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CABINET

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

THURSDAY 7 DECEMBER 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 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 Balstead  
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)

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Parliamentary

Conservative  
Party  
Leadership  
Election

1. THE LORD PRESIDENT OF THE COUNCIL said that the whole Cabinet joined in congratulating the Prime Minister on the outcome of the Conservative Party leadership election earlier that week. The result was a recognition of the Government's achievements under her leadership over the last 10 years, and the support which the result had affirmed would sustain and carry forward those achievements.

The Cabinet -

Warmly endorsed the Lord President of the Council's remarks and congratulated the Prime Minister on her success in the Conservative Party leadership election.

Parliamentary  
Business

The Cabinet were informed of the business to be taken in the House of Commons in the following week and that, subject to the progress of business, it was proposed that the House should rise for the Christmas adjournment on Thursday 21 December until Monday 8 January 1990.

THE LORD PRESIDENT OF THE COUNCIL said that the programme for the remaining Parliamentary sittings until Christmas was tightly packed. Nevertheless, good progress had been made in launching the Government's legislative programme for the session.

War Crimes

Previous  
Reference:  
CC(89) 26.5

THE HOME SECRETARY said that there would be a 3-hour debate on a motion on war crimes in the House of Commons the following Tuesday. He would intervene in the debate to set out various considerations for the benefit of the House and, with some reluctance, would express a personal view in favour of legislating as recommended by the report of the War Crimes Inquiry. He understood that the Opposition front bench spokesman was likely to take a similar line. There would be a free vote at the end of the debate, the outcome of which was difficult to predict although a majority in favour of legislation seemed likely. He would be careful in his remarks not to commit the Government on its subsequent actions which would have to be decided in the light of a number of factors, including the attitude of the House of Lords.

In a brief discussion, it was noted that in a debate in the House of Lords on war crimes the previous Monday the great majority of speakers (including the Opposition's front bench spokesman in his closing speech) had opposed legislation.

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Cogent arguments had been advanced by Lord Wilberforce and others in favour of resting on the decision taken by the then Government in 1948 not to mount further war crimes trials.

The Cabinet -

Took note.

HOME AFFAIRS

War Widows' Pensions

2. THE PRIME MINISTER said that she had discussed with her colleagues most closely concerned the response to be made to the growing campaign for increased pensions to be paid to the widows of servicemen killed before 1973. A number of details remained to be considered, including coverage of any proposals and the possible implications for others, for example the widows of police officers and other public service employees. It would be necessary to find a basis for confirming any concession made to war widows. Nevertheless, she hoped that the Government would be able to make an announcement before Christmas.

The Cabinet

Took note.

FOREIGN AFFAIRS

German Democratic Republic

Previous Reference:  
CC(89) 35.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation in East Germany continued to change rapidly. Herr Egon Krenz had resigned from his last remaining post as Head of State. Only Prime Minister Mielow continued to command support, though his previous history as First Secretary of the Socialist Unity Party in Dresden counted against him. There had been an outbreak of general protest against corruption within the Party. Demonstrations had taken place in the streets, and some offices - and according to one report a military barracks - had been broken into. The Embassy in East Berlin had reported that the mood in the country had become much uglier. Although law and order had not broken down, and the situation was not expected to turn into a full-scale popular uprising, the situation was likely to remain unsettled for some time to come. This was not good for European stability.

In a brief discussion, it was pointed out that there was a shortage of non-Communists experienced in government to whom the new leaders in Eastern Europe could turn for advice at the present stage. For the West to intervene directly with advice and help now would cut across the lines of differentiation between the North Atlantic Treaty Organisation (NATO) and the Warsaw Pact.

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THE FOREIGN AND COMMONWEALTH SECRETARY said that the attempts by the Czech government to form a government acceptable to the people had not so far succeeded. Prime Minister Adamec was a skilful politician but the government would undoubtedly have to accept further changes.

THE PRIME MINISTER said that she had attended the meeting of the NATO Heads of Government in Brussels on 4 December at which the United States President, Mr George Bush, had given an account of his discussions with the Soviet President, Mr Mikhail Gorbachev, during their meetings in Malta on 2/3 December. There had been no great surprises at Malta. President Gorbachev had raised the issue of including naval forces in arms control negotiations, but President Bush had rejected this proposal. The West had always refused to include naval forces in arms control negotiations because the seas remained the West's main highway. President Gorbachev had proposed that the Summit of nations involved in the Conference on Security and Co-operation in Europe (CSCE) should be brought forward from 1992 to 1990. His objective appeared to be to secure confirmation of the position on frontiers agreed under the Final Act of the Helsinki Conference, namely that no country should violate existing borders and that any change in borders could only be brought about by peaceful means. President Gorbachev would probably also want to take credit for the Soviet Union's improved record on human rights. He might also wish to propose another round of the negotiations on conventional force reductions in Europe (CFE) after the present talks. President Bush had made clear that a CSCE Summit in 1990 would not be acceptable. Instead he had proposed that there should be a Summit in Vienna in 1990 to mark the signature of a CFE agreement.

Continuing, the PRIME MINISTER said that President Bush had been very impressed by President Gorbachev. He had discussed ways in which the United States could help the Soviet Union to implement economic and political reform. At the NATO meeting in Brussels, President Bush had made a formal speech, which had obviously been carefully drafted at the last moment. It had contained two surprises. First, he had spoken of United States support for further European integration. Second, he had expressed willingness to consider further cuts in conventional forces after the conclusion of a CFE agreement. The press had seized upon his remarks about European integration to suggest that they illustrated Britain's isolation. In fact, President Bush had been urging that the Single Market should be completed in 1992. His main concern, which the British Government shared, was that the Single Market should not become 'Fortress Europe' and that open trade policies should be adopted. President Bush had

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telephoned her the next day to explain his position, having been alerted to the way in which the press had interpreted his remarks.

Continuing, the PRIME MINISTER said that his second point on further reductions of United States forces was more alarming. It indicated that defence expenditure was being driven by budgetary requirements. The CFE process would take several years to implement. For example, over 30,000 tanks would need to be destroyed. It was essential to maintain the NATO defence structure. President Bush, in a carefully drafted formula, had stated that the United States would keep significant numbers of armed forces and weapons in Europe as long as the NATO Allies wanted this. Under the projected CFE agreement United States forces would be reduced by approximately 30,000 down to a level of 275,000. At the Heads of Government lunch, the NATO Secretary General, Herr Woerner, had urged that no nation should take unilateral action to implement force reductions under a CFE agreement. This was right. Some governments wanted to pocket all the reductions under the agreement for their own country. Herr Woerner was working out a programme under which the reductions would be shared out among all the NATO countries. At Brussels President Bush had also reaffirmed the United States stand that the question of border changes in Europe should not be discussed. The Italian Prime Minister, Signor Andreotti, had strongly supported this position. It was noticeable that few speakers had supported the West German Chancellor's remarks on reunification, although the Dutch Prime Minister, Mr Lubbers, had not spoken out strongly on the dangers of German reunification. On the other hand, during his visit to Moscow, the French President, M. Francois Mitterrand, had moved from his initial position of cautious welcome for reunification to a much stronger stand against the concept. This change of position undoubtedly reflected not only the outcome of his discussions with President Gorbachev but also popular pressure within France in reaction to his earlier statements. Recent events in East Germany had produced considerable emotion both within the two Germanies and elsewhere. This issue now was much more important than Economic and Monetary Union.

In a brief discussion, it was noted that it was crucial to maintain the present framework of security which allowed the current arms control negotiations to be pursued at a logical pace. The evolution of United States policy would require careful attention. The United States Secretary of State, Mr James Baker, would visit London on 11 December for talks. This would be a timely moment to discuss these key questions. The Americans in Malta had been struck by how little President Gorbachev, and the whole Soviet leadership, appeared to know about the operation of a market economy. President Bush had agreed to support the proposal that the Soviet Union should have observer status within the General Agreement on Tariffs and

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Trade. This might help the Soviet Union to acquire more knowledge about market economies. In the light of recent statements by the United States Defense Secretary, Mr Dick Cheney, about reductions in defence spending, it was helpful that the meeting in Brussels had reaffirmed the need to maintain a stable security framework and to avoid unilateral action. President Reagan had successfully resisted pressure for defence cuts. If President Bush no longer stood out against them, the pressures would grow.

The Philippines

THE FOREIGN AND COMMONWEALTH SECRETARY said that the attempted coup in the Philippines, which began on 30 November, had been better organised than previous coups. It was now beginning to fizzle out. A ceasefire had been agreed to allow the evacuation of civilians, and negotiations on substantive points of contention had now begun.

Ethiopia

Previous  
Reference:  
CC(89) 18.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that there was threat of renewed famine in Ethiopia, where over 3 million people were at risk. Although more food was currently available than last time, increased fighting in the area had made it much more difficult to supply the population. The Minister for Overseas Development's statement in the House of Commons on 4 December had been well received. During his discussions in Paris earlier in the week, he had urged the French government to prepare a statement for Foreign Ministers to make at the European Council meeting in Strasbourg on 8/9 December urging the Ethiopian Government to allow food supplies to reach those in need. Mr Bob Geldof had been in touch with the Prime Minister and other senior figures inside and outside government.

In a brief discussion, it was noted that while it was possible to supply Eritrea without needing the co-operation of the present Ethiopian government, this was not possible for Tigre which was an interior province. The Ethiopian government was unlikely to co-operate in the supply of food to Tigre. The Marxist rebels in both Tigre and Eritrea were at least as extreme as the present Ethiopian government.

Trident  
Missile Test

THE SECRETARY OF STATE FOR DEFENCE reported that the United States had recently held the third test launch of the Trident missile, which had been successful.

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The Cabinet -

Took note.

COMMUNITY  
AFFAIRS

Transport  
Council  
4-5 December

4. THE SECRETARY OF STATE FOR TRANSPORT said that the meeting of the Transport Council, which had been attended by the Minister of State, Department of Transport, was notable for the complete change in the attitude of the French Chairman. The two earlier meetings of the Council had been very difficult. The French line had been to resist liberalisation in this area unless conditions of employment were also harmonised. Evidently the Chairman had been authorised to alter his approach so that the French Presidency could register some achievement. As a result, substantial progress had been made towards liberalisation of air transport, with action on air fares from 1 January 1993 and on other aspects before that date. The chances of a liberal road haulage regime by 1993 were much improved and a modest interim liberalising measure had been adopted at the Council itself. Some progress had also been made on shipping. Less welcome was solid support from other Member States for a transport infrastructure fund, with only the United Kingdom expressing substantial reservations.

European  
Council  
8-9 December

THE FOREIGN AND COMMONWEALTHS SECRETARY said he had minuted the Prime Minister on the prospects for the European Council, with copies to Cabinet colleagues. A letter had now arrived from President Mitterrand setting out the agenda. The President aimed to start with a discussion on the Single Market, which was helpful from the United Kingdom's point of view. He hoped that the Council could give impetus to the adoption of a package of Single Market measures before the end of the year, and also set out priorities for subsequent action. The outcome of the recent Transport Council showed how useful such pressure might be. There would obviously be a substantive debate on Eastern Europe. The Government's views had been made clear to the French Presidency, the President of the Commission and to the German Foreign Minister. There was a prospect of only short discussion of the Social Charter. The Prime Minister had made clear her readiness to consider a different sort of declaration: the French had not picked this up, no doubt because they felt committed to other Member States. It was helpful that the French did not envisage a formal signing ceremony. On Economic and Monetary Union, President Mitterrand's aim would be to set a date in the second half of 1990 for an intergovernmental conference which would consider amendments to the Treaty. The Prime Minister would need to oppose this. The full and

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adequate preparation for such a conference, agreed at the Madrid meeting, had not taken place. There needed to be prior discussion of the substance, including the views which had been set out in the United Kingdom's paper on the subject. Reports suggested that Chancellor Kohl had different ideas on procedure.

He favoured setting an end date for the conference and wanted it also to examine institutional questions such as an increase in the powers of the European Parliament. Having made this position public, it would be less easy for him to retreat from it. It would, at least, confuse the issue and should make it easier for the Prime Minister to maintain her position without the press being able to present it as a straight confrontation between the United Kingdom and the other Member States.

THE SECRETARY OF STATE FOR EMPLOYMENT said it was wrong to regard the Social Charter as a mere declaration without substantive consequences. This was demonstrated by the Commission's action programme to implement the Charter, which had been briefly discussed at the meeting of the Social Affairs Council on 30 November. It comprised 43 legal instruments, including 10 directives. Some of these, such as those on health and safety at work, would probably be acceptable. But regulation of conditions of employment, such as hours of work, part-time work, overtime and holidays, would be completely contrary to the Government's policies. He believed that the Government's position was grudgingly accepted, even respected, by other Member States. There were 14 to 15 million unemployed in the Community. No one imagined the Social Charter would reduce this figure: on the contrary, it would inevitably result in job losses.

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that only 35 Single Market measures had so far been adopted under the French Presidency, a relatively poor performance. The French faced a dilemma between their liking for semi-managed markets and their need to demonstrate success in their Presidency. He hoped the latter would lead them to seek agreement on a significant package of further measures before the end of the year. This would still leave much to be done. It was notable that far more progress had been made in securing free movement of goods than in removing barriers to services, an area of greater potential benefit for the United Kingdom. In particular, progress was needed on insurance, transport and takeovers. Attention would also have to be paid to implementing measures once they had been adopted: the United Kingdom's record, along with the Danes, was good in contrast to that of some other Member States including France and Germany.

In discussion it was pointed out that transport had long been on the United Kingdom's list of priorities for action, because shipping and road haulage markets here were already liberalised. The progress at the Transport Council was welcome, even though

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results would not emerge for some time: public presentation should emphasise the practical benefits for ordinary people of Community measures of this sort. The strategy of emphasising the Single Market at European Councils and directing attention to the number of measures adopted by successive Presidencies had been validated. It was helpful that we had been able to prevent the Social Charter from assuming a status comparable to that of the Single Market. It would be important to stress diversity and respect for national traditions in order to head off unwelcome parts of the action programme. There were indications that the United Kingdom paper on Economic and Monetary Union would be seriously considered: the French could not plausibly claim that the mere drawing up of the list of relevant questions constituted adequate preparation for an intergovernmental conference.

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It was also noted that the removal of the barrier between East and West Germany had implications for the Community's application of tariffs and other restrictions on imports from third countries. Some sort of controls would remain necessary, even if this was contrary to the philosophy of the German Government. The Treaty of Rome authorised free trade between East and West Germany, but it was difficult to see how such trade could be prevented from also affecting other Member States, especially in political reform and cheap labour in East Germany in due course attracted investment there. Frontier controls were also needed to prevent the spread of animal and plant diseases from Eastern Europe into the Community.

The Cabinet -

Took note.

Cabinet Office

7 December 1989

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