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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 26 MAY 1988
at 11.00 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 Douglas Hurd MP
Secretary of State for the Home Department

The Rt Hon Peter Walker MP
Secretary of State for Wales

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 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 David Waddington QC MP
Parliamentary Secretary, Treasury

The Rt Hon Peter Brooke MP
Paymaster General

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

C O N T E N T S

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1. The Cabinet were informed of the business to be taken in the House of Commons in the first week after the Spring Adjournment.

THE PRIME MINISTER said that the Cabinet would wish to congratulate the Lord Privy Seal and the Chief Whip, House of Lords, on the very substantial majority by which the House of Lords had on the previous Monday rejected an amendment proposed by Lord Chelwood to the Local Government Finance Bill which would have undermined a basic principle of the community charge. The strength of the Government's case in this regard was reflected in the number of cross-bench peers who had voted against the amendment.

The Cabinet -

Endorsed the Prime Minister's remarks and congratulated the Lord Privy Seal and the Chief Whip, House of Lords, on the handling of the Local Government Finance Bill.

ME AFFAIRS

Industrial
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European
erries

Previous
eference:
C(88) 18.2

2. THE SECRETARY OF STATE FOR EMPLOYMENT said that P & O were now sailing five of their eleven ferries based at Dover. Normal service had been resumed from all other ports. The High Court had earlier that week refused an application from the National Union of Seamen to have their sequestration order lifted and had made clear that their picketing was neither lawful nor peaceful and that, if it continued, further fines would be imposed on the union. The union now faced serious financial difficulties as a result of the fines already imposed and their legal expenses, which together amounted to some £1 million. Meanwhile, P & O continued to strengthen its position.

Adult
Training
Programme

Previous
Reference:
CC(88) 32.1

THE SECRETARY OF STATE FOR EMPLOYMENT said that the General Council of the Trades Unions Congress had the previous day agreed, by a majority of 19 to 14, to give conditional support to the Government's adult training programme for the long-term unemployed. This welcome result would greatly facilitate the establishment of the programme which could be expected to make an important contribution to further reducing the rate of unemployment.

The Cabinet -

1. Took note.

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1911

THE HOME SECRETARY said that he would in the following week circulate to Cabinet colleagues the final draft of the White Paper on the Reform of Section 2 of the Official Secrets Act 1911, on which the Government had promised debates before the Summer Recess. The White Paper would propose that, as in the unsuccessful Bill introduced in 1979, the scope of criminal sanctions should be limited to certain defined categories of information in areas where unauthorised disclosures were peculiarly likely to damage national interests. A major change from the scheme of the 1979 Bill would be that where the protected nature of the information depended on a test of such damage, the prosecution would have to establish it to the satisfaction of the Court: the earlier proposal for conclusive Ministerial certificates on the risk of damage to national interests was not being repeated. The White Paper would propose a special offence for members of the security services, and those working closely with them, which would penalise their unauthorised disclosure of any information relating to their work, without any requirement to prove damage to national interests. A further aspect of the proposals which would doubtless attract comment would be the absence of any special defence based on public interest. While any effort to reform this area of the law was bound to be difficult and controversial, he believed that the scheme put forward in the draft White Paper was a sound one and that the arguments deployed to support it were convincing. The Government was committed to moving forward with this White Paper. He hoped that Cabinet colleagues would let him have any comments as soon as possible.

The Cabinet -

2. Took note that the Home Secretary would in the following week circulate, with an invitation for comments, the draft of a White Paper on the Reform of Section 2 of the Official Secrets Act 1911.

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THE HOME SECRETARY said that in recent days three separate Metropolitan Police cases involving alleged football hooliganism had collapsed as a result of doubts about police evidence. It was important to limit the adverse impact on police morale, and he had taken the opportunity to reaffirm the Government's support for the police's efforts to grapple with this important problem.

Prisons

Previous
Reference:
CC(88) 9.2

THE HOME SECRETARY said that the overcrowding in the prison system continued to impose a heavy strain on the prison service, as had been illustrated the previous day by an outbreak of disorder at Rolleston Military Camp. He was very grateful for the help which the Ministry of Defence had provided in establishing temporary accommodation for prisoners at Rolleston and Alma Dettingen Camps. An encouraging development was that the number of prisoners in police cells was falling.

ch by the THE SECRETARY OF STATE FOR SCOTLAND said that the "Evening Standard" had
 e Minister the previous day carried a prominent report which had claimed that the
 the Church Church of Scotland had criticised the speech by the Prime Minister to
 Scotland the General Assembly of the Church of Scotland on the previous Saturday.
 eral The Church of Scotland had issued a statement making clear that the
 embly report had been based on a gross misunderstanding of what had been
 merely a procedural vote and that the Prime Minister's attendance had in
 fact been greatly welcomed by the General Assembly and that any future
 visit would be equally welcome.

The Cabinet -

3. Took note.

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3. THE FOREIGN AND COMMONWEALTH SECRETARY said there had been
 unwelcome press reports based on a misunderstanding, which had given the
 impression that the Government was seeking to delay the holding of the
 inquest in Gibraltar on three Irish Republican Army terrorists involved
 in a bomb plot and shot by the security forces on 6 March. This had
 fuelled suspicion in the media of a conspiracy. The truth was that the
 Government wished to have the inquest held as soon as possible, not to
 delay it. Every effort would now be made to persuade the Coroner to
 decide upon and announce a firm date.

banon
 previous
 eference:
 C(88) 18.3

THE FOREIGN AND COMMONWEALTH SECRETARY said there had been no change in
 the situation in Beirut. There had been further breakdowns in the
 cease-fire. The Syrians were still hoping to avoid armed intervention.
 If they were to advance into Beirut's southern suburbs that would pose
 added risks for the remaining hostages. The debriefing of the recently
 released French hostages had not yet been completed. First reports did
 seem to suggest that the three British hostages were still alive, but
 there was no basis for the more graphic stories in the press.

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 previous
 eference:
 C(88) 16.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the recent Hungarian
 Socialist Workers Party Conference had resulted in a major triumph for
 the Prime Minister, Mr Karoly Grosz, who had recently visited Britain.
 It was ironic that this advocate of decentralisation had apparently
 decided to combine his new party post as successor to Mr Janos Kadar in
 the role of General Secretary with his governmental post as Prime
 Minister. Mr Grosz's bid for rapid economic reform was likely to be
 accompanied by widespread pressure for political change.

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In discussion, it was noted that during his visit to Britain Mr Grosz had aired far-reaching ideas about economic reform and that he appeared to be taking full advantage in Hungary of the opportunities provided by Mr Gorbachev's concepts of glasnost and perestroika in the Soviet Union.

THE FOREIGN AND COMMONWEALTH SECRETARY said that seven female members of the Ethiopian Royal Family detained without trial since 1974 had been released on 21 May. Three male members of the Royal Family were still in prison. The general situation in Ethiopia remained lamentable, and current economic and agrarian policies had been criticised even by the Russians and the Chinese. The United Kingdom had been in the forefront of efforts to secure the release of the Royal Family and would continue to keep up the pressure for the release of the remainder.

THE PRIME MINISTER said that the United States President, Mr Ronald Reagan, had chosen to come direct to London in preference to a debriefing visit to Brussels after the forthcoming Summit meeting in Moscow with the General Secretary of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev. This gesture was a very great compliment. There would be talks at No 10 Downing Street on Thursday 2 June, followed by a small dinner party, and on the following day Mr Reagan would be going to the Guildhall where he would make a speech reporting on the Summit. There would thus be a good deal of news interest focussed on London and the United States Administration deserved some public words of encouragement.

The Cabinet -

Took note.

THE CHANCELLOR OF THE DUCHY OF LANCASTER reported that the Japanese Government had now reached decisions on liquor tax reform which would shortly be conveyed in a letter to the Prime Minister. Although some details remained to be settled the decisions reached were satisfactory. A non-discriminatory regime for Scotch vis a vis Japanese whisky products had been established. The tax rate for whisky was to be reduced to Yen 1,150 per litre, a 45 per cent reduction from the current Yen 2,098. The tax on shochu would be raised by 75 per cent so achieving a major reduction in the tax differential.

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THE PRIME MINISTER summing up a brief discussion, said that the response to the Japanese decisions, when they had been made public, should be handled in conjunction with the industry. The general thrust of our response should be to welcome the package warmly which had resulted from sustained pressure by the United Kingdom authorities. The outcome achieved augured well for future Anglo/Japanese relations.

United States Trade Bill
THE FOREIGN AND COMMONWEALTH SECRETARY said that the President of the United States, Mr Reagan, had vetoed the Trade Bill on 24 May for domestic reasons. The House of Representatives had voted to override the veto but it was likely to be upheld by the Senate.

COMMUNITY AFFAIRS
Foreign Affairs Council,
24 May

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that at its meeting on 24 May, the Foreign Affairs Council had considered all the outstanding points in the follow-up to the February European Council. The text of the budget discipline decision had remained firmly agreed. Some further detailed discussions would be required before the own resources decision could be put in place. At the meeting of the EC/Israel Co-operation Council, the Prime Minister of Israel, Mr Peres, had taken up a conciliatory position on all outstanding Tax and Trade issues including those concerning the Occupied Territories. However the proof of this pudding would be in the eating. Discussions had also taken place with Mr Peres on the prospects for the peace process in the Middle East: he had made a convincing presentation of his case but was clearly not confident about the prospects for the Israeli elections which might be brought forward to August. The Council had endorsed the text of the EC/Council for Mutual Economic Association (COMECON) Joint Declaration. As regards negotiations with individual COMECON states, the prospects for an EC/Hungary agreement next month now looked reasonably hopeful and an agreement with Czechoslovakia was a possibility. The Youth for Europe exchange programme had been agreed with funding of only £10 million over three years, well below the £40 million programme that some member countries had looked for. As regards the dates of the 1989 European Parliament elections, most member countries appeared now ready to settle for 15-18 June but Spain had yet to come into line. In a brief discussion it was noted that in the Council's discussion of the structural funds, satisfactory assurances had been received from the Commission that the rural areas of particular concern to us, the Highlands and Islands, mid-Wales and Devon and Cornwall, would be eligible for support.

Education Council
24 May

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that he had thought it of importance at the meeting of the Education Council on 24 May to check the tendency of the Commission to seek to extend their

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competence. This was the more necessary since the southern member states took the view that it was the responsibility of the remainder to help them improve their own standards of education. The Commission appeared to assume that all higher education should be treated as vocational training coming within the Treaty, with the possibility of proposals based on Article 128 and decided by majority voting. They were proposing unacceptably expensive programmes. It was necessary to resist this approach.

The Cabinet -

Took note.

Cabinet Office

26 May 1988

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