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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on
THURSDAY 29 SEPTEMBER 1988
at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

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

The Rt Hon Kenneth Clarke QC MP
Secretary of State for Health
and Science

The Rt Hon John MacGregor MP
Minister of Agriculture, Fisheries

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
and Food

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

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THE FOLLOWING WERE ALSO PRESENT

Rt Hon David Waddington QC MP
Parliamentary Secretary, Treasury

The Rt Hon Lynda Chalker MP
Minister of State,
Foreign and Commonwealth Office

The Rt Hon Peter Brooke MP
Paymaster General

SECRETARIAT

Sir Robin Butler
Mr R G Lavelle (Items 2 and 3)
Mr P J Weston (Items 2 and 3)
Mr A J Langdon (Item 1)
Mr S S Mundy (Item 1)

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HOME AFFAIRS

Piper Alpha
North Sea Oil
Platform
Explosion

Previous
Reference:
CC(88) 26.2

1. THE SECRETARY OF STATE FOR ENERGY said that the interim report of the technical inquiry which he had established into the explosion on the Piper Alpha platform would be published later that day. Lord Cullen, the Chairman of the public inquiry into the explosion, would be announcing at the same time the date of the inquiry's preliminary hearings and that the Department of Energy's report on the incident on the Piper Alpha platform in 1984 was being made available to the public. The Technical report had been difficult to compile because much of the physical evidence remained on the sea bed. However, two possible explanations had emerged and, while it would be for the public inquiry to reach its own conclusions, it appeared that the most likely cause of the explosion was human error rather than a failure in the structure of the rig. The trades unions had been seeking to build up their position in the North Sea, as had the Opposition's energy spokesman in courting the trades unions, and as a result there had been a good deal of exaggerated and ill-informed criticism of safety arrangements. This had been heightened by the explosion on board the Ocean Odyssey platform the previous week when the radio operator had lost his life. However, he was clear from his discussions with the workforce during a visit to the Alwyn North oil field the previous day that, while there was naturally a good deal of anxiety, North Sea oil operators and workers all attached the highest priority to safety considerations. The trades unions had claimed that safety arrangements in the Norwegian sector were superior to those in the British sector, but their contention that his Department should no longer be responsible both for safety and development was undermined by the fact that responsibility for these two matters in the Norwegian sector was likewise exercised by a single body. The Burgoyne Committee on Offshore Safety had examined that issue and had concluded that there would be no benefit in removing responsibility for safety from the Department of Energy. The Government should not be drawn into commenting on the possible causes of the explosion on Piper Alpha, which was a matter for the public inquiry. However, without prejudice to that, his Department had written to the oil companies to urge them to examine six issues relating to safety.

Prisons

Previous
Reference:
CC(88)28.1

THE HOME SECRETARY said that the prison officers at Holloway Prison had ceased their industrial action on 22 September, after it had been made plain to them that staff not obeying orders would be sent home. The staff at a number of other prison establishments, however, were continuing to refuse to accept new prisoners and this had led to a rise in the number of prisoners held in police cells, which presently stood at about 1700. This situation, which was both expensive and damaging to the efficiency of the police, was totally unacceptable, and he had accordingly invited the national chairman of the Prison Officers' Association (POA), Mr John Bartell, to meet him that afternoon. At that meeting he would make it plain to the prison officers that the Government could not tolerate the present situation, which came after a long period of patient handling by prison management, and that any continuation of the industrial action must lead to staff disobeying orders being sent home under the Temporary Relief from Duty procedures,

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and to suspension of check-off facilities for the payment of POA subscriptions. Although there were some risks in taking such a firm line, the present state of affairs was manifestly intolerable and, having discussed the matter with the police, he believed that the time had come to leave the prison officers in no doubt about the Government's resolution.

forthcoming
White Papers

THE PRIME MINISTER said that some six important White Papers would need to be published before the end of the year. It was important that their publication should be spaced out and in particular that two White Papers should not compete for attention in the same week.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Gibraltar
Inquest

2. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (MRS CHALKER) said that the inquest in Gibraltar on the deaths of three Irish Republican Army terrorists on 6 March would probably conclude on 30 September or very early the following week. There were indications of differing views within the jury. While there was still a significant chance of a finding of justifiable homicide, the possibility that the outcome would be an open verdict was thus greater than had earlier seemed the case. Draft statements for use in either eventuality had been prepared by officials and would be submitted to the Ministers primarily concerned. Media coverage of the inquest had on the whole been acceptable, with the major exception of the Thames Television programme, "Death on the Rock", which following recent revelations would be the subject of a major internal inquiry to be reported to the Independent Broadcasting Authority in due course.

Anglo-
Iranian
Relations

Previous
Reference:
CC(88) 22.3

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the Foreign and Commonwealth Secretary would be meeting the Iranian Foreign Minister, Dr Ali Akbar Velayati, in New York on 30 September. The Government's objective remained to re-establish a British Embassy in Tehran. It was hoped to use the 30 September meeting to finalise agreement on this. If the meeting was successful it would in theory be possible to reopen the British Embassy within twenty-four hours. Talks between British and Iranian officials had begun in Geneva on 27 September. The Iranian side were making rather heavy weather of these, arguing that they should be permitted to open a Consulate-General in Manchester in exchange for allowing the British Embassy to reopen in Tehran. Should these talks fail due to Iranian obstinacy, the Foreign and Commonwealth Secretary intended to put an ultimatum to Dr Velayati

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either to permit the United Kingdom to return its representation in Tehran to full Embassy status or to find a protecting power for the present Iranian mission in London.

In a brief discussion, it was emphasised that the United Kingdom was not in the position of being a supplicant to Iran over normalisation of diplomatic relations and could not appear to be offering a quid pro quo for the release of British hostages still held in Lebanon. In view of the public perception that Iran had some influence over the captors of the hostages, the current talks needed to be handled extremely carefully.

an/Iraq

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the talks between Iran and Iraq were stalled although the ceasefire in the Gulf was holding. Another meeting between the parties would take place in New York within the following few days. Thereafter the talks would probably be resumed in Geneva. Iraq was still intransigent over freedom of navigation in the Gulf and clearance of the Shatt-al-Arab. The United Nations Secretary General, Mr Perez de Cuellar, was seeking a compromise but this might take some time to achieve.

the Kurdish
minority
in Iraq

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that there was compelling circumstantial evidence, albeit not fully proven, that Iraq had used chemical weapons against the Kurdish community there. It appeared that such weapons had been used in a scattered manner and that tear gas had also been employed to induce additional panic amongst the victims. The Government had requested an independent United Nations investigation. Iraq had refused this and Turkey had also proved reluctant. There was nevertheless a need to keep up the pressure of condemnation in order to deter any future use of chemical weapons. Multilateral action was the most effective. The United States Congress was still considering sanctions against Iraq. The United States Administration would oppose this and employ a veto over Congress if necessary. The sensitivity of the Iraqi Government to world opinion suggested the condemnation had had its intended effect.

Lebanon

Previous
Reference:
CC(88) 19.3

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the term of office of President Gemayel had ended on 23 September without a successor being appointed. There were now in effect two rival governments, that of the Christian Prime Minister, General Aoun, who had been appointed at the eleventh hour by Mr Gemayel, and that of the previous caretaker Muslim Prime Minister, Selim Hoss, backed by Syria. There was growing de facto partition in Lebanon. The risk of Syrian proxy military pressure on Christian Beirut was high. The Government's

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line was to maintain contacts with both the rival governments while stressing that these contacts had no implications for their competing claims. Other European Community countries endorsed this approach, which had also been adopted by the United States. The Americans remained in touch with the Syrians but the prospects of a compromise between the Christians and the Muslims to elect a President looked increasingly bleak. These developments carried no direct implications for the British hostages. The British Embassy were still in contact with leaders in Beirut. The situation, and its implications for British diplomats and their families, was being kept under close and continuous review.

pan THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the condition of Emperor Hirohito of Japan was stable but critical. His death might be imminent. The Crown Prince had taken over the Emperor's official responsibilities. The funeral would take place 40 to 50 days after the Emperor's death. Existing agreed contingency plans provided for the United Kingdom to be represented at the funeral by a senior member of the Royal Family and by a Cabinet Minister. The death of Emperor Hirohito would signal the end of an era in Japan, but was unlikely to have serious effect on Japan's domestic and international policies since the Emperor's role was now purely symbolic.

In discussion, it was pointed out that British representation at the funeral of the Emperor would need to be handled with great sensitivity given not only the current importance of relations with Japan but also the strong feelings on the part of those members of the British public who had direct experience or memories of Japan's wartime role and her treatment of prisoners. It was important to find out quickly the intentions of other friendly governments as to representation at the funeral, particularly the United States, the old Dominions and key European partners, especially those with Royal Heads of State such as the Netherlands. The United Kingdom needed to be broadly in line with major partners on this question.

Meeting
of the
International
Monetary Fund
and World
Bank

THE CHANCELLOR OF THE EXCHEQUER, reporting on the annual meeting of the International Monetary Fund (IMF) and the World Bank said that the general atmosphere had been calm, with the world economy in reasonable shape and the US Presidential elections ahead. He had had a bilateral discussion with the United States Treasury Secretary Brady, whom he judged likely to retain his position if Mr Bush became President. Mr Brady had made clear that he would maintain the policies of his predecessor, Mr Baker, in relation to international financial cooperation. Mr Brady had also indicated that after the Presidential election he would wish to get to grips with the problems of the United

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States budget deficit, although he did not indicate what action he proposed to take. The Group of Seven meeting, preceded by an unpublicised meeting of the Group of Five, had produced a satisfactory communique.

Continuing, THE CHANCELLOR OF THE EXCHEQUER said that, following the discussion at the Toronto Summit, detailed arrangements for dealing with the problem of Sub-Saharan debtors had been worked out in the Paris Club. The Germans had been holding up general agreement, but following pressure put on them during the present meeting, the agreement had now been concluded, with the Germans opting for the same technique of reducing interest rates as we had chosen. A difficult position had, however, arisen in relation to the position of middle income debtors. At a very late stage in the Toronto Summit, the Japanese had produced long and elaborate proposals in this area which there had not been time to discuss. On the eve of the present meeting, the Japanese had again brought forward a complex scheme. The United States Government were suspicious of the proposals which in their view appeared to transfer risk from the private to the public sector. The outcome was that the Japanese proposals, which in the absence of the Japanese Finance Minister had been presented by the Governor of the Bank of Japan, had been reflected in a single tentatively worded paragraph. Nevertheless the problem had not gone away. In particular there was the danger of a Japanese alliance with the French. It was not unlikely that President Mitterrand, on the occasion of his visit to the United Nations later in the year, would produce an initiative on similar lines. The Japanese initiative might well reflect both their wish to cut a figure on the international stage and the pressure on them from Japanese banks. However, there were a number of alternative ideas available for market based solutions, including increased use of the secondary market.

In a brief discussion it was noted that there had been recent indications that the French authorities had been opening up their market to Japanese companies for the first time and substantial investments had been negotiated. While both the United Kingdom and Germany had attracted such inward investment in the past, we had not hitherto had to face the problem of French based competition.

THE CHANCELLOR OF THE EXCHEQUER said that in the course of the meeting, the Chairman of the World Bank, Mr Conable, had announced the conclusion of an agreement with Argentina. Such an agreement would normally be backed by an IMF programme and the proposals had also not yet been approved by the Bank Board. This had led to a dispute between Monsieur Camdessus and Mr Conable and the matter would have to be resolved in due course in the Bank/Fund Boards.

The Cabinet -

Took note.

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3. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that at its meeting on 26 September the Foreign Affairs Council had not found it possible to agree the draft mandate for the Lome negotiations. Outstanding points would need to be resolved before the opening session on 12-13 October. The Council had approved a statement on the recent United States Trade Act. Despite the inclination of the French and Italians for a more confrontational approach, the agreed text had matched the United Kingdom wish for a firm but balanced anti-protectionist message. The Foreign Secretary, in his meeting with the United States Secretary of State, Mr George Shultz, in New York would underline the importance in the context of the GATT Uruguay Round of a responsible Administration approach. The EC/Hungary trade and economic cooperation agreement had been signed in the margins of the Council. The Deputy Prime Minister, Mr Marjai, had expressed his gratitude for the role played by the United Kingdom in the negotiation of an agreement and the interest taken by the Prime Minister in this issue following Mr Grosz's visit to London last May. The message which the Prime Minister had sent to Mr Grosz earlier in the week had been published in all the Hungarian newspapers.

formal
Economic
and Finance
Council,
16-18
September

THE CHANCELLOR OF THE EXCHEQUER, reporting on the informal meeting of the Economic and Finance Council on 16-18 September said that the unhelpful press accounts of the discussion of indirect tax approximation had reflected briefing by the Commission and in particular Lord Cockfield. However in substance the meeting had in fact gone well. He had presented a very thorough paper outlining a market based approach to the problem and reflecting the view that increased cross border shopping would encourage approximation of taxation without the necessity for central harmonisation by the Commission. The subsequent discussion had concentrated on this paper and the issues presented in it. The meeting had only addressed Lord Cockfield's paper, seeking answers to detailed questions on the implementation of the Commission's proposals, in its concluding minutes. Luxembourg had been the only member state to support the United Kingdom's approach but the other member states all had difficulties with the Commission's proposals and Denmark had described them as unacceptable. The other nine member states had regarded the United Kingdom's paper as a substantial and constructive contribution. While they had accepted the Commission approach in principle it clearly caused them major difficulties for economic policy and revenue reasons, and also in political terms. The Commission's proposals on excise duties, where there were much greater national variations than in respect to value added tax rates, raised particular difficulties. At the conclusion of the meeting, Monsieur Delors had accepted that the United Kingdom's paper remained on the table. The Commission had been asked to produce proposals amended in the light of the views expressed during the meeting and also of bilateral exchanges to take place subsequently with member states. It seemed inconceivable that while Lord Cockfield remained Commissioner any

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satisfactory proposals would be brought forward: revised proposals were likely to reflect only minor changes and so would be unacceptable. It would be sensible for the United Kingdom to play this issue long in the hope that a new Commissioner would approach it with a fresh mind..

The Cabinet -

Took note.

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Agriculture
Council,
-27
September

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that at its meeting on 26th September the Agriculture Council had had a first discussion of the problem presented by a judgment of the European Court of Justice that farmers who had temporarily come out of milk production under a 1984 voluntary scheme should not have been denied any allocation of milk quotas. The decision presented some unwelcome issues, and the Council would need to return to the problem on a future occasion. There had also been a discussion of agriculture's place in the Uruguay Round. He had had some preliminary exchanges on this issue with Commissioner Andriessen and had underlined the need for a further Community input if the GATT discussions were to be successful. He had expected a difficult debate on this issue in the Council. In the event, however, the French Minister of Agriculture, who had recently visited the United States, had taken up a much more open position than in the past. Only the German Minister had taken the view that the Community should stand pat on the reforms already agreed. There was a clear wish for further debate at a later Council in October or November. Given the nature of the debate on the present occasion, this presented a less unwelcome prospect than might have been expected.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Council had also considered a paper produced by the Commission on the future of the rural world which sought to take stock of the wider issues presented by changes in agriculture. Against the background that agriculture could not play an expanding role in world production, it was clear that there would need to be substantial adjustments. We would need to be on our guard against pressure for expenditure on other activities, both within the agricultural budget and elsewhere. There had finally been discussion of the implications of prospective underspending of the agriculture budget. This had reflected not only the impact on world prices of the drought in the United States but the effects of the reforms of the CAP already agreed and management savings in the dairy sector. Some member countries were looking for a relaxation of the pressure on expenditure. It had been possible on this occasion to fight off such approaches. In a brief discussion it was noted with satisfaction that recent changes in the dollar rate would mean that the first activation of the monetary reserve would be in a positive direction.

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visit of
Monsieur Joxe

THE HOME SECRETARY said that he had had a meeting in the previous week with the French Minister of the Interior, Monsieur Joxe. It was satisfactory that Monsieur Joxe had been prepared to put his name to a public statement recognising the necessity for frontier controls in the fight against terrorism, drug trafficking and criminal behaviour. As the Chancellor had noted in relation to tax approximation, other member countries frequently only agreed in private with United Kingdom views. There were continuing problems with the press corps in Brussels who were heavily briefed by the Commission on such issues. In a brief discussion it was noted that there had been clear recognition at the Hanover European Council of the importance of frontier controls.

Nissan
investment
in
Washington
New Town

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that Nissan had established new manufacturing facilities at Washington New Town which were expected to produce 200,000 cars annually, half for export. These would meet the Community requirement for 60 per cent local content. The first car which he would himself drive off the production line at the weekend was intended for export to France. The French authorities had refused entry, indicating that they would only accept vehicles with 80 per cent local content. He was pursuing this issue with the Commission.

The Cabinet -

Took note.

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