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CABINET

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

THURSDAY 27 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
Lord President of the Council

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Douglas Hurd MP
Secretary of State for the Home
Department

The Rt Hon John Major MP
Secretary of State for Foreign and
Commonwealth Affairs

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 Trade and Industry

The Rt Hon Kenneth Baker MP
Chancellor of the Duchy of Lancaster

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

The Rt Hon John MacGregor MP
Secretary of State for Education
and Science

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

The Rt Hon Cecil Parkinson MP
Secretary of State for Transport

The Rt Hon John Wakeham MP
Secretary of State for Energy

The Rt Hon The Lord Belstead
Lord Privy Seal

The Rt Hon Antony Newton MP
Secretary of State for Social Security

The Rt Hon Christopher Patten MP
Secretary of State for the Environment

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

The Rt Hon Norman Lamont MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon David Waddington QC MP
Parliamentary Secretary, Treasury

The Rt Hon Peter Brooke MP

SECRETARIAT

Sir Robin Butler
Mr L V Appleyard (Items 3 and 4)
Mr D A Hadley (Items 3 and 4)
Mr P J C Mawer (Items 1 and 2)
Mr S S Mundy (Items 1 and 2)

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MINISTERIAL
CHANGES

1. THE PRIME MINISTER said that the Cabinet wished to thank the Secretary of State for Defence, who was attending his last Cabinet, and other Ministers who had recently left the Government for the very great contribution which they had made to the success of the Government's policies. The Cabinet welcomed the Secretaries of State for the Environment and Northern Ireland, the Minister of Agriculture and the Chief Secretary as new members following the recent Ministerial changes.

The Cabinet -

1. Warmly endorsed the Prime Minister's comments.

THE PRIME MINISTER said that it would be helpful if Ministers in charge of Departments could rapidly conclude the allocation of responsibilities among their Ministerial teams, so that this information could be made available to Members of Parliament as soon as possible.

The Cabinet -

2. Took note.

PARLIAMENTARY
AFFAIRS

2. The Cabinet were informed of the business provisionally to be taken in the House of Commons in the first week after the summer adjournment.

THE PRIME MINISTER said that it would be helpful to Parliamentary colleagues if, when replying to correspondence from them during the recess, a copy of the reply could be included with the original for forwarding to the constituent concerned. It would also be necessary to give thought over the recess to the changes which would flow from the experimental televising of Parliament when the House returned, and in particular to look carefully at how members of the Government presented themselves and their policies. The Lord President should also consider the position in relation to Select Committees, a number of which had produced reports critical of Government in spite of containing a majority of Government supporters.

The Cabinet -

Took note and invited the Lord President of the Council to review the position on Select Committees in discussion with the Parliamentary Secretary, Treasury.

HOME AFFAIRS

3. THE PRIME MINISTER said that she hoped that in future, colleagues would use the home affairs item of the Cabinet agenda not only to report on events but to give early warning of politically significant developments in prospect.

The Cabinet -

1. Took note.

Industrial
Action in the
Docks and Local
Government

Previous
Reference:
CC(89) 26.2

THE SECRETARY OF STATE FOR EMPLOYMENT said that there were increasing signs that the industrial action in former Dock Labour Scheme ports was crumbling. Thirty former Scheme ports were now working: more than 2,000 former registered dock workers had ceased to take strike action, and another 2,500 had accepted redundancy. In particular, there appeared to have been a significant return to work at Tilbury, one of the most militant ports, following firm action by the Port of London Authority. Mass meetings of dock workers were due to be held at Bristol and Hull that day, and a Dock Workers Delegate Conference of the Transport and General Workers Union was arranged for the following day. It was likely that a return to work at Southampton would depend on the outcome of that conference.

The position in local government was more serious. The National Association of Local Government Officers (NALGO) was planning to ballot its members on a further four one-day strikes. In addition it planned indefinite strike action by its members in key areas such as finance, accountancy and computer bureaux. This could well adversely affect arrangements for the introduction of the community charge. Talks between the Union and the local authority employers were scheduled for the following Monday, when it was possible that the latter would increase their pay offer above 7 per cent. This would not be helpful in keeping down wage settlements and could have an adverse effect on pay negotiations concerning ambulance workers and local authority manual workers. It remained essential, as part of the Government's counter-inflationary policy, that wage settlements should be scrutinised and kept down as much as possible, although there were limits to the influence which the Government could bring to bear on the local authority employers.

In discussion, the following points were made:

- a. The 9.25 per cent pay settlement for the police could have an adverse effect on other pay negotiations, although the job of the police was unique and was reflected in their special pay arrangements.
- b. The consequence of any higher pay settlement for local authority staff should be a reduction in the numbers of those staff. Revenue Support Grant would not be forthcoming simply to finance inflationary pay settlements.
- c. Any adverse effect which the industrial action by NALGO members might have on the introduction of the community charge might well rebound on the local authorities themselves. If local authorities failed to register people for the charge, they would receive less grant. This needed to be brought to their attention.
- d. NALGO was adopting a deliberate policy of targetting key, sensitive activities. It had accumulated a substantial strike fund - it was believed by mortgaging properties - and was paying the strikers in key areas full pay so that they lost nothing by their actions. The employers would need to see if there was any way in which this could be countered.
- e. There was no evidence so far that workplace ballots being conducted by NALGO were unlawful.
- f. One way of countering NALGO's actions might be for local authorities to put key work out to the private sector.
- g. In spite of a vigorous campaign against payment from some quarters, payment of the community charge in Scotland was running ahead of the payment of rates for this point in the year.

THE PRIME MINISTER, summing up the discussion, said that if the industrial action by NALGO members were to have an adverse effect on the introduction of the community charge, then the chief victims would be the most vulnerable groups in society. The public should be constantly reminded of this fact. The Secretary of State for the Environment should consult the Secretary of State for Employment on the line which the Government should take in relation to the talks between NALGO and the local authority employers due

in the following week. He should remind the employers both of the effect on staff numbers of higher pay levels and of the scope for contracting out services. He should also examine the effects which any failure to introduce the community charge arrangements because of industrial action might have on the payment of grant to the local authorities.

The Cabinet -

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

Industrial
Action in the
Transport
Sector

Previous
Reference:
CC(89) 26.2

THE SECRETARY OF STATE FOR TRANSPORT said that there were some signs of movement in the dispute involving members of the National Union of Railwaymen (NUR) and British Rail (BR). Some 12,500 out of 75,000 NUR members had not joined the one-day strike the previous day and BR had been able to run a very limited service. The industrial action was increasingly unpopular with the membership of the Union, especially in the South East, and the executive of the Union, which was meeting later that day, was under mounting pressure to settle the pay dispute. Although the outcome was difficult to predict, it was possible that the executive would decide to suspend industrial action. In those circumstances, it was likely that BR management would agree to further talks about pay negotiating machinery, although it had said earlier that it would not do so unless industrial action was ended. Nevertheless, the management judged that the advantage lay in agreeing to talks if industrial action was suspended.

On the London Buses, drivers and conductors had accepted management's pay offer, and talks were in progress between the employers and the bus engineers. There were some hopeful signs of a settlement.

Two of the three unions concerned had either accepted or seemed ready to accept London Underground's pay offer: a meeting had been arranged for the following Tuesday between management and all three unions at which the NUR would be under considerable pressure to settle also, although it was likely that the one-day strike scheduled for the following Wednesday would still proceed. Solutions to the Action Stations and driver-only train disputes would take longer, but there were signs that a productivity deal might provide a way forward.

In a brief discussion, it was noted that the impact of the disputes on public opinion had been bigger than expected. But where management had adopted a firm stance, industrial action had not been successful. It was important that management should learn the lessons.

THE PRIME MINISTER, summing up the discussion, said that it was important that management should be encouraged to learn the lessons of the recent disputes and stand ready to act on them in future.

The Cabinet -

3. Took note.

THE HOME SECRETARY said that he expected to receive Lord Justice Taylor's interim report on the Hillsborough Stadium disaster the following Tuesday. The report was likely to be critical of a number of individuals and agencies involved in the disaster. It would contain some recommendations which it was desirable to implement before the start of the new football season on 19 August. It would be advantageous therefore to publish the report on Friday 4 August, with a statement of the Government response to the report. He would consult interested colleagues urgently as soon as the report was received.

In a brief discussion, it was noted that it was desirable that appropriate individuals who were criticised by the report should be given some advance warning so that they could react in a considered way when the report was published. On the other hand, care would need to be taken to ensure that the report's contents did not become known prematurely.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet noted the timetable for the publication of Lord Justice Taylor's interim report. The Home Secretary should consult the Secretary of State for the Environment and other interested colleagues on the Government's response to the report as soon as it was received, and should also consider the arrangements for giving those criticised by the report some advance warning of its contents relating to them.

The
Hillsborough
Stadium
Disaster

Previous
Reference:
CC(89) 14.1

The Cabinet -

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

Northern
Ireland

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that 14 and 15 August would mark the 20th anniversary of the deployment of British troops on the streets in Londonderry and Belfast respectively. The anniversary was bound to attract world wide media attention and would undoubtedly be exploited by terrorist organisations and their sympathizers. In an attempt to give a balanced account of the last 20 years, his Department had produced a book which sought to set evidence of the progress made in those years alongside a realistic portrait of the violence perpetrated by the terrorists. He hoped that the publication would help British embassies and others abroad to give an account of the efforts and achievements of British policy in Northern Ireland over the last 20 years in a balanced and convincing way.

The
Economy

Previous
Reference:
CC(89) 25.6

THE CHANCELLOR OF THE EXCHEQUER said that he would be sending to the Government's parliamentary supporters that day the usual written account before the recess of the general economic position. Overall the picture was encouraging: inflation remained the chief problem, although there was evidence that this was now beginning to respond to the Government's measures. Firm, sustained downward pressure on inflation would continue to be needed for some time. On a particular point, he would be grateful if colleagues would first consult the Chief Secretary before setting up any inquiries which could conceivably have expenditure consequences. Problems could result if enquiries were set up which generated recommendations for expenditure which could not easily be met.

THE PRIME MINISTER said that Ministers should consult the Chief Secretary before establishing enquiries likely to have expenditure consequences. More generally, the successful handling of the economy was likely to be the key to the fortunes of the Government over the next few years. It was essential in this as in other areas that the public should be reminded of the Government's many achievements over the last 10 years.

The Cabinet -

5. Took note.

FOREIGN
AFFAIRS

Vietnamese
Boat People

Previous
Reference:
CC(89) 26.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the recent disturbance at Sek Kong was not the first outbreak of violence in the camps in Hong Kong where the Vietnamese boat people were housed, but this was the largest camp. As time went by and hopes of resettlement faded, frustration was bound to mount. The camps had become overcrowded as a result of the high rate of new arrivals, and many Vietnamese boat people had had to be moved around quickly because of recent typhoons. During the most recent disturbance, one person had died and a number of others had been injured. The Secretary for Security in Hong Kong had called for a full report. Two investigations were now under way. A criminal investigation was being carried out into the death of the rioter which would result either in a prosecution or a full coroner's inquiry. The Police Complaints Board was looking into allegations against the police. At the same time a wider report containing accounts of assaults by the police was being submitted by the United Nations High Commission for Refugees (UNHCR) to the Governor of Hong Kong. The UNHCR was likely to press for an independent inquiry but this would be resisted by the Hong Kong Government since present arrangements in the Colony for dealing with complaints against the police appeared adequate for examining these problems. Further criticism could be expected in the press and Parliament on the issue of the Vietnamese boat people.

Japan

Previous
Reference:
CC(89) 15.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Japanese Prime Minister, Mr Susoke Uno, had resigned on 24 July following poor election results by the Liberal Democratic Party (LDP) in the Upper House elections on 23 July. Mr Uno would continue as caretaker until a new Prime Minister was selected. No clear contenders had yet emerged. The LDP would probably try to choose their new leader by an open vote of LDP Diet members on 8 August, so that he could be ratified by the Diet before the mid-August holiday. The LDP had now lost its overall majority in the Upper House. Annual budgets and treaties could not be blocked, but for other legislation the LDP would need co-operation from some of the opposition parties in the Upper House. The general elections, which were due to take

place in June 1990, would probably be brought forward.

President
Mitterrand's
Interview
with European
Editors

THE FOREIGN AND COMMONWEALTH SECRETARY said that reports of an interview given by the French President, Monsieur Francois Mitterrand, to European editors had attracted considerable publicity for remarks about the United Kingdom's role in developments of European Community policy. However the contents of this interview were not new.

In a brief discussion, it was pointed out that the interview was much less controversial than the news reports suggested. The newspapers had been highly selective in their reporting and had created a false impression. The interview generally restated points made by President Mitterrand at the time of the Madrid Summit.

Visit by
Soviet
Defence
Minister

THE SECRETARY OF STATE FOR DEFENCE said that General Dimitry Yazov was paying the first visit to Britain by a Soviet Defence Minister. The visit had gone well within limited objectives. General Yazov had shown no evidence of new thinking and had basically repeated earlier positions. His main themes were that the Cold War had ended, the international climate had improved, and greater trust was needed. The attitude of the General and his party had noticeably thawed during some very successful military visits. The Navy and Air Force personnel had put on a bravura performance. General Yazov had been particularly impressed that the officers in each unit had briefed him in Russian. General Yazov had also been favourably struck by the high quality of the sailors and airmen with whom he had spoken, and by the Other Ranks' club which he visited. In discussion, General Yazov had revealed that it would take a long time to restructure Soviet forces. He had admitted that the process could take years, and in general had spoken about the changes in a realistic fashion. It was clear that the North Atlantic Treaty Organisation had seized the high ground on conventional force reductions thanks to the initiative by the American President, Mr George Bush. General Yazov's visit was part of a coordinated series of such visits to Western countries. It would be essential to remind Western public opinion that such visits, though welcome, did not remove the need to maintain a strong defence.

In a brief discussion, it was noted that the public impression created by General Yazov was that of a traditional Soviet military figure of the Brezhnev era. Mrs Aleksandra Biryukova, Soviet Deputy Prime Minister and Chairman of the State Commission for Social Development, was also visiting Britain at the invitation of the Secretary of State for Trade and Industry. The visit had gone well but it would not be easy to increase the level of trade in the short term.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Agriculture
Council
24-26 July

5. THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the Agriculture Council on 24-26 July, which he had attended in his former Ministerial capacity, had agreed by qualified majority to changes in the support arrangements for sheepmeat. Expenditure in this sector had been increasing rapidly and the changes were the last main element in the reform of the support regimes of the Common Agricultural Policy. The main issue for the United Kingdom had been a discriminatory proposal from the Commission to limit support payments to a given number of ewes per farm. In negotiation this had been modified to payment above the limits at a rate of 50 per cent instead of zero. Although there might be some criticism from farmers, he believed this much improved outcome was fully defensible. The special support arrangements (variable premium) at present operated in Great Britain alone would be phased out, as would the accompanying restrictions on exports to other member states. This had been widely expected, and he did not believe it would provoke criticism: the opportunity for increased exports to France would be beneficial. The Council had also agreed on a regulation enabling stocks in intervention to be used to provide emergency aid for Poland.

Exports of
Cattle

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that, following discussions in the Standing Veterinary Committee, a ban had been imposed on exports of live cattle from the United Kingdom to other member states because of the risk of transmitting bovine spongiform encephalopathy, a disease which had been discovered only in this country. He would discuss with the Secretary of State for Northern Ireland

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problems that might arise in connection with the Northern Ireland land frontier.

Assistance
for Poland

THE FOREIGN AND COMMONWEALTH SECRETARY said that the agreement between the Community and Poland, which the United Kingdom had done much to promote, would be signed shortly. It would provide for increased trade and economic co-operation.

THE CHANCELLOR OF THE EXCHEQUER said that suggestions from Denmark and certain other member states for loans to Poland by the European Investment Bank should be resisted. Otherwise a dangerous precedent would be set for loans to non-Community countries and for by-passing the requirements of the International Monetary Fund.

The Cabinet.

Took note.

Cabinet Office

28 July 1989

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