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CABINET

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

TUESDAY 19 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 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 Norman Lamont MP
Chief Secretary, Treasury

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ALSO PRESENT

The Rt Hon Sir Patrick Mayhew QC MP
Attorney General

The Rt Hon Timothy Renton MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robin Butler
Mr D A Hadley (Item 2)
Mr W D Reeves (Item 1)
Mr P J C Mawer (Item 2)
Mr D G Manning (Items 1 and 2)

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1. The Cabinet considered a Memorandum by the Foreign and Commonwealth Secretary (C(89)14) seeking approval for a draft statement which he proposed to make to Parliament the following day announcing the Government's decisions on assurances to Hong Kong.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the proposals in his Memorandum were the culmination of lengthy consideration by the Sub-Committee on Hong Kong of the Defence and Overseas Policy Committee. The essential purpose of the proposed scheme was to persuade Hong Kong residents that they could safely remain there and that it was in their interests to do so. The Sub-Committee had concluded that the award of citizenship would be more effective than the award of right of abode in this respect, and had therefore approved the former option despite the disadvantage that it required primary legislation. A scheme based on citizenship had the further advantage that it would be more difficult for a Government of a different complexion to revoke it. The proposed overall ceiling of 225,000 including dependants was at the bottom end of expectations in Hong Kong, but should nevertheless be sufficient to achieve the objective of the scheme. The scheme would be based on a points system, with twice as many places for the private sector compared with the public sector. It would be operated by the Home Secretary on the basis of a recommendation by the Governor of Hong Kong. There would be no scope for appeal. There would be no separate provision for non-ethnic Chinese, and those admitted would count against the 225,000 ceiling. Although the Sub-Committee had decided that no total figure for heads of household should be published, he had been persuaded by senior backbench opinion that there would be considerable Parliamentary interest in such a figure, and he therefore proposed that an estimated total of about 60,000 should be mentioned in the statement. Reports of the present proposals had already aroused considerable opposition among the Government's supporters in Parliament, to which it had not yet been possible to respond by describing and justifying the proposals. His statement would remedy this and, while he did not under-estimate the strength of this opposition, he believed there was a good chance of winning over opinion among the Government's supporters once the facts and arguments were fairly put. He proposed to stress in his statement that the objective was to persuade key people to remain in Hong Kong not to bring them to Britain. The Government's proposals were specific to Hong Kong and of limited duration, and did not undermine the principles of the British Nationality Act 1981; he would also draw attention to similar schemes operated by other countries. The proposals aimed to strike a balance between the needs of Hong Kong and the immigration concerns of the United Kingdom. If contrary to his expectation all the recipients of citizenship decided to come to the United Kingdom, at worst the country would have gained a number of people who

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had been selected for their talents and experience. The stakes were high; if Hong Kong opinion were not reassured and a crisis of confidence occurred, there could be a real risk of a major refugee influx into the United Kingdom on a far larger scale than the figures suggested in his Memorandum.

In discussion, the following main points were made:

- a. The Government had a duty to provide suitable assurances for those in Hong Kong, particularly for public servants who because of their past and continuing work might be at risk under Chinese rule. This factor of moral responsibility should be stressed both in public presentation and to the Government's supporters in Parliament.
- b. Citizenship would give recipients a better incentive to remain in Hong Kong than right of abode, whose benefits could be enjoyed only by coming to the United Kingdom. The latter requirement had sometimes worked to the United Kingdom's disadvantage in the past.
- c. The reference in the statement to anchoring in Hong Kong those who needed to be retained there was misleading. It would be better to speak of encouraging them to remain in Hong Kong in order to keep business and administration going.
- d. Those who decided to come to the United Kingdom would be likely to be assimilated more easily than other immigrant groups, and many of them would undertake productive and job-creating investment in the British economy. It could be argued that the United Kingdom had been short-sighted in not making it easier for entrepreneurs who wanted to invest here to qualify for citizenship. Moreover, those who came were unlikely to congregate in areas where there were already large numbers of Asian and West Indian immigrants.
- e. The ceiling chosen should strike a balance between the anxieties of Hong Kong in the wake of events in China earlier in the year, and the impact of possible substantial immigration on the United Kingdom and on domestic opinion.
- f. The beneficiaries selected under the scheme would be heads of household, and there would be a demand both in Hong Kong and in the United Kingdom for the ceiling to be expressed in those terms.
- g. Although the appropriate multiplier for converting heads of household to total beneficiaries including dependants was difficult to quantify, the figure of 3.75 implied by the draft statement was probably too low if account was taken of children who might be born after the award of citizenship.

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daughters who might later marry and bring their husbands to the United Kingdom, and elderly relatives, none of whom could easily be denied right of abode. This suggested that unless the total of head of household beneficiaries were reduced significantly below 60,000, the total number of beneficiaries including dependants might exceed 225,000, perhaps by a large margin. It would be important not to put to Parliament a more definite figure than it was possible to achieve and on these grounds the limit was better expressed in terms of heads of household. 50,000 heads of household was the lowest figure which would carry conviction in Hong Kong; although domestic opinion would no doubt prefer a lower total.

h. It was arguable that the Bill should specify a ceiling, whether in terms of heads of household or inclusive of dependants, since if this were left to implementing regulations the latter might not be endorsed by Parliament.

i. It was important that key public servants who received British citizenship should remain at their posts until 1997; otherwise the purpose of the scheme would be defeated, and subsequent holders of the same posts would then have to be included in the scheme. This could be an argument for making their citizenship effective only from 1997. Against this, a post-dated award of citizenship, even if legally possible, would tend to give reassurance since it could be more easily removed by a future Government.

j. Opposition to the present proposals from the Government's supporters in Parliament stemmed from a variety of causes, including opposition in principle to any further immigration, scepticism about the likelihood of the scheme succeeding in its objective, unwillingness to tamper with the British Nationality Act 1981, and concern about the likely reactions of the Asian community, particularly in the Midlands. An overall total of 225,000 beneficiaries including dependants was higher than speculative figures quoted in the press and it would be correspondingly harder to secure its acceptance. An indication that the award of assurances under the scheme would be phased over a period of years would be helpful in presenting the scheme to the Government's supporters. It would in any case be necessary to hold a proportion of places back for people who took up sensitive posts near the end of the period and it would be helpful to state this. It would also be wise to retain some flexibility about the timing of legislation. Nevertheless the legislation would be difficult to get through.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet were agreed that the Government had an inescapable

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obligation to provide assurances in the form of a right of abode in the United Kingdom for a limited number of key people in Hong Kong. These assurances, if they were to be effective, would need to take the form of a citizenship scheme on the lines proposed in the paper by the Foreign and Commonwealth Secretary. The statement to Parliament, which should be made on 20 December, should indicate that a ceiling of 50,000 heads of household would apply, covering all categories; that the places would be allocated over a period of years; and that a proportion of the 50,000 places would be held back for allocation nearer to 1997. The estimate of the total of those eventually entitled to come to the United Kingdom, including dependents, should be based on the best available advice on the multiplier factor, which should also take realistic account of the requirements which had to be satisfied by those seeking to bring elderly dependents. The statement should stress the moral obligation resting on the United Kingdom to provide adequately for those in Hong Kong whose services were required there in the years to 1997, and should also indicate that implementing legislation would be introduced at the earliest opportunity. A revised statement should be circulated to the Ministers most closely concerned.

The Cabinet

Took note, with approval, of the Prime Minister's summing up of the discussion, and invited the Foreign and Commonwealth Secretary to proceed accordingly.

OTHER BUSINESS

—
PARLIAMENTARY
AFFAIRS

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2. THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that he would be making a statement later that day on the report of the Parliamentary Commissioner for Administration (PCA) on Barlow Clowes. The handling of the statement had been complicated by pressure from Members of Parliament to read the report of the PCA before the statement: the PCA's report, which contained the Government response to his findings, was to be published at 3.30 pm. It had therefore been suggested that his statement should follow that of the Secretary of State for Transport on British Rail's objectives. The disadvantage of this was that, because the PCA's report contained the Government response, members would have read it before they heard it in his own oral statement.

In a brief discussion, it was noted that there had been strong pressure for the report to be published ahead of the statement. There would undoubtedly be criticism if it was not. On the other hand, publication in advance of the statement would deprive the Secretary of State for Trade and Industry's

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announcement of its full impact. The House might find it equally discourteous if it learned of the Government response from the PCA's report rather than directly from the Secretary of State.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet recognised the risk of protest if the report was not published ahead of the statement. On the other hand, the Secretary of State for Trade and Industry should not be deprived of the opportunity to make his statement to the best possible effect. In consultation with colleagues concerned, the Lord President of the Council should consider further the timing of the various statements to be made that day, bearing in mind the points made in the Cabinet's discussion.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Lord President to proceed accordingly.

HOME AFFAIRS
—
Industrial
Action in
the Ambulance
Service

Previous
Reference:
CC(89) 38.2

THE SECRETARY OF STATE FOR HEALTH said that a difficult situation continued in the Ambulance Service dispute. There had been a flurry of activity the previous day following an approach he had received from Mr Gerry Hayes MP, Chairman of the Conservative Backbench Health Committee, but this had not revealed any extended backbench support for a change in the management position. Nor was there any great public unease over the continuing stalemate in the dispute, although in their treatment of it the broadcasting media continued to appear to favour the ambulance workers. In this situation, it was very difficult to put across the management case effectively.

There had been no move at all in the demands made by the National Union of Public Employees (NUPE). They continued to press for an 11.4 per cent pay deal over 12 months, together with pay review arrangements on a par with those in the Fire Service. The National Health Service (NHS) could not afford to settle at any level which might foreseeably be acceptable to the Union. For its part, NHS management was offering a pay deal worth a minimum of 9 per cent over 18 months (11.8 per cent in London) with increases of up to 16.3 per cent for fully trained paramedic staff in London. The results of a ballot of members of the Association of Professional Ambulance Personnel (APAP) on the offer should be announced the following day. Although its acceptance had been recommended by the Association's negotiators, it seemed likely that the offer would be rejected.

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This reflected both the success of the tactics employed by NUPE to undermine the APAP ballot, and the large number of non-paramedically trained staff in the Association to whom the offer was less attractive than to their trained colleagues.

NHS management had also offered the Unions a Christmas truce, under which emergency crews would receive full pay provided they operated a normal accident and emergency service within TUC guidelines. This offer had been rejected, however. NUPE appeared to be reducing cover in a number of areas, such as Birmingham, and pressures would grow as Christmas approached. There was a strong possibility that because they did not wish to work over Christmas without pay, ambulance staff would find a pretext to withdraw cover in certain areas. The Armed Forces and the police and voluntary organisations should nevertheless be able to cope over this period and they would be looking to improve the service they provided even further, for example by improving arrangements in the operational control at New Scotland Yard. After Christmas, pressure on union members to settle would mount as they felt the loss of pay and receipts from public collections diminished. Nevertheless, with all movement so far having come from the management side and none from the Union, the dispute seemed likely to run on quite a bit longer.

THE PRIME MINISTER, summing up a brief discussion, said that the offer available to the ambulance workers, which now included substantial sums in back pay, was a generous one. All Ministers should actively support the Secretary of State for Health in putting across the reasonableness of the management position to the public and the media.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

—
Vietnamese
Boat People

Previous
Reference:
CC(89) 36.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that there would be a debate in the House of Commons about the Vietnamese boat people later in the day. The introduction of compulsory repatriation had caused difficulties but it had nevertheless gone better than it might have done, particularly with regard to the reaction in the United States. As far as volunteers for repatriation were concerned, there would be one further flight before Christmas and one just before the New Year. Arrangements were also in hand for further compulsory repatriation after Christmas, but the timing had yet to be decided. One consideration was the retention of Lord Ennals as a monitor of the treatment of returnees. Despite the measures that the

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Government were taking, the problem of the Vietnamese boat people remained huge, and an important objective was to deter another rush of refugees from heading for Hong Kong when the weather improved.

Romania
Previous
Reference:
CC(89) 9.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been large-scale unrest in Romania. This had been among the Hungarian minority in Transylvania rather than in the capital, Bucharest. It had focussed on a Protestant pastor, Mr Laszlo Tokes, whom the Romanian authorities had tried to evict. A member of the British Embassy in Bucharest had established that, so far, nothing appeared to have happened to Mr Tokes. It was not clear if the unrest would spread but it seemed unlikely to run through the population as a whole. The disturbances might mark the beginning of the end for President Ceausescu, although the end might take some time to arrive. The Soviet Foreign Minister, Mr Eduard Shevardnadze, had told the Foreign and Commonwealth Secretary the previous evening that he had no particular information about what was happening in Romania.

Soviet Union
Previous
Reference:
CC(89) 29.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that Mr Shevardnadze had been dining with the European Community Foreign Ministers and had given a fascinating account of the difficulties which the Soviet system was experiencing. He had said that next year would be crucial in the Soviet leadership's battle for economic reform and it would by then be essential to produce some benefits for consumers. Mr Shevardnadze had said that the scale of the Soviet Union's difficulties was illustrated by the fact that a kilo of meat sold in the shops for 2 roubles cost 12 roubles to produce. The problems of economic adjustment were immense.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS
—
Education
Council
14 December

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the only substantive item on the agenda of the Education Council had been a five-year extension of the European Community Action Scheme for the Mobility of University Students (ERASMUS) programme. Since the United Kingdom benefitted from this programme, his aim had been to secure the best possible terms for an extension and the result had been a good one.

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Economic and
Finance Council
15 December

THE CHANCELLOR OF THE EXCHEQUER said that he had pressed for further detailed work on Economic and Monetary Union to be taken up by the Monetary Committee and, with some help from the Dutch and German Ministers, this had been agreed. The Committee would prepare a report on the issues involved, including those raised in the United Kingdom paper, by the end of March. A discussion on the approximation of rates of Value Added Tax (VAT) had also concluded satisfactorily. There remained pressure for the obligatory harmonisation of VAT rates within a range of 14 to 20 per cent, or alternatively for an obligatory minimum rate. Because he had been unable to go along with such conclusions, they had been registered as merely those of the Presidency and not of the Council itself, and in a statement for the Minutes he had made clear that the United Kingdom was not committed to them. United Kingdom concerns about the maintenance of zero rates of VAT had also been satisfactorily recorded. In the light of the discussion, the Commission had indicated their readiness to bring forward proposals for implementing the future system for operating VAT, which the Council had agreed in principle at its earlier meeting. Finally, the German Minister had withdrawn his objections to the Directive on solvency ratios for banks, which had therefore been finally adopted.

Research
Council
15 December

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the outcome of the Council meeting had been satisfactory. In particular expenditure under the framework programme for research and development had been reduced by two billion ecu compared with the figure originally proposed by the Commission.

The Cabinet -

Took note.

DUTY MINISTERS
IN DEPARTMENTS

THE PRIME MINISTER said that Ministers in charge of Departments should ensure that a Duty Minister was available at all times during the Christmas recess both to cope with urgent departmental business and to ensure that the Department's policies were actively and effectively conveyed to the press and the public. The latter would be particularly important in view of the series of radio and television programmes scheduled for the coming weeks which would review the events of the past decade. The names of Duty Ministers should be passed to her office.

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DEPARTMENTAL
CORRESPONDENCE

THE PRIME MINISTER said that the Chief Whip had reported complaints by the Government's backbench supporters about delays by Departments in replying to letters from Members. Ministers in charge of Departments should review their Departments' performance in this respect, and ensure that arrangements were designed to minimise delay. The use of standard letters where appropriate; effective arrangements for ensuring that sensible decisions were made about the handling of letters immediately they were received; and the nomination of a junior Minister with responsibility for overseeing the efficiency of departmental arrangements were all matters to be considered in this context.

In a brief discussion, the following points were made:

a. Reports from Departments should include a measure of the growing volume of correspondence dealt with. In many cases, it was the weight of correspondence which caused problems.

b. Members often seemed too ready to send on letters from constituents to Departments, even where they had already received a standard letter from the Department on the subject which the constituent was raising. No doubt they did this because they wished to have a letter signed by the Minister to send back to their constituent. Nevertheless, it put a substantial avoidable burden on Departments. The provision of a letter signed by the Minister but not specific to a particular constituent could help in this respect.

c. Members also seemed too ready merely to act as a postbox on occasion between constituents and a Department. The result could be that a lengthy sequence of correspondence unfolded between a Minister and a particular constituent with little benefit to either side.

THE PRIME MINISTER, summing up the discussion, said that the Secretary of the Cabinet should invite Departments to report on the volume of correspondence which they handled from Members and on their targets and their performance objectives in replying to it. The points made in discussion about Members' handling of correspondence, and any other such points to emerge from the survey of Departments, should be taken up when the outcome was reported to the 1922 Committee.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Secretary of the Cabinet to proceed accordingly.

Cabinet Office

19 December 1989

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