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Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 23 JUNE 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 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 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 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

Subject

Item		Page
1.	PARLIAMENTARY AFFAIRS	1
	Private Bills	1
	White Paper on Official Secrets	1
2.	HOME AFFAIRS	
	Rowntree	1
3.	FOREIGN AFFAIRS	
	Seven Power Economic Summit in Toronto	1
	Bilateral Relations with Canada	3
	The Case of Mr Ismail Sowan	3
	Anglo-Iranian Relations	4
	Haiti	4
4.	COMMUNITY AFFAIRS	
	Agriculture Council, 13-17 June	4
	Foreign Affairs Council, 20 June	5
	Environmental Council, 16-17 June	5
	Internal Market Council, 22 June	5
	Transport Council, 20-21 June	6

PARLIAMENTARY
AFFAIRS

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

Private Bills

THE LORD PRESIDENT OF THE COUNCIL said that he had every reason to believe that the North Killingholme Cargo Terminal Bill and the Associated British Ports (No 2) Bill would begin their Committee Stages before the Summer Adjournment.

White Paper
on Official
Secrets

THE HOME SECRETARY said that he was hoping to make a statement in the following week on the publication of the White Paper on Official Secrets. There was a strong case for early publication in view of the inaccurate speculation in the press. In discussion, it was noted that, while the White Paper was concerned with the criminal law rather than the civil law, it would be necessary to take account of the date on which the House of Lords would have finished hearing the arguments in the Spycatcher case.

Previous
reference:
C(88) 19.2

The Cabinet -

Took note.

HOME AFFAIRS

Rowntree

2. THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that an announcement was being made that day that Nestlé had increased their bid for Rowntree to £2.55 billion and the Directors of Rowntree were recommending acceptance. That represented a huge increase on the original offer.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Seven Power
Economic
Summit
in Toronto

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Seven Power Economic Summit in Toronto from 19 to 21 June had been a successful and useful meeting. All participants including Japan had strongly reaffirmed the correctness of the macro-economic policies pursued over the last nine years and had set them on course for the future with emphasis on the need to be watchful against a resurgence of inflation. Good language had been achieved in the communique on trade and agriculture about the need to achieve progress in the negotiations under the General Agreement on Tariffs and Trade (GATT) and to strengthen the GATT itself. On agriculture there had been a firm commitment to both

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short and long term measures to reduce agricultural support. There had also been a good outcome on the problems of international debt. On East-West relations, the communique represented a useful confirmation of a shared assessment of where matters now stood in the light of recent developments. There had been intensified co-operation against international drug trafficking including agreement to create a reciprocal network of bilateral agreements on the tracing, freezing and confiscation of assets associated with drug trafficking. On terrorism and aircraft hijacking there had been no dramatic progress but the Summit had endorsed current efforts undertaken within the International Civil Aviation Organisation (ICAO) at British initiative including agreement not to allow hijacked aircraft to take off from airports at which they alighted except where there might be a direct and immediate threat to life. There had also been agreement that pressure should be maintained on countries which had not yet done so to subscribe to the ICAO anti-hijacking conventions.

THE CHANCELLOR OF THE EXCHEQUER said that the Toronto Summit had been a reminder of the degree to which sound economic policies combined with closer international co-operation had proved their value in the wake of the Stock Exchange crisis of October 1987, since the latter had had no impact on the world economy. He also welcomed the growing emphasis at such Summits on the need for structural adjustments and supply side policies. Japan had launched an initiative at Toronto to deal with the debt problem of middle income countries which had not been endorsed. The initiative betrayed signs of pressure from banks in the direction of off-loading the risk on to taxpayers of creditor nations. The United Kingdom, the United States and the Federal Republic of Germany had been very wary of this, regarding it as a potential slippery slope. In the end Japan had withdrawn the initiative which would now be reconsidered. By contrast, there had been a breakthrough on the debt problem of the poorest countries, following the growth of support for the proposals that he himself had launched in Washington in April 1987. The President of France, Monsieur Francois Mitterand, had taken his own initiative just before the Summit and the United States had also made its own contribution. The broad outlines of agreement had thus been established to go ahead on a range of options providing for broad equivalence of burden-sharing. This had been a very satisfactory outcome. A follow-up meeting would take place within a few weeks in the Paris Club to fill in precise details.

In discussion, it was noted that the position reached at the Summit on agriculture had been particularly encouraging given the very different positions at the outset taken by the European Community (EC) and the United States respectively. The EC (with the exception of the United Kingdom) had initially wanted no further movement on reducing agricultural protection while paying lip service to the principle: whereas the United States had argued for an immediate commitment that agricultural support levels should be reduced to zero by the year 2000, threatening otherwise to increase her own levels of support. The Canadian Finance Minister, Mr Michael Wilson, and the European Commissioner for External Trade, Mr Willy de Clerc, had played a constructive role in the ensuing compromise. It was particularly

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encouraging that the communique had recognised the value of producer subsidy equivalents. This index showed that the level of agricultural subsidy and protection had grown significantly during the years 1980 to 1986. The percentage of farmers' incomes dependent on subsidy and protection was 75 per cent in Japan, 48 per cent in the EC, 45 per cent in Canada and 35 per cent in the United States.

THE PRIME MINISTER, summing up a brief discussion, said that this Summit at Toronto had been the best she had attended, having been very well organised and well chaired by the Canadian Prime Minister, Mr Brian Mulroney. The Japanese Prime Minister, Mr Noboru Takeshita, had also been very businesslike in his approach, but all would miss in future the contributions of the President of the United States, Mr Ronald Reagan.

Bilateral
Relations
with Canada

THE PRIME MINISTER said that while she had been in Canada for the Economic Summit, she had signed a bilateral agreement with the Canadian Government covering reciprocal arrangements for the pursuit of funds and the confiscation of assets of those convicted of drug trafficking. She had also taken the opportunity to explain the merits of the British Trafalgar class nuclear attack submarines and their suitability in meeting the Canadian requirement. The Canadians had told her that no sooner had the President of the United States, Mr Ronald Reagan, agreed to authorise the transfer of technology to Canada than a decision to buy British submarines would entail than the Pentagon had begun to create obstacles by insisting that this could cover only present and not future technology. The Canadian Government had told her that they were currently engaged in an evaluation of both British and French submarines. This seemed to be no more than a delaying tactic. She had told the Canadian Government that the British Trafalgar class boat provided manifestly better technology of an operational and proven kind than could be offered by the French submarines, which were known to be very noisy. After her speech to the Canadian Parliament, a number of Canadians had approached her to say that they hoped the United Kingdom would get the contract.

The Case of
Mr Ismail
Sowan

THE FOREIGN AND COMMONWEALTH SECRETARY said that a Palestinian, Mr Ismail Sowan, had been sentenced on 16 June to 11 years imprisonment in connection with arms caches discovered by police in his flat. There were connections in this case with another Palestinian who was wanted on firearms and explosives charges connected with the murder in London in 1987 of an Arab cartoonist, Mr Naji Salim Hussein. The case had revealed a mixed pattern of unacceptable activity by both the Palestinian organisation, Force 17, and Israel. A Force 17 officer in the London Office of the Palestinian Liberation Organisation (PLO) had been requested to leave the United Kingdom and an Israeli diplomat who was an identified but undeclared member of the Israeli intelligence

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organisation, MOSSAD, had also been expelled. The Israelis had been reminded that British guidelines for intelligence co-operation precluded undeclared MOSSAD operations in or based in the United Kingdom. The Israeli reaction had been muted; indeed they had reportedly expected a more severe penalty. Nor had there been any undue excitement on the part of Arab Governments about the action against the PLO. All Force 17 members identified in Britain had now been excluded from this country. The Government was pursuing with other European partners the question of Force 17's capability for terrorist action in Europe.

Anglo-Iranian
Relations

Previous
Reference:
CC(88) 21.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the press continued to seek grounds for criticising the Government's policy on Iran, either ~~intimating the Government's policy on Iran~~, either intimating that the Government had changed it or that it should do so. In fact there had been no change at all in the basic position or in the hard information available about British hostages. It was possible that some hostages were being held in an area of southern Beirut controlled by the organisation, Hizbollah, but there were other reports of hostages being held outside Beirut. The four British members of Parliament returned from their visit to Iran on 22 June. The Archbishop of Canterbury, Dr Robert Runcie, would be arranging for the Foreign and Commonwealth Office to be briefed about the visit. Despite their reported recommendation for the restoration of normal diplomatic relations with Iran, there was no question of sending British diplomats back to Tehran in current circumstances.

Haiti

Previous
Reference:
CC(87) 35.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that Haiti was back under military dictatorship following the overthrow of President Manigat by General Henri Namphy. United Kingdom interests in Haiti were minimal. There were 63 United Kingdom nationals living there. Arrangements were in hand with Canada and the United States to cover their evacuation in case of need.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Agriculture
Council,
13-17 June

4. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Agriculture Council had met on 13-17 June to consider the 1988 price fixing. His major objectives were, first, that the cost of the final settlement should, in accordance with the European Council conclusions, not exceed that of the Commission's initial proposals; and second there should be a green pound devaluation acceptable to United Kingdom farmers while remaining within the limits agreed with colleagues. An overall

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settlement satisfactory in these terms had been reached, with 11 member countries voting in favour. The Greeks, however, had at the last moment insisted on a larger devaluation of the drachma and had invoked the Luxembourg compromise. No settlement had therefore been possible. He had made it clear that in the United Kingdom's view this delay should not be allowed to lead to any breaking up of the agreed package with the danger of its erosion. This had been agreed. As regards the Greek devaluation, it was important that any increased offer should not itself involve a breach of the cost limit. It should also only be modest since otherwise the tactics adopted by the Greeks in these circumstances would set a dangerous precedent. The Commission had subsequently formulated a further proposal but this had also been rejected by the Greek authorities. It was not yet clear whether a further meeting of the Council would be called at the weekend. There was a possibility that the matter would be raised at the Hanover European Council.

Foreign
Affairs
Council,
20 June

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THE FOREIGN AND COMMONWEALTH SECRETARY said that the Foreign Affairs Council had met in Luxembourg on 20 June to finalise the legal texts implementing the Brussels European Council conclusions in the light of the opinions from the European Parliament. The meeting was successful and no changes of substance were made to the texts agreed by the Foreign Affairs Council on 14 June. Texts would now be adopted at the Industry Council meeting that day. This would leave the way clear for the Hanover European Council to focus on the single market as was now proposed in a letter from Chancellor Kohl to Heads of Governments.

Environment
Council,
16-17 June

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THE SECRETARY OF STATE FOR THE ENVIRONMENT said that Lord Caithness had led the United Kingdom delegation at a successful meeting of the Environment Council on 16-17 June. Agreement had been reached on the main elements in the large plant directive. In particular, targets had been agreed for the reduction of emissions of sulphur dioxide of 20, 40 and 60 per cent in 1993, 1998, and 2003 respectively. These targets would involve no more than the three additional retrofits that had been authorised. The agreement brought to an end a protracted and difficult saga. It would earn us credit in Europe and with environmental interests in the United Kingdom. Agreement had also been reached on nitrogen oxide reduction targets. Finally, agreement had been reached on Community implementation of the Montreal protocol for the protection of the ozone layer. Lord Caithness was to be congratulated on these achievements.

Internal
Market
Council,
22 June

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THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that there had been a satisfactory meeting of the Internal Market Council on 22 June. In particular, this had reached agreement on the directive on mutual recognition of professional qualifications. The United Kingdom's

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position had been reserved on the issue of merger controls and much work remained to be done in this area. Over the period of their Presidency, the Germans would have achieved agreement or positive positions on over 50 Single Market items.

Transport
Council,
20-21 June

THE SECRETARY OF STATE FOR TRANSPORT said that at its meeting on 20-21 June, the Transport Council had finally reached agreement on the abolition of quotas on road haulage throughout the Community from 1 January 1993. This was a matter for considerable satisfaction. However, the Germans had launched a major attack on the United Kingdom's derogation in respect of heavy lorries in this country. With the help of the Commission, this attack had been fended off but the problem would not go away and further thought would have to be given to ways of dealing with it.

The Cabinet -

Took note.

Cabinet Office

23 June 1988

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