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CABINET

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

THURSDAY 28 SEPTEMBER 1989

at 9.30 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 The Lord Mackay of Clashfern
Lord Chancellor

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

The Rt Hon Norman Fowler MP
Secretary of State for Employment

The Rt Hon Tom King MP
Secretary of State for Defence

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 Christopheratten MP
Secretary of State for the Environment

The Rt Hon Peter Brooke MP
Secretary of State for Northern
Ireland

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

The Rt Hon Norman Lamont MP
Chief Secretary, Treasury

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THE FOLLOWING WERE ALSO PRESENT

Mr Rt Hon David Waddington QC MP
Parliamentary Secretary, Treasury

The Hon William Waldegrave MP
Minister of State, Foreign and
Commonwealth Office

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)
Mrs J Bailey (Items 1 and 2)

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PARLIAMENTARY
legislative
programmes
1988/89 and
1989/90

1. THE LORD PRESIDENT OF THE COUNCIL informed the Cabinet, on a confidential basis, of the proposed date for the State opening of Parliament. He said that pressure on the legislative programmes in the present session and the next one was very heavy. A number of major Bills to be considered in the Parliamentary spillover were facing substantial amendment: he was, in particular, discussing with the Secretary of State for the Environment the prospects for reducing the number of amendments to the Local Government and Housing Bill. It would be helpful if all colleagues with an interest in Bills presently before Parliament would take a very rigorous view of proposals for their amendment and would also ensure that as many amendments to the Bills as possible were tabled by the time the House resumed. The programme for the 1989/90 session seemed, if anything, even heavier than the present one, and in view of the desirability of starting the fourth session of the present Parliament as close to the conventional time as possible, he was in touch with a number of colleagues about the possible postponement of several items in the programme provisionally agreed by the Cabinet in March. Ministers with Bills remaining in the programme should ensure that instructions were delivered to Parliamentary Counsel as quickly as possible in order that Bills could be introduced promptly at the start of the new session.

THE LORD PRIVY SEAL said that the House of Lords would resume sitting on 9 October. Three major Bills - the Employment Bill, the Local Government and Housing Bill, and the Self-Governing Schools (Scotland) Bill had still to complete their passage through the House, and other Bills due to return to the Lords from the Commons - the Children and Companies Bills - would, when they returned, have been the subject of considerable amendment in the lower House. The target for completing the Lords' business was therefore a very tight one.

The Cabinet -

Took note.

televising of
the Proceedings
of the House of
Commons

Previous
Reference:
HC(89) 20.1

THE LORD PRESIDENT OF THE COUNCIL said that the experimental televising of proceedings in the House of Commons would begin after the State Opening of the new session. There would be a period from 17 October when the cameras in the Chamber would be functioning but nothing would be transmitted, so that the broadcasters could iron out any difficulties. The introduction of cameras would mean that Ministers would have to review their Parliamentary speaking style: in particular it would not be

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good enough for them simply to read out lengthy Departmental briefs couched in technical language. He was discussing with other interested colleagues what more general advice could be given to Ministers on this issue, and what advantage, if any, could be taken, on a basis agreed between the Parties, of the period between the House's return and the State Opening. He would issue further guidance to colleagues in due course.

THE PRIME MINISTER, summing up a brief discussion, said that it was clear that the advent of television would affect the style which Ministers adopted in the House. Television might appear to call for a more impromptu style but there were many Parliamentary occasions on which the precise words used by Ministers were very important. Ministers should use plain language but should not forfeit the authority with which they spoke under the pressure of the new medium. The possibility of providing a lectern on the despatch box should be explored. The experience of other Parliaments, such as the Canadian, might provide some helpful lessons. The Lord President of the Council should continue his discussion of the issues and arrange guidance to colleagues in due course.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of this part of their discussion and invited the Lord President of the Council, in consultation with the Chancellor of the Duchy of Lancaster, to circulate guidance to colleagues in due course.

HOME AFFAIRS

National Health Service Reform Bill

Previous Reference: CC(89) 26.2

2. THE SECRETARY OF STATE FOR HEALTH said that he had had a useful meeting the previous day with representatives of the British Medical Association (BMA). Although this was expected to be a routine business meeting, the Chairman of the BMA had attended. In the course of discussion, the BMA representatives had accepted his assurance that the proposal in the White Paper on the reform of the National Health Service (NHS) to introduce indicative drug budgets for general practitioners (GPs) would not result in situations where patients had to be refused necessary drugs. This was an important breakthrough, since the assurance given was not a new one, and had involved no concession on his part. Despite initial reluctance the BMA representatives had agreed to the immediate publication of a joint statement announcing this development. This would be most helpful in presenting the Government's case over the coming months, and in countering arguments from the opponents of the NHS reforms that the elderly and sick

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might suffer as a result of the introduction of indicative drug budgets.

Teachers'
Pay for
1990-91

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that he had announced on the previous day the remit of the Interim Advisory Committee (IAC) on teachers pay for 1990-91. The additional provision of £600 million was considerably more than in previous years and provided flexibility for tackling problems in the educational system such as the recruitment and retention of staff. It represented an increase in the teachers' pay bill of just over 7.5%. Seen in the context of falling inflation and given the settlement would not take effect until next April, the remit was a fair one. The immediate response of the National Union of Teachers and the National Association of Schoolmasters/Union of Women Teachers was however disappointing. Some of the latter's members had staged a walkout at a school in West Yorkshire the previous day, and further industrial action could not be ruled out. Such action would be irresponsible.

Explosion at
Royal Marine
School of
Music, Deal

THE SECRETARY OF STATE FOR DEFENCE said that there had been a serious explosion at the Royal Marine School of Music in Deal on the previous Friday, in which 10 Royal Marine Bandsmen had been killed and 12 injured, 8 of them seriously. The number of casualties had been particularly high because of the construction of the rest room in which the bomb had exploded. The explosion was the work of the Provisional Irish Republican Army (PIRA) which had for some time been trying to step up its campaign against military targets in Great Britain. His predecessor had set in hand the previous year a major programme of improvements to the security of defence establishments, costing some £120 million. The benefits of this had already been seen in a number of recent incidents in which intruders had been prevented from entering Service bases, and he was taking steps to accelerate the programme. Nevertheless the size of the security problem was considerable: there were over 2,000 defence installations of widely varying degrees of sensitivity. He was reviewing security arrangements in the light of the incident, in particular the employment of private security firms to help guard establishments. It would be wrong to conclude from what had happened at Deal that the employment of such firms should cease: there was a proper role for adequately vetted and trained civilians in suitable numbers, in support of military personnel, in

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undertaking routine, low grade security duties. Nevertheless he was reviewing the present contracts with these firms and would not hesitate to take immediate action to terminate contracts if deficiencies emerged. One worrying feature of the Deal incident had been the failure of members of the public to report to the police the presence of three Irishmen in a house close to the barracks. He was encouraging station commanders to urge the local community to be alert at all times to the potential terrorist threat.

Industrial
action in
the Ambulance
service

Previous
reference:
C(89) 28.2

THE SECRETARY OF STATE FOR HEALTH said that the action by ambulance drivers which had begun on 14 September had not so far been serious and had attracted little publicity. There were some localised problems, particularly at the weekends, but in some areas services were almost unaffected. The situation could however deteriorate if, as expected, the ambulance officers rejected their 6.5% pay offer over the next few days, and joined in the industrial action. It was difficult to predict how the dispute would develop. He was not optimistic of a quick settlement. Although the Management Side of the NHS Whitley Council continued to urge the resumption of pay talks, and had improved their original offer, the National Union of Public Employees (NUPE) continued to press for arbitration and refused to negotiate further.

One matter of direct concern was a specific threat by the Lancashire Ambulance Service to refuse ambulance cover for the Conservative Party Conference in Blackpool. He was considering with the Chancellor of the Duchy of Lancaster what alternative arrangements should be made.

Anglo-Irish
Conference

Previous
reference:
C(89) 28.2

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that a meeting of the Anglo-Irish Conference had taken place on 15 September. The meeting had been lengthy and the Irish Foreign Minister had expressed serious concern about a number of issues, centring on the Ulster Defence Regiment (UDR) and recent alleged leaks of information about Republican terrorists from the regiment to Protestant paramilitary groups. The Irish representatives had not, however, asked for the disbandment of the regiment although there had subsequently been ambiguous statements from Dublin about this. In reply he had emphasised the common interest of the two governments in improving confidence in the security forces in Northern Ireland particularly within

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the nationalist community, and had set out the many steps which the British Government was taking to that end. He had also made clear that the British Government could not agree either to the disbandment of the UDR or the withdrawal of plastic baton rounds. At the Irish representatives' request, a further conference had been convened under the terms of the Anglo-Irish Agreement for 5 October: this gave a 3-week hiatus and he was using the time to prepare the British position for that meeting with assistance from the Chief Constable of the Royal Ulster Constabulary and the General Officer Commanding, Northern Ireland. He would make sure that the Irish Government knew the essence of the British position in advance of the conference so that they did not build up undue expectations of the outcome. Meanwhile, the inquiry by the Deputy Chief Constable of Cambridgeshire into the recent alleged leaks of information from the security forces was making good progress and enjoying excellent cooperation from the security forces.

THE SECRETARY OF STATE FOR DEFENCE said that the Prime Minister's recent remarks during her visit to the Ulster Defence Regiment had done much to boost morale in the regiment.

THE PRIME MINISTER, summing up a brief discussion, said that it had to be remembered that 180 members of the UDR had now been killed by terrorists, 149 of them off duty. Lapses in the security forces could not be condoned. The heart of the difficulties in Ulster, however, was the actions of the terrorists, many of whom found refuge in the Irish Republic. This point should not be overlooked in the discussions at the conference.

THE SECRETARY OF STATE FOR SOCIAL SECURITY said that three important improvements in social security arrangements would shortly come into effect. The pensioners' earnings rule would be abolished from the following Sunday; changes in National Insurance arrangements from 5 October would mean reductions in contributions for some 1.9 million employees; and increases in income support and housing benefits for pensioners aged 75 or over or disabled would be implemented on 9 October. An advertising campaign was already under way drawing the attention of those affected to these changes. He would be writing to Parliamentary colleagues shortly to remind them of the changes, from which a substantial number of people stood to benefit considerably.

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social
security
improvements

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Arms Control

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (MR WALDEGRAVE) said that the meetings between the United States Secretary of State, Mr James Baker, and the Soviet Foreign Minister, Mr Eduard Shevardnadze, in Wyoming, and President Bush's address to the United Nations General Assembly, had enabled the West once again to seize the initiative on arms control. The American-Soviet bilateral agreement on chemical weapons reached at Wyoming had been favourable to the Western position and to British interests. It was essential nevertheless not to diminish efforts to reach a comprehensive multilateral agreement. On strategic arms control, Mr Shevardnadze had presented the latest Soviet proposals in a clever but misleading way to suggest that the Russians were prepared to delink the Strategic Arms Reductions Talks (START) and the Defence and Space Talks. The reality was different: the Russians were claiming the right to withdraw from a START agreement if they interpreted action taken under the Strategic Defence Initiative as a breach of the Anti-Ballistic Missile (ABM) Treaty. Soviet agreement to demolish the Krasnoyarsk radar was welcome. The Russians had sought pro forma assurances about the United States early warning radars at Fylingdales and Greenland. There had been some progress on conventional arms control but the Russians were still trying to drive wedges within the North Atlantic Treaty Organisation (NATO) on Short Range Nuclear Forces (SNF), aircraft and manpower limits. Mr Shevardnadze had signalled that the Russians were looking for relatively early signature of an agreement on conventional arms control.

Hong Kong

Previous
Reference:
CC(89) 24,3

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the Minister of State, Mr Francis Maude, had visited Hong Kong from 17 to 19 September. The timing of the visit had been favourable. There had been a much better atmosphere than in July and press reaction had been positive. Mr Maude had benefitted from the growing feeling of shame in Hong Kong at the discourteous treatment given to the Lord President during his visit. It was clear that the problem of the Vietnamese boat people remained the top priority for the people of Hong Kong. The first meeting of the Liaison Group with the People's Republic of China was

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currently taking place in London but was not expected to result in significant progress.

Prime
Minister's
Visit to
Japan
19-22 September
1989

THE PRIME MINISTER said that she had visited Japan from 19 to 22 September. She had had discussions with the Japanese Prime Minister, Mr Kaifu, and other senior Japanese political figures. The new Prime Minister seemed confident, firmly in control and more outward-looking than his predecessors, though perhaps lacking some of their gravitas. The former Prime Minister, Mr Takeshita, whom she had also met, was clearly very influential behind the scenes. In her discussions with Mr Kaifu she had taken up the question of additional seats for British firms on the Tokyo Stock Exchange. She had reminded Mr Kaifu that he was the fourth Japanese Prime Minister with whom she had found it necessary to raise this issue. In reply, Mr Kaifu had given assurances that the additional seats were likely to be made available in the next six months to one year. It seemed unlikely that Mr Kaifu would have given this assurance if he had not been confident that the Stock Exchange would agree. In her speech at a dinner on 19 September for leading Japanese industrialists she had listed the many barriers which still existed to access to Japanese markets. She had made clear that if Japan was not open to imports from Britain and other countries, then these countries would not be willing to be open to products from Japan. The Japanese industrialists had taken this well. They had listed the measures which had been taken to increase foreign imports into Japan. These were very small compared with the enormous trade balances in Japan's favour with major European countries. The Japanese government was evidently anxious to resume trading with China. The main speaker at the preceding industrialists' dinner had been the Chinese Prime Minister, Li Peng. The Japanese had sent a former Foreign Minister, Mr Ito, to Peking where he had met Chairman Deng Xiaoping. Chairman Deng had assured Mr Ito that he wanted a speedy resumption of trade between China and Japan but had tried to play down the tragic events on Tienanmen Square.

Continuing, the PRIME MINISTER said the Japanese government often tried to reduce the effect of concessions given to foreign exporters by promoting local counterpart products with lower tax rates. The case of look-alike whiskies was a striking example. The Japanese were worried that some governments in the European Community were beginning to claim that there was too much Japanese investment in Britain. She had told them firmly that they did not need to be deterred from investing in Britain. Representatives of the Fujitsu company had argued that unless there was

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freedom over intellectual property there could not be progress in international trade. She had pointed out that no company would be prepared to do research unless its patents were properly protected. She had discovered subsequently that the Fujitsu company had exploited certain important American scientific advances in the computer industry despite the fact that they had been patented. There had been a major court case which Fujitsu had lost. On a more positive note, Fujitsu representatives had said that although Japan was producing many more engineers than Britain, Britain already had computers in every school and was much further ahead in this area than Japan.

In a brief discussion, it was noted that on a recent visit to Japan the SECRETARY OF STATE FOR SCOTLAND had talked to senior representatives of fifteen major companies. All had stressed the importance of 1992. They believed that with the advent of a Single Market it was essential for Japanese companies to develop manufacturing facilities in Europe. Japanese companies had found that labour conditions in Britain were better than in West Germany. There were too many restrictive practices in West Germany, while in the United States the numerous Hispanic workers created language problems. The Japanese had now realised that their manufacturing companies set up in Britain would be able to distribute their products in the rest of the European Community after 1992. At the same time the reduction of external barriers after 1992 might make it more cost-effective for Japanese companies to export their goods direct to the European Community rather than to set up manufacturing outlets. West Germany had far larger balance of payments surpluses with other European Community countries than did Japan. West German restrictive practices, which a Social Charter would protect, presented a serious problem.

THE PRIME MINISTER said that on her return from Tokyo she had stopped first in Bratsk in Siberia. This had been the first visit by a British Prime Minister to Siberia. The group of senior Soviet officials who had welcomed her in Bratsk had stressed their support for perestroika.

Continuing, the PRIME MINISTER said that the wide-ranging discussions with President Gorbachev in Moscow had been successful. Mr Gorbachev seemed to be much more self-assured than when he had last visited London. At the Nationalities Plenum, just concluded, delegates had approved a policy of giving greater freedom to the constituent Republics while insisting they should remain

Prime Minister's
visit to
the Soviet
Union
22-23 September
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part of the Soviet Union and the Warsaw Pact. At the most recent Central Committee Plenum Mr Gorbachev had succeeded in replacing some of his opponents by appointees much closer to his own viewpoint. During the discussions Mr Gorbachev had explained his new proposals on strategic arms control, claiming to have removed the linkage between START and the AEM Treaty. She had pointed out that Mr Gorbachev's proposals did not amount to a delinkage, since the Soviet government would feel entitled to renege from START if they considered that the United States had breached the AEM Treaty. Mr Gorbachev had also argued that the ceiling for stationed forces on the North Atlantic Treaty Organisation (NATO) side must include not only United States forces, but also those of Britain, France, Belgium and Canada. She had told him that this proposal was not acceptable. In their discussion on Short Range Nuclear Forces (SNF), Mr Gorbachev appeared to accept that it would not be possible to go down to zero at any rate for the time being. She had made clear that maintaining an SNF capability was an essential element in NATO's strategy. She had reminded him that in accordance with the Communiqué issued after the NATO Summit in May, the Alliance had agreed to begin negotiations on SNF when a Conventional Armed Forces In Europe agreement was in place. Yet at the United Nations the Soviet Foreign Minister, Mr Eduard Shevardnadze, had spoken once again about the total elimination of nuclear weapons.

Continuing, the PRIME MINISTER said she had also taken up the question of human rights with Mr Gorbachev. He had assured her that there were no longer any problems, since any one who wanted to leave would be able to do so under the new Emigration Law. Mr Gorbachev had said that the Emigration Law was the second or third priority on his list of new legislation. His top priority was passage of new legislation on property and land ownership. The purpose of this legislation would be to reassure farmers as far as possible that property leases could not be taken away from them by subsequent legislation.

THE CHANCELLOR OF THE EXCHEQUER said that during his visit to Washington from 22 to 27 September, he had attended the Annual Meetings of the International Monetary Fund (IMF) and the World Bank. He had had a meeting with the new Japanese Finance Minister, Mr Hashimoto. The latter had taken the same line on additional seats on the Tokyo Stock Exchange as Mr Kaifu had with the Prime Minister. There was a contrast between the relative freedom with which capital goods were imported into Japan and the restrictions on the import of consumer goods and

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Annual
Meetings of
the Inter-
national
Monetary
Fund and
World Bank

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agricultural products. The Federal Republic of Germany's (FRG's) balance of payments surpluses with European Community countries were a major problem, despite FRG assurances that after 1992 these would simply be regional differences.

Continuing, the CHANCELLOR OF THE EXCHEQUER said that at the Annual Meetings, there had been a general consensus among the major industrialised nations that the world economy was in reasonably good shape, and that growth was likely to continue with no significant risk of recession. The present worldwide problem of increased inflation was not coming to an end, although the FRG Finance Minister had argued that more needed to be done in this area. The difficult question of Japan and Britain's relative quota rankings had been successfully deferred. The United States Administration was divided about how much importance should be attached to Congressional pressure against a General Quota Increase. Nevertheless the issue of quota ranking was bound to come up substantively before the end of the year.

Continuing, the CHANCELLOR OF THE EXCHEQUER said that there was a general convergence of views in the Group of 7 countries which had been amply demonstrated by their actions in the foreign exchange markets. The general view on debt this time was that the issue was less pressing since the private banks had already written off large amounts of debt. At the same time the United States Government expressed considerable anxiety about Latin American countries, mainly for political reasons, and had put pressure on the banks for a more accommodating stance on the provision of new loans.

Continuing, the CHANCELLOR OF THE EXCHEQUER said that the main talking point at the Annual Meetings had been the urgent need to help Poland and Hungary in their efforts to establish genuinely democratic political systems and free market economies. There was general agreement that the Western response should be a combination of new money and practical help. The intervention of the European Commission was creating difficulties with the IMF, which was moving ahead with its discussions as rapidly as possible. He had been impressed by the new Polish Finance Minister, Dr Balcerowicz, and the Economy Minister, Professor Trzeciakowski. The new Polish Ministers were firmly committed to promoting a genuine market economy, although they had no illusions about the scale of the problems confronting them.

In a brief discussion, the PRIME MINISTER said that assistance for Poland and Hungary was of the very highest priority. Their efforts to establish democracy and free market economies must not be allowed to fail. The

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establishment of a Solidarity government had been an historic moment but the Poles still had great problems over food supplies. It was important to help them to increase exports by reducing trade restrictions. By contrast, Hungary had no difficulties over agricultural production.

The Cabinet -

Took note.

COMMUNITY AFFAIRS

—
assistance to Poland and Hungary

4. THE MINISTER OF STATE FOREIGN AND COMMONWEALTH OFFICE said that the Commission were following up satisfactorily the remit given to them to co-ordinate assistance to Poland and Hungary. A useful meeting of representatives of the 24 countries concerned had been held on 26 September. The Commission's proposals for action by the Community itself were sensible, although the extension of the Generalised Scheme of Preferences to Poland and Hungary and the involvement of the European Investment Bank caused some difficulties for the United Kingdom. There would inevitably be implications for the 1990 Community Budget.

In a brief discussion it was noted that any attempt by Germany to take credit for what had been a United Kingdom initiative should be resisted. Increased imports of agricultural products from Poland and Hungary would be difficult to defend to producers here if other member states, such as France, contrived to keep national barriers in place. United Kingdom expertise was particularly well-placed to help East European countries to overcome their severe environmental problems.

Social Charter

THE SECRETARY OF STATE FOR EMPLOYMENT said that the Commission had now produced its definitive proposal for a Social Charter. It showed little change from the earlier draft. No real account had been taken of the conclusions of the Madrid European Council. Following discussions at official level, the Charter would come to the Social Affairs Council on 30 October.

In a brief discussion it was noted that some of the detailed parts of the text risked having severe adverse effects and it was essential to put the United Kingdom's points strongly in the discussions. An important element in German support for the Charter was a wish to prevent less prosperous member states from using their lower wage

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rates and less onerous social security arrangements to attract industry. It would be important to bring home to such member states that the Charter in its present form would be against their interests.

The Cabinet -

Took note.

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