

**CONFIDENTIAL**

BV

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

COPY NO 76

CABINET

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

THURSDAY 28 JULY 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 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  
Secretary of State for Health

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 Security

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 Rt Hon Antony Newton MP  
Chancellor of the Duchy of Lancaster

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon David Waddington QC MP  
Parliamentary Secretary, Treasury

The Rt Hon Peter Brooke MP  
Paymaster General

**CONFIDENTIAL**



SECRETARIAT

Sir Robin Butler  
Mr R G Lavelle (Items 5 and 6)  
Mr P J Weston (Items 5 and 6)  
Mr A J Langdon (Items 1 - 4)  
Mr S S Mundy (Items 1 - 4)

C O N T E N T S

Item	Subject	Page
1.	CABINET CHANGES	1
2.	PARLIAMENTARY AFFAIRS	1
3.	HOME AFFAIRS	
	Police Pay	1
4.	NORTHERN IRELAND AFFAIRS	1
5.	FOREIGN AFFAIRS	
	Iran/Iraq War	2
	Thailand	3
	Soviet Armenia	3
	Burma	3
	United States	3
6.	COMMUNITY AFFAIRS	
	Foreign Affairs Council, 25 July	4
	Budget Council, 26 July	4



CABINET  
CHANGES

1. THE PRIME MINISTER said that the Cabinet welcomed the Chancellor of the Duchy of Lancaster as a new member following the recent Ministerial changes.

The Cabinet -

Warmly endorsed the Prime Minister's comments.

PARLIAMENTARY  
AFFAIRS

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

HOME AFFAIRS

---  
Police Pay

Previous  
Reference:  
CC(88) 17.2

3. THE HOME SECRETARY said that on the previous day agreement had been reached at a meeting of the Police Negotiating Board (PNB) to a pay increase of 8.5 per cent with effect from 1 September 1988 for police officers in England and Wales. This was in line with the recommendation of the 1978 Edmund-Davies report that police pay should be increased annually in line with movements in the index of average earnings over the previous 12 months. It had also been agreed that there should be a one-year freeze on starting salaries for new recruits. Contrary to the impression which the media had given, the pay agreement did not represent a full settlement of police pay and allowances issues and there would now need to be difficult further negotiations on allowances, on which there had so far been no real progress. As had been agreed in exhaustive discussions in the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Public Sector Pay (E(PSP)) it would be necessary to stand firm on those issues and it seemed likely that the staff side of the PNB would in due course take the matter to arbitration. At the end of the day, he had the power to impose a settlement if the importance of the circumstances justified it.

The Cabinet -

Took note.

NORTHERN  
IRELAND  
AFFAIRS

Previous  
Reference:  
CC(88) 16.4

4. THE SECRETARY OF STATE FOR NORTHERN IRELAND said that there had been a meeting the previous day of the Anglo-Irish Inter-governmental Conference. As he had indicated publicly, the meeting had been the most encouraging which had taken place since the signing of the Anglo-Irish Agreement in terms of the atmosphere of co-operation over security which had developed both between Ministers and between the Chief Constable of the Royal Ulster Constabulary (RUC) and the Commissioner of the Garda Siochana. Despite poor health, the presence of the Tanaiste, Mr Brian Lenihan, had been a helpful factor in contributing towards the improved relations. The RUC and the Garda Siochana had agreed a number of



**CONFIDENTIAL**

operational improvements, including the establishment of a secure telephone link between their two chief officers, which were useful steps forward, though it was perhaps surprising that they had not been put in place earlier. The Garda Siochana had recently made a number of discoveries of weapons, including a heavy machine gun and eight mortar bombs, which were welcome in themselves and might also shed light on the Provisional Irish Republican Army's arrangements for obtaining weapons, and they were exchanging any information on these discoveries with the RUC. Progress remained slow, however, on reaching agreement on extradition matters. It was clear that a good deal more work would be required on that issue, though this would now take place in the improved atmosphere which had been generated by the Prime Minister's exchange with the Taoiseach at the Hanover European Council and by the previous day's meeting.

The Cabinet -

Took note.

FOREIGN  
AFFAIRS

---  
Iran/Iraq  
War

Previous  
Reference:  
CC(88) 26.3

5. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Secretary General of the United Nations, Mr Perez de Cuellar, had begun talks separately in New York with the Foreign Minister of Iran, Mr Ali Akbar Velayati, and the Foreign Minister of Iraq, Mr Tariq Aziz, with a view to securing a ceasefire. A direct meeting between the two Foreign Ministers might be possible if things went well. The Secretary General had also sent a technical team to the region to prepare the ground for United Nations observers to monitor a ceasefire. But Iraq was proving difficult and seemed determined to press home her tactical advantage. Iran was being more flexible. The Secretary General had said that he was discouraged but not despairing that an early ceasefire could be achieved. Both Foreign Ministers would stay on in New York for the time being. The United Kingdom would sustain pressure on Iraq and hoped that other members of the United Nations Security Council would do likewise. The outcome was not assured. It seemed sensible on a contingency basis to look at the prospects in the Gulf and surrounding countries if a ceasefire should be realised. There would, for example, be implications for oil prices and for British trade with both Iran and Iraq. He was sending an official from the Foreign and Commonwealth Office to Tehran for a short visit during the second half of August, thus filling temporarily the vacancy in British diplomatic representation since May 1987. The objectives were to obtain better advice on the spot of what was going on in Iran, to press for the release of the two British citizens in prison there, to assess the prospects for re-establishing a permanent British diplomatic presence and to maintain pressure over British hostages in Lebanon, about whom there was no fresh information.

**CONFIDENTIAL**



**CONFIDENTIAL**

Thailand  
THE FOREIGN AND COMMONWEALTH SECRETARY said that in Thailand, which the Prime Minister would be visiting during August, the outgoing Thai Prime Minister, Mr Prem Tinsulanonda, had declined to accept renomination. Instead, Mr Chatichai Choonhavan, the leader of the Thai Nation Party which had emerged with the most votes from the general election on 24 July, had accepted nomination as Prime Minister by the coalition parties but the President of the National Assembly had not yet put his name to the King. It was not clear to what extent the apparent withdrawal of Mr Prem Tinsulanonda was tactical and whether he would continue to exert real political influence.

Soviet  
Armenia

Previous  
Reference:  
CC(88) 12.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the continuing troubles in Soviet Armenia had met with tough response from the General Secretary of the Communist Party of the Soviet Union, Mr Mikhail Gorbachev, who appeared to be signalling that the limits of the political possibilities had been reached. It remained to be seen whether the idea of upgrading the enclave of Nagorno-Karabakh to the status of autonomous republic would be pursued. While the strikes in cities such as Erevan and Stepankert now appeared to be over, there was still much Armenian frustration below the surface.

Burma

THE FOREIGN AND COMMONWEALTH SECRETARY said that following disturbances in Rangoon on 21 July, the Chairman of the Burmese Socialist Programme Party, U Ne Win, had resigned. He had been replaced by a hard-liner, U Sein Lwin, who had previously ranked fourth in the Party hierarchy. It was not clear whether U Ne Win had definitely relinquished power. But the underlying prospect was the familiar pattern of pressure for economic change and reform away from the socialist model; the reconfiguration of political forces was a reflection of this.

United States

Previous  
Reference:  
CC(88) 26.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that it would be prudent if Ministers in charge of Departments would review plans for British Ministerial visits to the United States during the period before the United States Presidential Election in November and in the period between the Election and the Inauguration and limit them to what was strictly necessary for the pursuit of pressing Government business. The Prime Minister would of course be visiting Washington in mid-November but there would then be a period during which the Reagan Administration was phased out and changes in Government posts would be made by the incoming Administration.

The Cabinet -

Took note.

**CONFIDENTIAL**



**CONFIDENTIAL**

COMMUNITY  
AFFAIRS

Foreign  
Affairs  
Council,  
25 July

6. THE FOREIGN AND COMMONWEALTH SECRETARY said that the meeting of the Foreign Affairs Council on 25 July had had a light agenda. The Greek Presidency had given some publicity to what in reality had been an uncontroversial discussion of relations between the Community and CMEA (COMECON) member states. It had been agreed that priority should be given to development of links with individual member states in cases where the progress of economic reform justified it and a closer relationship would be mutually beneficial. Agreement had also been reached on the jurisdiction of the Court of First Instance which would be handling second order business such as staff issues.

Budget  
Council,  
26 July

THE CHANCELLOR OF THE EXCHEQUER said that at its meeting on 26 July the Budget Council had had a first reading of the 1989 budget. A satisfactory agreement had been reached on a basis consistent with the conclusions of the Brussels European Council.

The Cabinet -

Took note.

Cabinet Office

28 July 1988

**CONFIDENTIAL**