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Conclusions

CABINET

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

THURSDAY 23 NOVEMBER

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
Lord President of the Council

The Rt Hon The Lord Mackay of Clashfern
Lord Chancellor

The Rt Hon Douglas Hurd MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon John Major MP
Chancellor of the Exchequer

The Rt Hon David Waddington QC 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 Defence

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade and
Industry

The Rt Hon Kenneth Baker MP
Chancellor of the Duchy of Lancaster

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

The Rt Hon John MacGregor MP
Secretary of State for Education
and Science

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

The Rt Hon Cecil Parkinson MP
Secretary of State for Transport

The Rt Hon John Wakeham MP
Secretary of State for Energy

The Rt Hon The Lord Belstead
Lord Privy Seal

The Rt Hon Antony Newton MP
Secretary of State for Social Security

The Rt Hon Christopher Patten MP
Secretary of State for the Environment

The Rt Hon Peter Brooke MP
Secretary of State for Northern
Ireland

The Rt Hon John Selwyn Gummer MP
Minister of Agriculture, Fisheries
and Food

The Rt Hon Norman Lamont MP
Chief Secretary, Treasury

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ALSO PRESENT

The Rt Hon Timothy Renton MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robin Butler
Mr L V Appleyard (Items 3 and 4)
Mr D A Hadley (Items 3 and 4)
Mr P J C Mawer (Items 1 and 2)
Mrs J M Bailey (Items 1 and 2)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
2.	HOME AFFAIRS	
	Haemophiliacs with HIV Infection	1
	Industrial Action in the Ambulance Service	2
	Balance of Trade Figures	4
3.	FOREIGN AFFAIRS	
	German Democratic Republic	4
	Czechoslovakia	4
	Lebanon	5
	El Salvador	5
	Prime Minister's Visit to Camp David, 23/25 November	5
	European Community Heads of Government Dinner in Paris on 18 November	6
	European Council Meeting in Strasbourg, 8/9 December	8
4.	COMMUNITY AFFAIRS	
	Agriculture Council 20/21 November	
	Social Charter	9
	Relations with European Free Trade Association Countries	10

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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 there had been a good response in Parliament and in the media to the legislative programme announced in the Queen's Speech on the State Opening of Parliament. Although some press comment had suggested that the programme was less full than that in the two previous sessions of this Parliament, it remained a heavy one. Moreover, an unusually large number of Bills had early Royal Assent requirements attached to them. It remained important therefore to resist firmly the temptation to add to Bills as they progressed through Parliament.

In a brief discussion it was noted that the themes of enlarging choice, enhancing the quality of life and improving the protection of the consumer reflected in the Gracious Speech had been well received. So too had the Autumn Statement by the Chancellor of the Exchequer the previous week. It would be helpful if these themes were emphasised in constituency speeches. Of the Bills in the programme, that on Human Fertilisation and Embryology, which was to be published later that day, would generate heated debate on the issues of research on embryos and abortion. When asked whether amendments about abortion would be in order under the Bill, the Secretary of State for Health had said that the question whether such amendments would fall within the scope of the long title was a matter for the House authorities.

The Cabinet -

Took note.

2. THE SECRETARY OF STATE FOR HEALTH said that about 1,200 haemophiliacs in the United Kingdom had been infected with human immuno-deficiency virus (HIV) through the use of early commercial blood products (mainly American) which had been inadvertently contaminated with the virus, most of them at a time when the threat was not appreciated or poorly understood. This was a tragedy, but it had not been occasioned by negligence either on the part of the clinicians involved or on the part of the Government. Some six hundred of the haemophiliacs were suing the Department of Health and other agencies. The Department was resisting the claim and would continue to do so.

Nevertheless the position of the haemophiliacs concerned understandably attracted public and Parliamentary sympathy. He therefore proposed to increase substantially the funds available to the Macfarlane Trust, which had been set up to give help to

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PARLIAMENTARY
AFFAIRS

HOME AFFAIRS

Haemophiliacs
with HIV
infection

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those haemophiliacs who were in actual financial need because of their HIV infection. This would not involve any admission of negligence or create any difficult precedent. Some changes might be required to the Trust Deed and he would be meeting the Trustees later that day to put his proposals to them. A number of detailed questions concerning, for example, the resourcing of the arrangements and their impact on the legal aid eligibility of the haemophiliacs suing his Department remained to be resolved. He hoped, however, to settle these points in time to make an announcement by written Parliamentary answer either later that day or shortly thereafter, which if it could not deal with all the details of the proposed arrangement, would at least set out what he proposed in broad terms.

The Cabinet -

Took note.

Industrial
action in the
Ambulance
Service

Previous
Reference:
CC(89) 34.2

THE SECRETARY OF STATE FOR HEALTH said that the industrial action by ambulance workers appeared to be spreading. The Union's objective was to achieve a complete withdrawal of the non-emergency ambulance service, apart from some cases covered by Trade Union Congress (TUC) guidelines. The response to 999 calls was generally being maintained, but it did not in all cases cover the full normal range of urgent admissions. The Armed Forces were at present providing accident and emergency services in London and in Hertfordshire. The situation elsewhere was changing from day to day, as the Unions sought to put pressure on local management, and it was impossible to be certain how things might develop in particular areas. The Armed Forces were on standby in a number of areas, notably the West Midlands and Essex. Generally speaking, however, an adequate accident and emergency service was being provided throughout the country.

Attempts had been made to find a basis upon which detailed negotiations could take place in the Whitley Council. The Chief Executive of the National Health Service (NHS) had met the national officers of the Trade Union side on 7 November. He had proposed a 9 per cent increase in basic rates for staff outside London to cover the 18 month period from 1 April 1989 to 30 September 1990. The increase over the earlier 6.5 per cent offer would be financed by extending the settlement period. For staff in the London Ambulance Service the increase would range from 10.9 to 12.1 per cent, with 11.8 per cent for qualified ambulance men and women, who were the vast majority. In addition, the Chief Executive had proposed an extra £500 per year for staff with paramedical skills, which would be financed from new resources. This would lift the level of increase for

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qualified staff outside London to 14 per cent and add just under 0.5 per cent to this year's pay bill. In his view it was right for these highly skilled people to receive this additional recognition.

Continuing, THE SECRETARY OF STATE FOR HEALTH said that the established Trade Unions had refused to resume negotiations on the basis of these proposals. They had continued to press publicly for an increase this year of over 11 per cent, to secure parity with fifth-year qualified fire-fighters. A settlement on that basis would not only have very damaging consequences for future pay negotiations in the NHS and outside it, and it was relevant that laboratory and scientific officers in the NHS had recently accepted a 6.5 per cent pay offer - but would deprive the Service of the true benefit of the additional resources allocated to it in the Chancellor's Autumn Statement. He was now minded to have a formal offer on the basis of the Chief Executive's proposals made to the Association of Professional Ambulance Personnel (APAP). This Trade Union, which was not affiliated to the TUC and which had been denied representation on the Trade Union side, might be disposed to recommend acceptance of the offer to the twenty-five per cent of ambulance personnel it claimed to have in its membership. The offer would simultaneously be extended to members of the other Unions, conditional upon a resumption of normal working. In his view, this was the most promising route to an early settlement of the dispute, which would allow the ambulance workers to have their increase and a substantial amount of back pay before Christmas. If APAP were prepared to recommend the new offer to their members, there would be advertisements in national newspapers early the following week setting out the detailed terms of the pay offer, in order to ensure that both the ambulance workers and the public understood the Management Side's position. A difficult time, however, lay ahead.

THE SECRETARY OF STATE FOR SCOTLAND said that industrial action by ambulance workers was spreading to Scotland. In some areas non-emergency services had been withdrawn. The Management Side had made it clear that they were not prepared to pay ambulance workers in full if the complete range of services was not available. This was a reasonable view, which should gain public support. The Unions had responded, however, by threatening also to withdraw the accident and emergency services. He was in touch with the Secretary of State for Defence about whether the Armed Forces should be placed on standby against this possibility.

The Cabinet -

Took note.

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... of
... figures

THE CHANCELLOR OF THE EXCHEQUER said that the trade figures to be published that day would show a net deficit for October of £1 1/2 billion. Though not good, this was the best figure since May and below the £1.7 to £1.8 billion apparently expected by the market. It would also help to confirm the credibility of the forecast of £20 billion for the year as a whole. Export volumes were growing, being now 10 per cent above their level a year ago: and imports were now growing at a lower rate than exports. But sterling had fallen somewhat since the weekend against both the dollar and the D-mark, not helped by press speculation about the trade deficit.

In a brief discussion, it was noted that an analysis of imports showed which sectors of industry were weak, in many cases because of the perverse policies of past Governments. Inflation remained a serious problem, even though the present rate of 7.3 per cent was better than at any time during the last Labour Government. It was important to counter press speculation that the Chancellor's forecast for the last quarter of the year would prove too low. Food prices, which normally rose below the general rate of inflation, had contributed to the latest increase. This was mainly due to the summer drought, but there were other factors: for example the fall in world coffee prices did not yet seem to be reflected in retail prices. The outlook for pay settlements was not good: a settlement by Fords at around 10 per cent, for example, now looked likely.

The Cabinet -

Took note.

FOREIGN AFFAIRS

German
Democratic
Republic

Previous
Reference:
C(89) 34.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the East German Prime Minister, Herr Hans Modrow, seemed seriously committed to reform. Elections were likely to take place in late 1990 or early 1991. East Germany faced serious economic problems caused by the exodus of people and the fall in its currency.

Czechoslovakia

THE FOREIGN AND COMMONWEALTH SECRETARY said that recent demonstrations in Czechoslovakia reflected the desire of the people not to be left behind in the reform process. They had been enraged at police brutality towards demonstrators on 17 November and despised the leadership which appeared to be

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divided. Prime Minister Adamec was advocating further dialogue but other hard line forces within the Czech leadership were opposed.

Lebanon

Previous

Reference:

OC(89) 18.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the assassination of the Lebanese President, Mr Rene Moawad, had dealt a major blow to the peace process, which was already fragile. It was still unclear which group had been responsible for the assassination. There were allegations that it was carried out by forces associated with the Maronite leader, General Aoun, but Hizbollah, who were strongly opposed to the peace process, also had an obvious motive. A message of sympathy had been sent, and the Arab League Committee of Three Heads of State should be encouraged to resume the search for peace.

THE FOREIGN AND COMMONWEALTH SECRETARY, continuing, said that he had recently reviewed British policy on hostages and was satisfied that it was correct. He had talked to the families of Mr Terry Waite and Mr John McCarthy. The families had expressed their support for Britain's present policy. Every lead had to be followed up which might result in release of the hostages but there could be no question of paying ransom or carrying out dramatic physical intervention.

El Salvador

THE FOREIGN AND COMMONWEALTH SECRETARY noted that inter-factional fighting in El Salvador was continuing. Despite press reports of the presence of British personnel among United States advisers found there, there were no British Military advisers in El Salvador. The United Kingdom Government was only represented by a Chargé d'Affaires with one other member of staff.

Prime Minister's

Visit to Camp

David, 23/25

November

THE PRIME MINISTER said that her forthcoming discussions with the United States President, Mr George Bush, in Camp David would be timely. President Bush was adopting a prudent and cautious approach to the situation in Eastern Europe and emphasising the need for orderly change. This approach was right, and was in the interests of Britain and the West. It meant that America's allies were not likely to be caught off their guard by sudden United States initiatives. Western policy took account of the Helsinki agreement, which referred to both European borders and human rights. The signatories to the Helsinki Final Act had committed themselves not to violate the borders of other

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countries and to accept that any change in the borders could only be carried out by peaceful means. Britain was governed in its policy towards Germany's borders by the rights and obligations of the Four Power Agreement. There could be no change in Germany's borders without a peace treaty. It would not be in the interests of either East or West to try to negotiate a treaty at the present time. If democracy could be established in Eastern Europe, and ultimately in the Soviet Union, this would in due course open up a vista of new possibilities. These perceptions were fully shared by the United States Administration. But recent remarks by the United States Defense Secretary, Mr Dick Cheney, had not been helpful. According to some reports, he had spoken about possible reductions of 5 per cent in defence expenditure over the period 1991-1994, on the grounds that the threat from the Warsaw Pact had diminished. It would have been much better if he had confined himself to stating that cuts might be necessary for the true reason, which was the size of the budget deficit.

European
Community
Heads of
Government
Dinner in
Paris on
18 November

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THE PRIME MINISTER said that she had attended a dinner given for the European Community (EC) Heads of Government by the French President, M Francois Mitterrand, in Paris on 18 November. President Mitterrand had opened the discussion by posing a number of questions, in particular whether EC governments should raise the issue of European borders and whether more assistance should be given to Poland and Hungary. Chancellor Kohl of West Germany, who spoke for 48 minutes, had emphasised that West Germany was a loyal member of the EC and the North Atlantic Treaty Organisation (NATO), and would remain so. Although much of Chancellor Kohl's intervention had been concerned with events in East Germany, he had made clear that West Germany attached just as much importance to developments in Poland and Hungary. The Spanish President, Senor Felipe Gonzalez, had spoken in similar terms, arguing that more help should be given to Poland and Hungary. In her intervention, she had sought to answer the questions posed by President Mitterrand. It would not be right for EC governments to raise the question of European borders, which must remain off the agenda. The North Atlantic Treaty Organisation and the Warsaw Pact should be maintained. The single most important objective for the West was to see the establishment of democratic governments and societies in Eastern Europe and the Soviet Union. Raising the question of borders would undermine the President Gorbachev's position and thus endanger the prospects for democracy in Eastern Europe. President Mitterrand had agreed, and others had subsequently also added their voices against raising the border issue. It had been noted that the economic situation in both Poland and Hungary was becoming increasingly difficult. In discussion, there had been general agreement that every effort must be made

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to enable the International Monetary Fund (IMF) to reach agreement with both Poland and Hungary by the end of the year. It would not be possible to provide financial help for Poland without a proper IMF agreement. Financial help should in general be dependent on the prior achievement of real progress towards democracy: Chancellor Kohl had specifically assented to this proposition in respect of East Germany.

Continuing, the PRIME MINISTER said that she had then turned the discussion towards the form of economic and trade co-operation that the EC should establish with Eastern Europe. These points had been reflected in her speech at the Lord Mayor's Banquet on 13 November and in her statements in the House of Commons. The EC had a range of agreements with East European countries including trade agreements, trade and co-operation agreements and association agreements. The EC should consider the forms of agreement for East European countries which were best adapted to their particular needs. President Mitterrand suggested that some Eastern European countries should be allowed to participate in EC programmes of which membership was not confined to EC member states. This could include EUREKA and ERASMUS. The Prime Minister had suggested that the EC needed to take a clear decision by the end of this year on how the question of enlargement should be handled. Turkey had put in its application two years ago but had been given no reply. Since then Austria had also applied. It was not necessary to take a final decision at the present time. But the EC was now coping with the effects of its recent expansion and was concentrating on preparations for the Single Market in 1992. It was perfectly tenable for the EC to take the position that, until these important issues had been resolved, it would not be possible to consider further enlargement.

Continuing, the PRIME MINISTER said that towards the end of the dinner President Mitterrand had raised the question of a new European Development Bank. She had pointed out that the East European countries already had substantial debt obligations. They needed grants rather than more loans. The IMF itself would make available loans on preferential terms. Moreover, the European Investment Bank already had sufficient funds to finance new projects. The problem was finding suitable projects. In the discussion Heads of Government had agreed that the proposal should be looked at in more detail. However, at his press conference, President Mitterrand had reported that all EC Heads of Government had agreed to the scheme in principle. In fact, Britain, West Germany and the Netherlands had not committed themselves to the proposal. At his press conference President Mitterrand had also announced that the EC Heads of Government had decided that the question of European borders should not be put on the agenda, and had reaffirmed their confidence in NATO and other Western institutions. After the Dinner the Prime Minister had spoken to the Irish Prime Minister, Mr Charles Haughey, about the need to deny any refuge to the Provisional

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Irish Republican Army and the damage which was done by repeated criticism of the British judicial system. Mr Haughey had responded defensively.

In a brief discussion, it was pointed out that a further review would be useful on the provision of food aid to Poland. Supplies of food were likely to become critical over the winter. There had been delays in the initial uplift of food aid from the EC. Polish ports and handling facilities were having difficulty in coping with the inflow of meat and other products. When Dr Janusz Onyszkiewicz, the senior adviser to Solidarity, had called on the Prime Minister, he had drawn attention to the current difficulties. Although these problems did not yet pose a political threat to the new Polish government, there was no room for complacency.

The PRIME MINISTER, summing up this part of the discussion, said that the Foreign and Commonwealth Secretary in consultation with the Minister for Overseas Development and the Minister of Agriculture, Fisheries and Food, should review the procedures for the provision of EC food aid to Poland, and should take account of the experience and facilities which could be made available by the non-governmental organisations and charities. While sea and road transport provided the most efficient method of ensuring that a substantial volume of food aid could be transported to Poland and distributed within the country, the possibility of an airlift should not be excluded.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up and invited the Foreign and Commonwealth Secretary, the Minister for Overseas Development and the Minister of Agriculture, Fisheries and Food, to proceed accordingly.

European Council
Meeting in
Strasbourg,
8/9 December

THE PRIME MINISTER said that preparations were now well in hand for the European Council meeting to be held in Strasbourg on 8/9 December. It was helpful that in the House of Commons debate both major parties had made clear their opposition to Stages Two and Three of the Delors plan. Doubts were now emerging in some other Member States. These reservations had been underlined by the President of the West German Bundesbank. Discussion on the Social Charter was likely to be difficult, though the attitude of the European Commissioner, Sir Leon Brittan, had been consistently helpful. It was essential for the EC to reach acceptable conclusions on these questions before the Irish Presidency took over.

The Cabinet -

2. Took note.

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4. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Council had reached a decision on changes to the agricultural structures regulations. He had had to fight hard, against strong opposition from the Commissioner Mr Mac Sharry, to improve the proposed limit per farm for payments on livestock in hill areas. The limit would have most impact in the areas where farming conditions were hardest. The French Presidency and certain other Ministers had offered some support and the Commission had eventually been somewhat more flexible. The number of livestock within the limit had been more or less doubled. Though less than he would have liked to achieve, this was a big improvement on the original proposal. The Council had also agreed on a one per cent increase in the milk quotas with effect from the current year. The budgetary cost would be offset through cuts elsewhere, but the savings would not take effect until the following year.

In a brief discussion it was noted that the limit to payments on hill livestock applied to the Community's contribution to those payments. The attitude of the Farmers' Unions would depend on the extent to which the Government was willing to pay above the limit at national expense.

THE SECRETARY OF STATE FOR EMPLOYMENT said that the Commission had now revealed its action programme to implement the Social Charter. There would be a preliminary discussion at the Social Affairs Council on 30 November. The action programme had been slightly modified: there were no proposals touching on industrial relations and no binding measure was envisaged on minimum wages. But the Commission still planned to regulate hours of work, part-time work, holidays and rest periods in a way which would be contrary to the Government's policy over the last ten years and was absurd against the background of 14 million unemployed in the Community. He would circulate information to colleagues in time for the House of Commons debate on 29th November. In the debate he would continue to take the line that some moves had been made in the United Kingdom's direction, but that these were insufficient.

In a brief discussion, it was noted that the Confederation of British Industry and other bodies representing industry fully supported the Government's stance: but they had had only limited success in mobilising their counterparts in other Member States, partly because the motive of some Governments in backing the Charter, for example the German Government, was essentially protectionist. A reply to the Prime Minister's letter to President Mitterrand could not be ruled out but it might well arrive at the last moment: if the French did not want to negotiate with the United Kingdom on the text, there would be

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repeat at the Strasbourg European Council meeting of the eleven to one position recorded at Madrid, with the real debate reserved for the action programme. It had to be remembered that under the Single European Act, changes affecting industrial relations required unanimous agreement. Even non-binding declarations could have the effect of extending the Commission's competence in an undesirable way. The United Kingdom would have available its own version of a Charter for the Strasbourg meeting.

relations with
European Free
Trade Association
Countries

THE FOREIGN AND COMMONWEALTH SECRETARY said that press reports linking discussions between the Community and the European Free Trade Association (EFTA) countries to speculation about the United Kingdom's future status within the Community and to the moves towards democracy in Eastern Europe were misleading. The discussions on a closer relationship between the Community and the EFTA countries had been taking place for some time and had made good progress. He expected that a joint meeting in December would launch formal negotiations: it was expected that these would reach agreement, perhaps by around the end of 1990. This would have no bearing on the United Kingdom's position as a member of the Community: nor would it be relevant to the Community's relationships with Eastern Europe, which would need to be adjusted to the situation in each of the countries concerned.

The Cabinet -

Took note.

Cabinet Office

23 November 1989

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