

Bv

CONFIDENTIAL

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

COPY NO

76

18th
usions

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 19 MAY 1988
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
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 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 FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Patrick Mayhew QC MP
Attorney General (Item 5)

The Rt Hon David Waddington QC MP
Parliamentary Secretary, Treasury

CONFIDENTIAL

CONFIDENTIAL

Rt Hon Richard Luce MP
Minister of State,
Privy Council Office
Minister for the Arts) (Item 5)

The Rt Hon Peter Brooke MP
Paymaster General, Treasury

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 1,2 and 5)
Mr S S Mundy (Items 1,2 and 5)

C O N T E N T S

Subject	Page
PARLIAMENTARY AFFAIRS	1
Criminal Justice Bill: New Clause on Abortion	1
Education Reform Bill	1
HOME AFFAIRS	2
Unemployment	2
Industrial Action at P and O Ferries	2
FOREIGN AFFAIRS	
United States/Soviet Union Summit Meeting	3
French Legislative Elections	3
Terrorist Attack in Khartoum	3
Lebanon	3
COMMUNITY AFFAIRS	4
1988 Budget	4
Informal Meeting of Economic and Finance Council, 14-15 May	5
Rover Group	5
THE THYSSEN-BORNEMISZA COLLECTION	6

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

THE LORD PRESIDENT OF THE COUNCIL said that Mr David Alton had tabled for consideration at Report Stage in the House of Commons of the Criminal Justice Bill a new clause which essentially sought to replicate the provisions of his Abortion (Amendment) Bill. Opposition Members had tabled new clauses incorporating some of their failed Private Members' Bills, presumably in an attempt to dissuade the Speaker from selecting Mr Alton's new clause. If the Speaker selected Mr Alton's new clause, this could create an awkward precedent for the handling of measures introduced by Private Members. More immediately, it could make the handling of the Criminal Justice Bill very much more difficult, especially if any amendments on abortion which might be incorporated in the House of Commons were either further amended, or rejected outright, by the House of Lords. If the amendment were selected, very careful consideration would need to be given to the handling of these matters.

THE PRIME MINISTER, summing up a short discussion, said that it would be most unsatisfactory for a major Government Bill to be forced back and forth between the two Houses as a result of the incorporation in an opportunistic manner of what was essentially a Private Members' issue. While the selection of amendments was a matter for the Speaker to decide, a statement of the Government's view of the repercussions of selecting the Alton amendment should be made available to him.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the House of Lords had earlier that week rejected by an emphatic majority an amendment which sought to delay the abolition of the Inner London Education Authority and the Lord Privy Seal and the Chief Whip, Lords were to be congratulated on their handling of the matter. The House of Lords had earlier approved by a very substantial majority the principle of the Government's proposal to allow schools to opt out of local authority control and achieve grant-maintained status, but, on the previous Thursday, an amendment had been incorporated, against the advice of the Government, which sought to provide that a ballot of parents would be valid only where a simple majority of parents eligible to vote were in favour of seeking grant-maintained status. That was an unreasonably high threshold, and the matter would need to be addressed when the Bill returned to the House of Commons.

The Cabinet -

Took note and endorsed the congratulations offered to the Lord Privy Seal and the Chief Whip, House of Lords, on the handling of the Education Bill.

CONFIDENTIAL

HOME AFFAIRS

Unemployment

Previous

Reference:

C(88) 11.2

2. THE SECRETARY OF STATE FOR EMPLOYMENT said that the unemployment figures for April would be published that day. The seasonally adjusted total had fallen by 49,000 and the overall total was 2.455 million, the lowest figure for 6½ years. This was the twentieth consecutive month in which unemployment had fallen. Unemployment had fallen by 566,000 in the previous 12 months, the largest annual reduction since the Second World War, including 470,000 since the General Election. All regions had benefitted, with the largest reductions in the West Midlands, the North West and the North. The rate of unemployment, which stood at 8.8 per cent, was falling faster than in any other major industrialised country and was now below the levels of many of our major European competitors, including France, Italy, Belgium, the Netherlands, Spain and the Republic of Ireland. The number of unfilled vacancies had risen slightly in April and it was estimated that there were now more than 700,000 vacancies in the economy. The overall position remained very healthy.

Industrial

Action at

P and O

European

Ferries

Previous

Reference:

C(88) 17.2

THE SECRETARY OF STATE FOR EMPLOYMENT, reporting on the strike action by employees of P and O European Ferries at Dover, said that, following the lifting of the blockade by lorry drivers at Dover and the ending of secondary action by members of the National Union of Seamen (NUS) in the previous week, ferries were generally running normally except at Dover where P and O were running an irregular service to Zeebrugge using two ferries. The dispute appeared likely to continue for some while, though P and O seemed slowly to be consolidating their position. The High Court had the previous day adjourned until the following week an application from the NUS to have their sequestration order lifted and had made clear that, before the application could be granted, further assurances would be needed on several matters, in particular that all illegal activity had ended. The fines imposed on the union, together with the legal costs incurred during the dispute, were likely to leave the union in very serious financial difficulties. The way in which the dispute had developed had demonstrated the effectiveness of the Government's legislation to ban secondary action.

The Cabinet -

Took note.

CONFIDENTIAL

CONFIDENTIAL

FOREIGN
AFFAIRS

United
States/
Soviet Union
Summit
Meeting

Previous
Reference:
CC(88) 12.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the problem between the United States and the Soviet Union over the Intermediate Nuclear Forces (INF) Treaty had been resolved and progress on other matters was likely to be made in the lead-up to the forthcoming Summit in Moscow between the President of the United States, Mr Ronald Reagan, and the General Secretary of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev. This meeting would be important for the latter who needed a success in the run-up to the special conference in June of the Soviet Communist Party. There had been some signs of Soviet movement at the Vienna meeting of the Conference on Security and Co-operation in Europe which might permit agreement on a concluding document covering human rights and a mandate for the conventional stability talks. The withdrawal of Soviet forces from Afghanistan was under way and 28,000 Soviet troops should have left by the time the Summit took place.

French
Legislative
Elections

THE FOREIGN AND COMMONWEALTH SECRETARY said that the President of France, Monsieur Francois Mitterrand, had called legislative elections in France on 5 and 12 June. It seemed that the French Socialist Party could win an overall majority in the National Assembly, their prospects having been helped by the disarray among the parties of the right. Meanwhile, no major policy pronouncements had emerged from the present French Government led by Monsieur Michel Rocard. The Prime Minister would be meeting President Mitterrand on 10 June.

Terrorist
Attack in
Khartoum

THE FOREIGN AND COMMONWEALTH SECRETARY said that five British citizens and two Sudanese had died in terrorist attacks in Khartoum on Sunday 15 May. No one had claimed responsibility for these incidents. Despite press reports, it was not clear that they had been aimed at American or British targets. The Sudanese Head of State had blamed Iran. Several young men had been arrested, three of them carrying Lebanese passports. The attacks had coincided with the swearing in of the new Sudanese Government. The inclusion in the new Cabinet of Moslem Fundamentalist Ministers was likely to aggravate splits between north and south Sudan. There was therefore a variety of possible explanations of the incident.

Lebanon

Previous
Reference:
CC(88) 16.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the clashes in southern Beirut between supporters of the AMAL and Hisbollah organisations had continued. 200 people had been killed and a thousand wounded in the fighting since 6 May. Syria had not taken any decision to intervene in a decisive way. As for the hostages held in Lebanon, these events added to their danger but there was no news of them and there was no evidence so far that they might form part of a deal between Syria and Iran. It

CONFIDENTIAL

was hoped to obtain direct debriefing from the recently released French hostages soon.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

1988 Budget

X 4. THE PAYMASTER GENERAL said that the European Parliament had voted on 18 May to reinstate all their first reading budget proposals, so creating an excess over their statutory margin of 212 mecu on commitments and some 5 mecu on payments. At the last Budget Council, the German Presidency had sought some negotiating freedom to reach a final agreement with the European Parliament. The United Kingdom and France had raised objections to this but did not command a blocking minority. In the event the German Presidency appeared to have interpreted the Council's remit widely. It was not yet clear whether Lord Plumb, the President of the European Parliament, would declare the budget adopted. He had indicated that he would need to consider whether the budget had a secure financing base. He would no doubt also have in mind the possibility of using non-adoption of the budget as a weapon in the discussions of an inter-institutional agreement. In the perhaps unlikely event that he would opt for early adoption, the PAYMASTER GENERAL said that he would consult the Lord President about the Parliamentary implications.

X In discussion it was pointed out that the agreement reached was *not* consistent with the conclusions of the Brussels European Council which had established clear understandings on expenditure limits. This was one of a growing number of examples of incompetent conduct of business by the German Presidency. The background to the Presidency's action on this occasion probably lay in their wish to give effect to the conclusions reached at the Brussels European Council on a possible inter-institutional agreement on Community expenditure. The Presidency might have attached weight to the possibility that while disagreements continued on that issue, the Parliament might refuse to adopt a budget. It seemed clear that there was no way of undoing at this stage the action taken by the Presidency. Nevertheless a message should be sent to Chancellor Kohl expressing the United Kingdom's strong disapproval of the action taken which might call in doubt the basis for the Own Resources Decision.

The Prime Minister, summing up a brief discussion said that the Chancellor of the Exchequer, in consultation with the Secretary of State for Foreign and Commonwealth Affairs should arrange for urgent examination of the compatibility of the agreement reached on the 1988 Budget with the conclusions of the Brussels European Council and in the light of that examination prepare a letter which the Prime Minister might address to Chancellor Kohl.

CONFIDENTIAL

CONFIDENTIAL

Formal
Meeting
Economic
Finance
Council,
15 May

THE CHANCELLOR OF THE EXCHEQUER said that the informal meeting of Economic and Finance Ministers on 14-15 May had gone reasonably well. The discussion of the draft Directive on capital liberalisation had made good progress and there seemed a fair prospect of its being agreed at the June meeting in a way satisfactory to the United Kingdom. There was still some doubt about the position of the French Government, which had not been represented at the meeting, but he had taken an opportunity subsequently to speak to Monsieur Beregevoy and judged that he would maintain, and might accelerate, the previous government's progress towards abolition of exchange controls. There had been a brief discussion of technical proposals for improvement of the operation of the European Monetary System together with the proposals put forward by the German Foreign Minister, Herr Genscher, for consideration of a European Central Bank. The latter had aroused no enthusiasm and was a remote issue. It was however clear that the German Presidency would put forward proposals of some sort before the European Council at Hanover. It would be important to ensure that consideration of the issue was put back to the Economic and Finance Council. There had also been a tour de table on the Commission's proposals for tax approximation. The United Kingdom was not alone in objecting to these proposals in principle. Others had expressed doubts on practical grounds to an extent which amounted to de facto disagreement. He had commented at the meeting that he could not remember any earlier Commission proposals which had aroused such a range of disagreements, a comment which had attracted a sharp reaction from the Vice-President of the Commission, Lord Cockfield. It had been agreed that studies of various options should be put in hand, including an option for allowing zero rates. In his concluding comments, Monsieur Delors had recognised the need for unanimity in decisions on this issue.

X In a brief discussion it was noted that the establishment of a central bank on the lines floated by Herr Genscher could involve a major surrender of sovereignty. It was clear that the German Bundesbank and the French authorities would ^P propose such a development. The nature of the institution in mind was in fact by no means clear. Herr Genscher might well not have any clear idea himself. The idea had been floated for essentially political reasons. We should give the Genscher proposal short shrift at Hanover.

Rover Group

X The SECRETARY OF STATE FOR TRADE AND INDUSTRY said that there were indications that the French intended to intervene in the Commission's consideration of the Rover Group case. Negotiations with the Commission were continuing but any such action would give encouragement to Commissioner Sutherland to reduce the proposed capital injection. We had expected an intervention by the German Government but French action in addition would be unfortunate, not least given that we had ourselves not intervened in the Renault case. Any action that could be taken to reduce the likelihood of interventions would be helpful. The FOREIGN AND COMMONWEALTH SECRETARY said that he had already spoken to Monsieur Dumas on the matter who had agreed to review that French *position*

CONFIDENTIAL

CONFIDENTIAL

The Cabinet -

Took note and invited the Chancellor of the Exchequer, in consultation with the Foreign and Commonwealth Secretary, to prepare a message for the Prime Minister to send to Chancellor Kohl about the Presidency's position on the budget.

THE THYSSEN-
BORNEMISZA
COLLECTION

5. The Cabinet considered a memorandum by the Secretary of State for the Environment and the Minister for the Arts (C(88) 8) recommending that the Government should make a proposal to the Trustees of the Thyssen-Bornemisza Collection for arrangements to provide a permanent home for the Collection in the United Kingdom.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Thyssen Trust was seeking a long-term home for the Thyssen-Bornemisza Collection, which was one of the highest distinction, consisting of over 1,300 pictures currently valued at about £670 million. The pictures were in a discretionary trust under Bermudan law, and were normally housed at Lugano, Switzerland. Baron Thyssen and his Trustees envisaged making over the best of the pictures, together with such others as might be agreed, to a new foundation in a country of their choice. The recipient country would provide a gallery for the pictures' permanent display, and would pay a suitable sum in compensation to the beneficiaries of the Trust. A number of countries had made offers for the pictures but none of these had been regarded as satisfactory by the Baron or his Trustees. Nevertheless, the Baron had personally signed a Memorandum of Understanding with the Spanish Government envisaging the loan of the pictures for exhibition in Spain for up to 10 years and possibly longer. Despite that Memorandum, the Baron and his Trustees had indicated that they would be glad to consider an offer from Britain before the Trustees took decisions about the Collection's future at their meeting in July. A realistic offer would have to include a sum of about £120 million as compensation for the Trust's beneficiaries, and the provision of a gallery of which the estimated construction cost was £38 million. Additionally, the running costs of the gallery might be £4 million a year on top of the yield of admission charges and other contributions. In his view, the acquisition for these costs of a collection of the Thyssen Collection's distinction and value was an unparalleled opportunity that would certainly not present itself again. He accordingly proposed that the Government should inform the Baron and his Trustees of their willingness to seek approval from Parliament for the acquisition and accommodation of the pictures if suitable arrangements in principle could be made. A main feature of the legislation, which would probably be needed in the next Session if the proposal went ahead, would be the establishment of a new foundation to receive the pictures and to care for and exhibit them. Possible locations for the gallery had now narrowed down to sites at the Canary Wharf development (which Baron Thyssen was likely to prefer) and in the city centre of

CONFIDENTIAL

CONFIDENTIAL

Birmingham, where a major redevelopment, including an international convention centre, was currently in progress. A number of important legal points needed to be settled before the proposal could be confirmed. In particular, it needed to be established beyond dispute that the new foundation would have absolute and unencumbered title in the pictures. That point was emphasised in the draft proposal to Baron Thyssen attached to C(88) 8 for which he now sought the Cabinet's approval.

THE MINISTER OF STATE, PRIVY COUNCIL OFFICE (MINISTER FOR THE ARTS) said that he strongly supported the proposals made by the Secretary of State for the Environment. At the price proposed the permanent acquisition of the Thyssen Collection for this country would be a remarkable bargain. It would both enrich the range of Old Master paintings in this country and strengthen the holding of distinguished modern paintings, which were very weakly represented in British public collections. In view of the scale of Government financing that was proposed, it would be important for the Government to nominate a majority of the trustees of the new foundation.

In discussion the following main points were made -

- a. In view of the unique nature of the opportunity, the arrangements and payments proposed by the Secretary of State for the Environment represented a defensible package. If they were accepted, the Government could show that it had successfully seized a fleeting opportunity. If they failed, then the Government could demonstrate that it had gone as far as it reasonably could to secure these treasures for the nation. It was, however, important that Baron Thyssen and his trustees should understand that the Government had gone as far as it could and the details of its proposal could not be modified. A haggle between the Government and the Collection's owners would be most unseemly, especially if appeared to be in competition with the Spanish Government.
- b. The proposals would get a mixed political reception, with assertions that the money should be spent on other purposes. Those problems would be eased if the new gallery for the pictures were located in Birmingham, rather than London. The city centre redevelopment in Birmingham was an extremely important venture that enjoyed bipartisan political support in the region. The location of an outstanding art collection there would have both symbolic and economic importance, and greatly assist the presentation of the Government's regional policies. Baron Thyssen should be made fully aware of the impressive character of the Birmingham development. On the other hand, the first priority must be the acquisition of the Collection.
- c. If it turned out that Baron Thyssen had such a strong preference for the Canary Wharf site that the proposals could not proceed on any other basis, it would be important for it to be seen that the choice was his rather than the Government's.

CONFIDENTIAL

CONFIDENTIAL

THE PRIME MINISTER, summing up the discussion, said that the acquisition of the Thyssen-Bornemisza Collection on the terms proposed would represent a unique bargain. The transfer of the Gulbenkian Collection to Lisbon was an example of the losses to the nation that could occur if opportunities of this kind were not decisively seized. A matter of this nature should, however, only proceed under the full and explicit sanction of Parliament. The Cabinet had therefore agreed that Baron Thyssen and the Trustees should be informed of the Government's willingness to seek Parliamentary authority for the acquisition of the collection for £120 million and for the establishment of a foundation and other arrangements as set out in the draft note attached to C(88) 8. As the draft note made clear, a number of legal points remained to be settled. In particular, it needed to be established that the new foundation would have a clear and unencumbered title in the pictures, and that there was no impediment to their coming to this country in perpetuity. These issues would require close and continuing legal attention. The Cabinet noted the Chancellor of the Exchequer's agreement that any costs of the proposal within the next three-year period should be met from the Reserve: costs falling beyond that period would need to be considered in the next public expenditure survey when provision for other arts expenditure beyond that period was determined. It was important to maintain confidentiality about the Government's proposal, for as long as possible since its unauthorised disclosure could jeopardise the chances of success.

The Cabinet -

1. Took note with approval of the Prime Minister's summing up of the discussion.
2. Invited the Secretary of State for the Environment and the Minister for the Arts to arrange for a proposal on the lines of the paper attached to C(88)8 to be conveyed to Baron Thyssen and the Thyssen Trustees.

Cabinet Office

19 May 1988

CONFIDENTIAL