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CABINET

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

THURSDAY 30 NOVEMBER 1989

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 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 Mawer (Items 1 and 2)  
Mrs J M Bailey (Items 1 and 2)

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

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that he proposed to make a statement that afternoon about the sale of the Rover Group to British Aerospace plc (BAe). A report in that morning's Guardian, referring to a leaked confidential memorandum prepared by the Comptroller and Auditor General and submitted to the National Audit Office (NAO) Report on the Rover Group Sale, had alleged that the Government had concealed from the European Commission payments of around £38 million to BAe. The NAO report was due to be discussed by the Public Accounts Committee (PAC) in closed Session on 4 December, but he believed it right in the circumstances to volunteer a statement to Parliament. He would inform the Chairman of the PAC of his intentions. He would also clear his statement with the Secretary of State for Health, who, as Chancellor of the Duchy of Lancaster, had made a statement to the House of Commons on the Rover Group sale on 14 July 1988, and if possible with the former Trade and Industry Secretary, Lord Young of Graffham, who was out of the country.

The Cabinet discussed proposals for increases in Ministerial salaries. The discussion is recorded separately.

2. THE SECRETARY OF STATE FOR HEALTH said that at the beginning of the week National Health Service (NHS) management had advertised widely the latest terms, amounting to some 9% over 18 months - which were on offer to ambulance workers. The London Ambulance Service had also won an important court judgement recognising management's right to withhold pay where ambulance staff were not working normally. This would mean reduced pay for ambulance workers taking industrial action which, in the run up to Christmas, would put added pressure on them to accept the latest management offer. Notice which he had given the Trade Union Side of the National Whitley Council of his intention to establish new negotiating machinery including representatives of the Association of Professional Ambulance Personnel (APAP) was due to expire the following day. This would enable a variant of the latest management offer to be put to APAP (whose members were estimated to make up some 25% of ambulance workers) the following week. At the same time the offer would be extended to members of other unions conditional on a return to normal working. If APAP accepted the offer

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er Group

Ministers' and  
Office  
Salaries

HE AFFAIRS

Industrial Action  
the Ambulance  
Service

Previous  
Reference  
(89) 35.2

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there was a good possibility that this would encourage members of other trade unions to do so. Meanwhile, the unions in dispute were attempting to extend their industrial action, with varying results. They were meeting that day to consider means of further escalation, but overall it was uncertain what success they would have. A walk-out by London Ambulance Controllers the previous day had gained some publicity but had been well handled by management. It was ironic that the controllers - who had since returned to work - had themselves originally insisted on the introduction of the procedures which they now claimed were leading to unacceptable delays in attendance by police and military vehicles at emergency incidents.

The Cabinet -

Took note.

FOREIGN AFFAIRS

Czechoslovakia

Previous

Reference:

C(89) 35.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the control of one-party Communist governments in Eastern Europe was continuing to crumble. In Czechoslovakia, the general strike on 27 November had been a psychological defeat for the Party leadership. The Party and government were now trying to procrastinate in the face of popular pressure. Prime Minister Adamec had agreed that the Party should abandon its leading role and that a new government, including non-Communists, should be in place by 3 December. The Civic Forum, which represented most opposition groups, was the main channel for negotiations with the government. The process of change in Czechoslovakia was well under way, and it would be very difficult for the authorities to reverse it now.

Chancellor Kohl's  
speech in the  
Bundestag

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Federal German Chancellor, Dr Helmut Kohl, had made a major speech in the Bundestag on 28 November in which he had set out a new ten-point plan on the relationship between West and East Germany. Chancellor Kohl had stressed the importance of free elections in East Germany which, the West German government considered, were likely to take place by the end of next year. He foresaw a period in which the two Germanies would exist alongside each other and would co-operate, though each country would remain a member of its present Alliance. Confederative structures would be developed between the two German states so that the two countries would proceed towards unity over a period of time. The West German Foreign Minister, Herr Hans Dietrich Genscher, in his discussions in London on 29 November, had put a more reassuring gloss on Chancellor Kohl's statement than perhaps the text warranted. Herr Genscher was doubtless aware of the likely

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international reactions to Chancellor Kohl's statement. The Soviet and French governments had already reacted cautiously. Chancellor Kohl's speech had shown signs of hasty preparation. It would be important to pay careful attention to the way in which the West German government interpreted the statement in the coming months.

Prime Minister's  
visit to Camp  
David

previous  
reference  
C(89) 35.3

THE PRIME MINISTER said that in her discussions with the President of the United States, Mr George Bush, at Camp David on 24 November, he had shared her assessment of the correct Western approach to developments in the Soviet Union and Eastern Europe. They had agreed that the question of border changes should not be raised, and that the existing North Atlantic Treaty Organisation (NATO) and Warsaw Pact structures should be maintained. The present negotiations on force reductions should be pursued. President Bush had been concerned about the situation in the Baltic States. She had pointed out that the extent to which the West could influence developments there was limited. It was right to argue for greater independence and liberty for the Baltic States within their own countries. It would be wrong to encourage these States to leave the Soviet Union. President Bush had shown some impatience with restrictions placed by the West German government on the training activities of NATO forces, particularly low flying exercises. He had also been embarrassed by statements by his Defense Secretary, Mr Dick Cheney, about a 5 per cent reduction in defence spending. President Bush had wished that the statement had not been made in that way, though the United States government was undoubtedly facing budgetary problems. She had pointed out that it would be damaging if the impression was created that the first target for budget cuts should be defence. Nor should Western governments put forward the view that the grounds for further reductions was the diminished threat from the Warsaw Pact. It was not possible now to say what would happen in the future. President Bush had made an enigmatic remark about cuts in defence spending which he had characterised as "what peace was about". She had reminded him that defence spending was needed in order to preserve peace.

Continuing, the PRIME MINISTER said that President Bush had questioned her about the dangers of increased protectionism within the European Community (EC). She had assured him that Britain would continue to argue for keeping the EC open. This was why she was opposing the Social Charter. President Bush had told her that he did not expect any dramatic new developments to arise from the United States/Soviet Summit at Malta on 2/3 December. She thought it possible that President Gorbachev might press for naval forces to be included in arms control reductions. She had advised President Bush that, if President Gorbachev raised this question, he should argue that the seas were the highway for Western countries and vital to the

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reinforcement of Europe. The Soviet Union could carry out reinforcement in Europe over their own and their allies' territory. They had both agreed that it was necessary for the present negotiations on conventional force reductions in Europe to be completed and for implementation to be under way before there could be any consideration of discussing further cuts. There had been agreement both at the EC Heads of Government Dinner in Paris on 18 November and at Camp David that the question of European borders should not be raised. It was worrying that Chancellor Kohl had now done so, though Herr Genscher had taken a more realistic line. She had discussed regional issues with President Bush, including the Middle East. He was deeply concerned over developments in Nicaragua. More arms from Bulgaria, East Germany and Cuba were arriving there than a year ago. Some of these were being diverted to assist the guerillas in El Salvador. There had been a short discussion on the Vietnamese boat people. The President had observed that he hated to be at odds with Britain. She had reminded him that the United States deported illegal immigrants from Haiti and Mexico in the same way as Britain was proposing to do.

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Concluding, the PRIME MINISTER said that all in all, this had been an excellent meeting. She had come away very conscious of the United States government's preoccupation with its budgetary problems. If the United States government. If there were cuts in United States defence spending, this would probably mean that Britain would have to undertake more obligations, rather than less. She had been encouraged by President Bush's clear perception of the need for United States troops and nuclear weapons to remain in Europe. They had a common understanding on the importance of preserving present NATO and Warsaw Pact structures for the foreseeable future.

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THE SECRETARY OF STATE FOR DEFENCE said that he had attended the Defence Policy Committee Ministerial Meeting in Brussels on 28 November, which had been preceded on 27 November by a Eurogroup Ministerial meeting, comprising Defence Ministers from the European nations which participate in the integrated North Atlantic Treaty Organisation (NATO) structure. There had been considerable apprehension among European Defence Ministers about the statements made by the United States Defence Secretary, Mr Dick Cheney. The Danish Defence Minister, Mr Enggaard, had remarked that his government had just reached an all-party agreement on defence spending, but this had now been thrown into disarray by Mr Cheney's remarks. The Defence Secretary said he had had a private meeting with Mr Cheney before the Eurogroup meeting. He had explained Britain's concerns about projected cuts in United States defence spending. Mr Cheney had taken note. In his statement at the restricted session of the Defence Policy Committee, Mr Cheney had reassured his colleagues that there would be full consultations within the Alliance and

Defence Policy  
Committee Meeting  
in Brussels

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that United States troops would remain in Europe. Nevertheless, despite this reassurance, there was considerable anxiety about United States' intentions. Although Mr Cheney had said that there would be no fixed agreement at the United States/Soviet Summit in Malta, and that NATO allies would be properly consulted, some Defence Ministers had noted that President Bush would be ready to talk about any subject which President Gorbachev raised, presumably including troop reductions. At a private lunch for Ministers only, the concerns of allied governments had been conveyed to Mr Cheney who had agreed to report back to President Bush. It was worrying that SAEMR and the NATO military structure did not see a feasible way of maintaining proper defence below current levels. The spokesman at the White House, and President Bush himself in a press conference, had done their best to damp down speculation, but some uncertainty remained.

Vietnamese Boat  
people

previous  
reference:  
(89) 27.4

THE FOREIGN AND COMMONWEALTH SECRETARY said that an agreement had been concluded on 22 November with the Vietnamese Government which provided assurances covering the treatment of Vietnamese immigrants and the monitoring of their situation after they had returned to Vietnam. The Vietnamese Government had insisted that the arrangements should be private, but this had not prevented them from making public statements in which they had presented themselves as defenders of human rights. The date for the first repatriation had not yet been fixed. The key objective was not so much to empty the present refugee camps as to prevent a new wave of Vietnamese immigrants. It would not be possible for Hong Kong to deal with another 30,000 illegal immigrants next year. Consideration was being given to the best way of turning round the refugees before or on arrival. This was the normal policy pursued by the British and other governments in dealing with illegal immigrants.

In a brief discussion, it was pointed out that although there was a possibility of demonstrations against Cathay Pacific Airlines if they provided aircraft for the repatriation, the airline was keen to take on the assignment since this would be popular in Hong Kong. The planned repatriation was entirely in line with the policies of all governments in dealing with such problems. If it became impossible to return illegal immigrants to their own country, this would lead to international anarchy.

Elections in  
India

THE FOREIGN AND COMMONWEALTH SECRETARY said that although all the results had not yet been received in the elections in India on 22-26 November, it was clear that Congress(I) had done even worse than expected. Mr Rajiv Gandhi had resigned but was continuing as a caretaker Prime Minister. It seemed likely that

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Mr V P Singh, a former Finance Minister and Defence Minister, would form a minority government in coalition with the Communists and with the Hindu supremacist party, the Bharatiya Janata Party. The opposition parties were unlikely to be able to form a stable coalition in view of the wide ideological and social differences between them. The new government would probably give a lower priority to foreign policy, since it would be forced to concentrate mainly on internal affairs.

The Cabinet -

took note.

COMMUNITY AFFAIRS

Foreign Affairs  
Council  
November

4. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Foreign Affairs Council had adopted a package of trade measures to assist Poland and Hungary: he had himself announced on 29 November, in advance of the visit of Mr Walesa, extra United Kingdom measures of assistance to Poland. The Council had also discussed the agenda of the European Council to be held in Strasbourg on 8 December. There would be four main subjects. The first would be the Community's response to events in Eastern Europe. The discussion between Community Heads of Government in Paris on 18 November had been helpful. A more detailed text for adoption at Strasbourg, covering the framework of relationships which newly-democratic countries of Eastern Europe could expect with the European Community, was now being prepared and it was important that this should be consistent with the Government's own ideas on the issue. Second, the meeting should give impetus to future work on achieving the Single Market. This should build on the useful progress made at the meeting of the Internal Market Council and set out priorities for future work. The United Kingdom would tend to be isolated on the two remaining subjects. On economic and monetary union it would need to be made clear that the Government held to the approach set out in the Chancellor of the Exchequer's paper and, along with the opposition parties in the House of Commons, rejected the proposals for stages 2 and 3 of the Delors Report. But the debate at Strasbourg would be procedural rather than substantive: it would concern the manner in which the discussion should be continued, whether an intergovernmental conference to revise the Treaty should be called, and if so when. Finally, on the Social Charter, the Government had long made its views clear. The modifications so far made to the text were inadequate. The Prime Minister had told President Mitterrand that she was ready to discuss a different sort of text on the lines which she had previously discussed with him at Chequers, but the offer had not been taken up. He had himself had a brief and unproductive word with the French Foreign Minister on 27 November, and would refer to the matter again during discussions with him on 5 December. But the likely outcome was a document at Strasbourg to which the



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Government could not agree. It would be important to ensure that, so far as possible, attention was directed to the first two subjects rather than the last two.

Environment  
Council  
November

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that, although his meetings had been lengthy, the Environment Council had had a thin agenda. It had reached political agreement on the setting up of a European Environment Agency. The role of the Agency would be to collect environmental information on a standard basis. It would have no enforcement powers and would not duplicate the work of other organisations. The site of the agency had not been discussed. He had put forward the United Kingdom but it was necessary to narrow possible locations down to one and he considered that this should be Cambridge. The chances of securing the agency for the United Kingdom were not good: Berlin was being pressed, for political reasons. The Council had also discussed draft Directives on nitrates, habitats and freedom of access to environmental information, but little progress had been made: it would be for the Irish Presidency to take them further.

Internal Market  
Council  
23 November

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the Internal Market Council had come close to agreement on the regulation to control mergers. The Germans were fighting a rearguard action: they wanted national control agencies to be able to take a second look at mergers already cleared by the Commission. Pressure was being put on them to abandon this approach and he hoped that the Council would adopt the regulation at its next meeting. The regulation would not itself make it any easier for takeover bids in Germany to succeed, and he had been mounting a campaign against barriers to takeovers that existed in other member states. The Commission had been supportive and had promised to bring forward measures. Even so, a number of non-legislative barriers, such as the practice of banks voting nominee shareholdings, would remain.

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that he would circulate next week, in advance of the Strasbourg meeting, a note to Conservative Members of Parliament on the progress made in achieving the Single Market.

President of  
the Deutsche  
Bank

THE PRIME MINISTER noted the murder, that morning, of the President of the Deutsche Bank: this would be a severe loss to Germany and to the International Financial Community.

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The Cabinet -

Took note.

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30 November 1989

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CABINET

LIMITED CIRCULATION ANNEX

CC(89)36th Conclusions, Minute 1

Thursday 30 November 1989 at 10.30 am

THE LORD PRESIDENT OF THE COUNCIL said that following discussions with the Chancellor of the Exchequer and the Lord Privy Seal, he had put proposals to the Prime Minister for increases in Ministerial salaries to accompany the increase in Parliamentary salaries to take effect from 1 January 1990. Under the arrangements for automatic increases in Parliamentary salaries, the Parliamentary element of Commons Ministers' salaries would increase by 10.76%, that is £1953. He believed that the overall increase in the package for Ministerial salaries must be a much lower percentage than that, especially in the light of the current industrial action in the Ambulance Service. He proposed therefore that Ministers should receive the same overall cash increase as backbench Members of Parliament, namely £2594. For Cabinet Ministers in the Commons this would represent a total increase of 4.9% (including the increase in the Parliamentary element). For Commons Ministers as a whole, the average increase would be 6.2%.

Continuing, the LORD PRESIDENT OF THE COUNCIL said that the Government were experiencing considerable difficulty in recruiting and retaining junior Ministers in the House of Lords. On taking office, Lords Ministers lost their eligibility for the attendance allowance they could claim as backbench peers. Unlike their Commons counterparts they received no Additional Cost Allowance. This issue had been looked at a number of times before, and he proposed to look again at the arguments for giving Lords Ministers some form of additional remuneration. In the meantime, he proposed that in addition to the general cash increase of £2594, all Lords Ministers should receive an additional £1000, making £3594 in total. There would have to be equivalent cash additions for other paid office-holders in the Lords, which would mean an overall increase in the Lords Pay Bill of 10.8%. However, he believed that this could be presented as a sensible restructuring. The overall increase in the Pay Bill for Lords and Commons Ministers combined would on this basis be 7%. He hoped to be able to announce the proposals in a written Parliamentary reply the following day.

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that the increases could be brought into effect on 1 January 1990.

In discussion the following main points were raised:

a. An increase in the pay bill for Ministerial salaries of 7% was highly undesirable at a time when ambulance and other National Health Service workers had been offered a national increase of 6.5% and inflation was projected to fall by the end of 1990 to 5 3/4%. The media would inevitably present the increase in a way intended to damage the Government. It would be presentationally much better to keep the overall increase in the Ministerial pay bill to 6.5%.

b. The proposal to give an additional £1000 to Lords Ministers, though fully justified, distorted the position. The increase for Cabinet Ministers was under 5%, well below the current inflation figure. This fact was however unlikely to be highlighted in media reports. In the previous year, an increase of just 3% had been portrayed as a significant cash rise.

c. The proposed additional payment for Lords Ministers was wholly inadequate to compensate for the loss of backbench attendance allowances. There was a case for omitting this aspect of the package in return for a firm undertaking to seek a permanent solution to the problem. A separate announcement at a later date of such a solution would not attract the same degree of media interest, even if it involved a significant increase in the Lords pay bill.

d. On the other hand, the issue had been looked at a number of times previously. On two occasions the Top Salaries Review Body had rejected, on very plausible grounds, the case for an additional cost allowance for Lords Ministers. The tax aspects were also complicated. It would be unwise therefore to assume that the problem could be resolved quickly.

e. An alternative means of reducing the projected increase in the overall pay bill to 6.5% would be to make an arbitrary reduction in the cash increase for Cabinet or all Ministers. Awarding Ministers an increase in the Parliamentary element of their salary only would, for example, bring significant savings.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet entirely endorsed the need for an improvement in the remuneration of Lords Ministers. However, an overall increase of 7% in the Ministerial pay bill was highly undesirable against the background of the industrial action in the ambulance service and the predicted fall in inflation during 1990. There were a number of options for achieving a lower increase, including deferring the additional payment to Lords Ministers for the time

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being. The Lord President should consider with the Chancellor of the Exchequer and the Lord Privy Seal how to achieve the necessary reduction.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of the discussion.
2. Invited the Lord President to proceed accordingly.

Cabinet Office

1 December 1989

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