the draft Basic Law and the question of the stationing of Chinese military forces in Hong Kong after 1997. He had emphasised the need in seeking to restore public confidence to build upon the Anglo-Chinese Joint Declaration of 1984 and to resume in due course the efforts in this direction made through the activities of the Joint Liaison Group.

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Continuing, the FOREIGN AND COMMONWEALTH SECRETARY said that in his contacts with the Hong Kong business community he had found people determined to maintain Hong Kong's valuable commercial links with China, not least because there had been so much Hong Kong investment in factories set up within the Chinese People's Republic. Business opinion in Hong Kong was concerned that the debate that recent events had stimulated in the United States should not lead to any lurch in American thinking toward economic sanctions against China. Hong Kong businessmen understood the measures that the United Kingdom had taken and announced in relation to China, and the need to demonstrate public indignation about the repression in China. But they also knew that continuing commercial contacts with China were indispensable. On the Vietnamese boat people he had explained to Hong Kong opinion the results of the recent International Conference in Geneva and the prospect that those Vietnamese arrivals in Hong Kong who did not qualify as refugees would be repatriated to Vietnam. Everybody in Hong Kong had welcomed this.

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In a brief discussion, it was pointed out that the Sino-British Trade Council would be meeting on 7 July and was likely to postpone, while martial law continued, the trade exhibition it had been planning to sponsor in China in November this year. Expenditure incurred, and commitments from public funds, would be honoured; but no further public funds would be committed. There was some disposition on the part of China's other major international trading partners (e.g. France and Japan) to draw back from aid-related trade to China for the time being. But

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much of the normal trading patterns would continue and, in particular, the very large investment projects were likely to be unaffected.

The Cabinet -

Took note.

ARRANGEMENTS  
FOR THE  
RECESS

The Prime Minister asked her colleagues to ensure that the flow of Government announcements, initiatives and publications did not cease during the month of August. She also asked colleagues to arrange that a roster of Ministers should be in place for each Department throughout the Recess to supervise actively the responsibilities of the Department.

The Cabinet -

Took note.

Cabinet Office

7 July 1989

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