

CONFIDENTIAL

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

COPY NO 63

CC(87) 32nd
Conclusions

CABINET

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

THURSDAY 12 NOVEMBER 1987

at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Viscount Whitelaw
Lord President of the Council

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
Chancellor of the Duchy of Lancaster

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 Services

The Rt Hon John Wakeham MP
Lord Privy Seal

The Rt Hon Cecil Parkinson MP
Secretary of State for Energy

The Rt Hon John Major MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon David Waddington QC MP
Parliamentary Secretary, Treasury

The Hon Peter Brooke MP
Paymaster General

CONFIDENTIAL

CONFIDENTIAL

SECRETARIAT

Mr C L G Mallaby
Mr R G Lavelle (Items 3-5)
Mr A J Langdon (Items 1 and 2)
Mr N H Nicholls (Items 3-5)
Mr S S Mundy (Items 1 and 2)

C O N T E N T S

| Item | Subject | Page |
|------|---|------|
| 1. | PARLIAMENTARY AFFAIRS | 1 |
| | Space Research: The European Space Agency | 1 |
| | Financial Assistance for Haemophiliacs Infected with the AIDS Virus | 1 |
| | Primary Health Care | 2 |
| | Adult Training | 2 |
| | Lobby of Parliament by Sikh Human Rights Group | 2 |
| | Lobby of Parliament by Unionist Supporters | 2 |
| 2. | HOME AFFAIRS | |
| | Unemployment | 2 |
| | Murder of Darshan Dass | 3 |
| | Northern Ireland | 3 |
| 3. | FOREIGN AFFAIRS | |
| | Soviet Union | 4 |
| | Afghanistan | 4 |
| | Tunisia | 5 |
| | Arab Summit | 5 |
| | Libyan Support for Terrorism | 5 |
| | Sri Lanka | 5 |
| | Japan | 5 |
| | Captain Carson | 6 |
| | Nuclear Planning Group | 6 |
| | United States | 6 |

CONFIDENTIAL

| Item | Subject | Page |
|------|---|------|
| 4. | COMMUNITY AFFAIRS Trade with Japan | 7 |
| 5. | FINANCIAL AFFAIRS United States Budget Deficit | 7 |

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

PARLIAMENTARY
AFFAIRS

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

Space
Research:
The European
Space Agency

Previous
Reference:
CC(87) 31.2

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that at the meeting of the European Space Agency earlier that week he had signified the Government's decision not to join the three optional programmes that were under discussion. These were projects for the Ariane V launcher, the Hermes manned spacecraft and the European element of the Columbus space station. All three projects were vastly expensive. Proposals for a European project to put a man in space by the year 2000 were grandiose and far removed from sensible industrial and commercial considerations. There was no British industrial interest in the manned space proposals, in which the French had the dominant share, and he did not foresee that such a British interest would develop. It was possible, however, that British Aerospace might develop an interest in the polar platform element of the Columbus project, and in that event he would wish to give further thought to the position that the Government should take. Similar considerations might possibly apply to Ariane. British Aerospace and Rolls Royce could be expected to continue lobbying the Government for support for the Horizontal Take-off and Landing Project which was another vastly expensive set of proposals, albeit conceived in Britain. He had encouraged British Aerospace to pursue the matter further with the German and Japanese aerospace concerns in the first place. He proposed to make a statement later that day about the European Space Agency meeting and had circulated the text to his colleagues most closely concerned.

Financial
Assistance
for
Haemophiliacs
Infected
with the
AIDS Virus

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the Home and Social Affairs Committee, Sub-Committee on AIDS (H(A)) had earlier that week approved his proposals for making £10 million available to assist haemophiliacs who had been infected with the AIDS virus by treatment with blood products that had subsequently proved to be contaminated. He had now completed the consultations that H(A) had invited him to carry out with the Chief Secretary, Treasury and preliminary discussions with the Haemophilia Society of Great Britain had also been carried out as H(A) had requested. The Haemophilia Society were thus aware that the Government would assist them in the administration of the financial assistance being made available, and he believed that a meeting later that day of the leading figures in the Haemophilia Society would confirm the Society's welcome and support of the initiative. If, as he expected, the Society's support was forthcoming, he proposed to announce the financial assistance on the following Monday. He would naturally make clear, in accordance with the advice that the Solicitor General had given H(A), that the money was being made available ex gratia and that the Government expressly disclaimed any liability for the haemophilia patients' infection.

Primary Health Care
Previous Reference:
CC(87) 27.4

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that he proposed that the White Paper on Primary Health Care, the text of which had been under discussion with colleagues, should be published the following Thursday to coincide with the publication of the National Health Service and Medicines Bill. He believed that this would provide the positive context for some of the Bill's more controversial provisions, in the way that had been envisaged in previous discussions.

Adult Training

THE SECRETARY OF STATE FOR EMPLOYMENT said that he hoped to make a statement the following week about his proposals for rationalising adult training, broadly on the lines of existing youth training arrangements. This was a major element in the Government's policy towards the long-term unemployed. Following the statement, an outline of which he would circulate to colleagues that day, he would need to have consultations with the Manpower Services Commission prior to the preparation of a White Paper.

Lobby of Parliament by Sikh Human Rights Group

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Sikh Human Rights Group were expected to mount a lobby of Parliament that day. This Group, which was a front organisation for the International Sikh Youth Federation, was seeking to enlist the support of international human rights groups for the creation of an independent state of Khalistan. Government supporters should have nothing to do with the Group. He understood that the Lord Privy Seal had alerted the House of Commons authorities to the proposed lobby.

Lobby of Parliament by Unionist Supporters

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that there would be a lobby of Parliament that day by some 200 Unionist supporters. He had advised Government supporters to welcome them to Parliament and to encourage them to participate responsibly in discussion.

The Cabinet -

Took note.

HOME AFFAIRS

Unemployment
Previous Reference:
CC(87) 24.2

2. THE SECRETARY OF STATE FOR EMPLOYMENT said that the unemployment figures for October would be published that day. The seasonally adjusted total had fallen by about 58,000 since September to 2.715 million. The unadjusted total had fallen by about 119,000 in that period to 2.751 million. Unemployment stood at 9.8 per cent of the working population; this was the first occasion since 1982 that this

rate had fallen below 10 per cent. Unemployment had fallen by about 500,000 since June 1986, which was the largest sustained reduction since records had been kept. Unemployment had fallen in all regions, with the largest reductions occurring in the West Midlands, Wales and the North West. The reduction in youth unemployment was especially marked, with unemployment among school leavers lower at that time than at any period since the 1970s. Unfilled vacancies at job centres stood at 261,000, which was the highest figure on record. Moreover, the underlying position was even more encouraging than this, since vacancies at job centres accounted for only a proportion of the vacancies in the economy.

THE PRIME MINISTER, summing up a brief discussion, said that every effort should be made to publicise these encouraging and welcome figures.

Murder of
Darshan Dass

THE HOME SECRETARY said that Darshan Dass, leader of the Sarhkhand Nanak Dam, a pro-Indian Government group, had been murdered at a prayer meeting in Southall the previous evening. He had been a controversial figure in his community and it should not be assumed at that stage that there was necessarily a terrorist connection.

The Cabinet -

1. Took note.

Northern
Ireland

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the detonation of a bomb at the Remembrance Day Parade at Enniskillen on 8 November had left 11 people dead and more than 60 injured. This was an appalling outrage, which would have resulted in even greater loss of life had it taken place 10 minutes later, when many more people including children would have been on the spot. The expressions of alleged regret by the Irish Republican Army (IRA) were contemptible; an even larger bomb had been planted at the location of a civilian parade at Tullyhommon.

The implications of this outrage were likely to prove profound. There was evidence that it had significantly weakened support for Sinn Fein and the IRA; senior members of the IRA were said to regard it as a catastrophe for them. Acts of terrorist violence would not cease; indeed the IRA might try soon to mount another in order to distract attention from the one at Enniskillen. A forthright pastoral message was to be read out in all Roman Catholic churches in Ireland the following Sunday, which would condemn all involvement in or support of terrorism. The incident was having a strong effect on the people and Government of the Republic of Ireland, coinciding as it did with the brutal kidnapping of a Dublin dentist, Mr John O'Grady, and the recent seizure of the Merchant Vessel Eksund while carrying a large

consignment of arms supplied by Libya for the IRA. The Government should take the opportunity to press for greater co-operation with the Irish Republic against terrorism and for a change in attitude on the part of those in Northern Ireland who had hitherto been willing to tolerate the IRA. The moving television interview by Mr Gordon Wilson, whose 20-year old daughter had died in the blast, had made a deep impression on a worldwide audience; his eloquent compassion and forgiveness might well have saved lives in dissuading some people in Northern Ireland from retaliating by taking the law into their hands.

In discussion, it was noted that the mood following the Enniskillen outrage might not last, so that the Government should move quickly to take advantage of it. One possibility would be to try again to persuade the Garda to co-operate more positively with the Northern Ireland security forces and to take seriously the offer of training in Britain.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet would wish to record their warm appreciation of the skilful and dignified manner in which the Secretary of State for Northern Ireland had handled this tragic incident.

The Cabinet -

2. Took note, with approval.

FOREIGN
AFFAIRS

Soviet
Union
Previous
Reference:
CC(87) 31.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the dismissal on the previous day of Mr Boris Eltsin, the head of the Moscow Communist Party, was a significant success for those opposed to the reform policies of the Secretary General of the Soviet Communist Party, Mr Mikhail Gorbachev. Mr Eltsin, who had been regarded as a protege of Mr Gorbachev, had been a vigorous and outspoken advocate of reform and might have overstepped the mark in calling for change and in criticising others in the Soviet leadership.

Afghanistan
Previous
Reference:
CC(87) 7.4

THE FOREIGN AND COMMONWEALTH SECRETARY said that the outcome of that year's vote at the United Nation's General Assembly on Afghanistan had been satisfactory: the majority in favour of a Soviet withdrawal had increased.

Tunisia THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation in Tunisia was calm following the removal on 7 November of the President, Mr Habib Bourguiba, and his replacement by the Prime Minister, Mr Zinne El Abidine Ben Ali. British interests were not at risk and the change was generally to be welcomed.

Arab Summit THE FOREIGN AND COMMONWEALTH SECRETARY said that the Arab Summit in Amman from 8 to 11 November had been skilfully handled by King Hussein of Jordan. It had been well attended and, Libya apart, unanimity had been achieved. On the Gulf, which had for the first time headed the agenda, there had been strong condemnation of Iran, in which Syria had concurred. It had also been agreed that, while Egypt would continue to be suspended from membership of the Arab League, individual states might resume bilateral relations with her. This was an encouraging development.

Previous Reference: CC(87) 31.3

Libyan Support for Terrorism THE FOREIGN AND COMMONWEALTH SECRETARY said that a very substantial consignment of arms had been recovered from the Merchant Vessel Eksund which had been seized by the French authorities on 30 October. This had been the fifth known Libyan shipment of arms to the Irish Republican Army. Because the affair was sub judice in France, it would be inappropriate for Ministers to comment in detail. But the episode provided unequivocal evidence of Libyan support for terrorism and should be cited in urging other countries to take measures against Libya's attitude.

Sri Lanka THE FOREIGN AND COMMONWEALTH SECRETARY said that a bomb outrage in Colombo on 9 November had caused 32 deaths. The Indian peacekeeping force was continuing to make slow headway against Tamil guerrillas. The Sri Lankan Parliament was debating legislation to give limited autonomy to Tamil areas in accordance with the Indo-Sri Lanka Accord. The Sri Lankan President, Mr Junius Jayewardene, remained determined in the face of a difficult situation; he was grateful for the United Kingdom's moral and practical support.

Previous Reference: CC(87) 30.4

Japan THE FOREIGN AND COMMONWEALTH SECRETARY said that the composition of the new Japanese Cabinet under Mr Noboru Takeshita was reasonably encouraging. Both the new Foreign Minister and the Minister for Posts and Telecommunications were proteges of the previous Prime Minister, Mr Yasuhiro Nakasone, and could be expected to pursue sensible policies. The latter appointment could be important for Cable and Wireless plc's

Previous Reference: CC(87) 29.3

CONFIDENTIAL

chances of securing a share of the Japanese domestic telecommunications market.

In discussion, it was noted that the new Prime Minister had long represented a rural constituency; this did not bode well for future negotiations on agriculture.

Captain
Carson

THE FOREIGN AND COMMONWEALTH SECRETARY said that, at the request of the Bahamian Government, the British Defence Attache in Nassau, Captain Christopher Carson, had been recalled. His wife had been found dead in Nassau on 9 October. The police there suspected foul play and considered Captain Carson to be the prime suspect. The prosecuting authorities in Britain were investigating the matter.

Nuclear
Planning
Group

Previous
Reference:
CC(87) 31.3

THE SECRETARY OF STATE FOR DEFENCE said that he had attended the meeting of the Nuclear Planning Group of the North Atlantic Treaty Organisation (NATO) in California on 3 to 4 November. Unanimous support had been expressed for the agreement on the elimination of intermediate-range nuclear forces (INF) being negotiated between the United States and the Soviet Union. There had been discussion of the possible restructuring of nuclear forces in the wake of that agreement; difficult decisions would need to be taken at the next meeting.

United States

THE SECRETARY OF STATE FOR DEFENCE said that he had visited Washington on 5 and 6 November for discussions with members of the United States Administration and with congressional leaders of both parties. He had received a universally warm reception: the contribution of the Royal Naval Minesweeping force in the Gulf was greatly appreciated, as were the United Kingdom's efforts to co-ordinate the activities in the Gulf of other European naval forces. Great stress had been laid on the importance of the United Kingdom and other NATO European Governments expressing their public support for an INF agreement; certain leading Republicans were hinting that European Governments were opposed and it was vital that the Government should counter this insinuation. This aspect of the matter could play a role in the decision of the United States Senate in due course on whether to ratify the agreement. The retirement of the United States Secretary of Defense, Mr Caspar Weinberger, was a matter for regret. He had been a staunch friend of the United Kingdom. His nominated successor, Mr Frank Carlucci was also pro-British but was a less forceful personality.

The Cabinet -

Took note.

CONFIDENTIAL

COMMUNITY
AFFAIRS

Trade with
Japan

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that at its meeting on 10 to 11 November the Council of the General Agreement on Tariffs and Trade (GATT) had endorsed its panel's conclusion that Japan was operating a discriminatory taxation system on imports of alcoholic drinks. Pressure would now be put on Japan to implement a satisfactory reform.

The Cabinet -

Took note.

FINANCIAL
AFFAIRS

United States
Budget
Deficit

5. THE CHANCELLOR OF THE EXCHEQUER said that the stock markets were still nervous. In London, the past week had seen a slight rise but the mood remained fragile. Share prices in London and on Wall Street were now virtually the same as a year ago. The negotiations between the United States Administration and Congress about measures to reduce the American budget deficit had made some progress, but a number of issues remained contentious. He would take advantage of a routine meeting of Finance Ministers of European Community countries on 16 November to hold private stocktaking discussions with the Finance Ministers of France and the Federal Republic of Germany.

The Cabinet -

Took Note.

Previous
Reference:
CC(87) 31.3

Cabinet Office

12 November 1987

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL