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CABINET

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

THURSDAY 26 OCTOBER 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 Douglas Hurd 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 Kenneth Baker MP  
Chancellor of the Duchy of Lancaster

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 The Lord Belstead  
Lord Privy Seal

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

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

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer

The Rt Hon John Major MP  
Secretary of State for Foreign and  
Commonwealth Affairs

The Rt Hon Norman Fowler MP  
Secretary of State for Employment

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

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

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

The Rt Hon John Wakeham MP  
Secretary of State for Energy

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

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 David Waddington QC 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 Bailey (Items 1 and 2)

CONTENTS

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	
	House of Commons Business	1
	Local Government and Housing Bill	1
2.	HOME AFFAIRS	
	Guildford Four Case	2
	Industrial Action in the Ambulance Service	3
3.	FOREIGN AFFAIRS	
	Argentina	4
	German Democratic Republic	5
	Hungary	5
	Commonwealth Heads of Government Meeting In Kuala Lumpur 18-24 October 1989	6
4.	COMMUNITY AFFAIRS	
	Social Charter	9
	Agricultural Council 23/24 October	11



PARLIAMENTARY  
HOUSE OF  
COMMONS  
BUSINESS

1. THE LORD PRESIDENT OF THE COUNCIL said that a group of Members of Parliament with constituencies in mining areas had sought to disrupt Government business in the Commons earlier that week. They were principally concerned about the further progress of a Private Bill, the Associated British Ports (No 2) Bill. A motion to carry over this Bill to the next Parliamentary session was due to be debated the following week and the MPs concerned had responded to the tabling of this by prolonging proceedings on the Children and Companies Bills, contrary to the timetable agreed with the Opposition. As a result, a timetable motion on the two Bills would be moved later that day, following questions on the Business Statement. This would provide for proceedings on the Companies Bill to be completed by 1.00 am the following day and for those on the Children Bill and the Ways and Means Motion on the Football Spectators Bill to be completed by the end of business on the following day. The possibility of the mining group of MPs deploying further disruptive tactics - for example, during Commons consideration of Lords amendments on the Local Government and Housing Bill - could not be ruled out, although the opportunity for this would not arise until after the carry-over motion on the Associated British Ports Bill had been debated.

The Cabinet -

1. Took note.

Local Government  
and Housing  
Bill

THE LORD PRIVY SEAL said that the Government had suffered two defeats during the Report Stage of the Local Government and Housing Bill in the House of Lords the previous evening. The first had been when an amendment had been carried against Government advice to prevent part owners of rural homes built by housing associations selling their interest on the open market. Although the Country Landowners Association had been persuaded to accept the Government's approach, they had failed to brief their supporters and there had been support for the amendment from all sides of the House. The other defeat had resulted from an Opposition ambush on an amendment curbing the right-to-buy provisions on houses suitable for the elderly and disabled.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that these two reverses should not detract from the considerable success which the Ministers handling the Bill and the Business Managers had had in progressing the rest of the Bill, much of it potentially far more controversial, through the House of Lords. The issues on which the defeats had been sustained were also controversial



in the Commons, and he would be discussing with the Government's Business Managers how they could best be handled when the Bill returned there.

THE PRIME MINISTER, summing up a brief discussion, said that the Government's policy on the issues had been carefully arrived at and was a fair one. Consideration should be given to how the defeats could be reversed when the Bill returned to the Commons. The Secretary of State for the Environment should discuss the way forward with the Business Managers.

The Cabinet -

2. Took note, with approval, of the Prime Minister's summing up of its discussion and invited the Secretary of State for the Environment to discuss with the Government's Business Managers the further handling of the Bill.

HOME AFFAIRS

—  
Guildford  
Four Case

2. THE HOME SECRETARY said that following an investigation by the Avon and Somerset Police, the Crown had decided that the conviction in 1975 of four people for the Guildford and Woolwich bombings had been unsafe and on 19 October the convictions had been quashed by the Court of Appeal. Following consultation with the Attorney-General and other senior colleagues, he had invited Sir John May to conduct an inquiry into the circumstances of the case and the mass of criticisms which were now being directed at its handling.

In the wake of the Court of Appeal decision there had been a number of claims that the convictions of six people for the 1974 Birmingham pub bombings were also unsafe. In July this year the Chief Constable of the West Midlands had disbanded the Serious Crime Squad of his force following concern about a number of recent cases involving the squad. Although the squad was the same one that had been involved in the Birmingham pub bombings investigation 15 years before, there was no reason to suppose that the earlier investigation was in any way tainted. Only one member of the squad when it was disbanded had also been a member during that investigation. The subsequent convictions had been supported by forensic evidence as well as confessions made by the accused. Crucially, the case had been extensively considered by the Court of Appeal in 1987, which had sustained the original verdict. Although he was being pressed to reopen the case again, there was no new material which could provide any basis for doing so.



The Cabinet -

Took note.

Industrial  
action in the  
ambulance  
service

previous  
reference:  
C(89) 29.2

THE SECRETARY OF STATE FOR HEALTH said that the action by ambulance staff which had begun on 14 September had proceeded for five weeks with few serious consequences. On 23 October however the Unions had introduced a number of new rules on working arrangements aimed at disrupting services in London. The Management Side of the National Health Service (NHS) Whitley Council, since they could not guarantee a reliable ambulance service in the capital in these circumstances, had had to stop the pay of the ambulance staff. For more than 24 hours emergency cover had had to be provided by the Metropolitan Police, with assistance from the St John's Ambulance Brigade and the Red Cross. Although they had managed as well as could be expected, they had had no properly equipped vehicles and were not qualified to give more than basic first aid treatment. It had been fortunate that no serious incidents had occurred.

Continuing, the SECRETARY OF STATE FOR HEALTH said that, following discussions between the London Ambulance Managers and the Unions' local convenors, the Unions had agreed to revoke some of the more damaging new rules, and previous patterns of working had resumed on 24 October. Discussions between the Management Side and the Unions had also begun at ACAS the same day, and were to resume that afternoon. He was not optimistic of an early settlement, since the two sides were very far apart. The Unions were seeking a double figure pay increase and a link with the pay arrangements for other emergency services. The Management Side, on the other hand, were fully aware of the implications of such a settlement for future negotiations with other NHS staff and were determined to resist the current claim. A breakdown in the talks could result in an escalation of industrial action in various parts of the country such as the North West. It would, however, be highly regrettable if the extra resources granted to the NHS to improve services were swallowed up by increases in the NHS pay bill. The Government should therefore give strong support to the Management Side's robust stance. It was known that he was making contingency arrangements with the Secretary of State for Defence for the Armed Forces to provide an accident and emergency service if necessary, but he proposed to continue to take the line that it would be most undesirable for arrangements to have to be put into operation.

THE PRIME MINISTER, summing up a brief discussion, said that the Government had to ensure that an adequate accident and emergency service was provided throughout the country. There would be



real difficulties in providing this service if the ambulance staff dispute escalated and the police and voluntary services had to provide a substitute service on a regular basis. It was necessary therefore to have in reserve arrangements for using the armed forces but no alternative agency had either the equipment or the training needed to provide the full range of ambulance services. Nevertheless the Secretary of State for Health, together with other interested Ministers, must ensure that adequate contingency plans were made. It was crucial, if inflationary pay rises in the NHS generally were to be avoided, that the Management Side were given full support. Most importantly, the Unions should not be allowed to get into a position where they could provide a skeleton ambulance service and ensure that their members were not suffering unacceptable losses in pay, with the result that the NHS management and the Government were gradually manoeuvred into a weak position.

#### The Cabinet

Took note with approval, of the Prime Minister's summing up of this part of their discussion, and invited the Secretary of State for Health to proceed accordingly.

FOREIGN  
AFFAIRS

Argentina

Previous  
Reference:  
CC(89) 28.3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been a positive domestic and international reaction to the outcome of the talks between the United Kingdom and Argentina which took place in Madrid from 17 to 19 October. Britain had taken steps of value in the national interest towards a normal relationship with Argentina but had conceded nothing on sovereignty over the Falkland Islands. New openings for British business in Argentina had been created since the Argentine Government had undertaken to lift all restrictions and restrictive practices. There had been no diminution in the security of the Falkland Islands. He had sent a personal message to the Islanders when the talks concluded. The Governor of the Falkland Islands had reported that the Islanders were content with the outcome. The next set of talks would take place in Madrid on 14/15 February 1990. The agenda would include a discussion on diplomatic relations. At the present time agreement had been limited to a resumption of consular relations. All in all, the outcome of the talks had been a distinct success.

In a brief discussion, it was noted that the United States Defense Secretary, Mr Dick Cheney, had told the Secretary of State for Defence that the United States Government was keenly interested in the result of the talks and hoped that Britain's relations with Argentina would continue to improve. The



Secretary of State for Defence had underlined the need for continued restraint on arms sales to Argentina, to which Mr Cheney had responded sympathetically.

German  
Democratic  
Republic  
  
Previous  
Reference:  
CC(89) 28.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that Mr Egon Krenz had replaced Mr Erich Honecker as Chairman of the Council of State of the German Democratic Republic (GDR). Mr Krenz was talking of positive changes. The media was now a little more open. Promises had been made of freer travel. But there was no sign that the regime was prepared for genuine political reform. The GDR authorities wanted to avoid the use of force against demonstrators because of possible Soviet displeasure and West German and international reaction. But the situation remained volatile.

In a brief discussion, it was noted that at the meeting of the Nuclear Planning Group in Portugal on 24/25 October, the West German Defence Minister, Herr Stoltenberg, had confirmed that the total figure of East Germans travelling to West Germany this year had been over 500,000. Of these approximately 140,000 had come from East Germany, of which half had been legal emigrants and half refugees. The remaining 360,000 had come from the Soviet Union and surviving German minority populations in other Eastern European countries. Herr Stoltenberg had said that whereas a month ago the West German Government was taking the line that it was proud to take on these new responsibilities, more recently the inflow of refugees was causing political problems in West Germany.

Hungary  
  
Previous  
Reference:  
CC(89) 28.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that Hungary had made further strides towards democracy including the creation of a new Republic (no longer a "People's Republic") on the anniversary of the 1956 Uprising. The new constitution laid the basis for a Western style multi-party state. Parliament was already dismantling traditional instruments of Party control, including the Workers' Militia. Much of the property and the perquisites enjoyed by the former Hungarian Socialist Workers' Party were being rescinded. Assessments were now changing about the prospects for the Presidential elections, which were due to take place soon. Leading Communist officials had calculated that they would be able to maintain their influence through a strong Communist President and through playing an important role in a coalition government. Both these calculations now seemed less plausible. The Opposition was becoming more credible and steadily gaining support. The Hungarian Socialist Party's candidate for the Presidential election, Mr Imre Pozsgay, was



currently visiting London where he would have discussions with the Prime Minister, with the Foreign and Commonwealth Secretary, the Secretary of State for Defence and the Minister of State, Foreign and Commonwealth Office. There was less certainty that Mr Pozsgay would win the Presidential election since there were now other strong candidates in the race. The Foreign and Commonwealth Office would continue to play close attention to the situation, which was changing rapidly.

In a brief discussion, it was noted that a delegation of Soviet Jews had told the Prime Minister during the Conservative Party Conference that one of the side effects of increased glasnost in the Soviet Union had been a more open revival of anti-Semitism. Although there had been improvements in the degree of freedom of action and religion permitted to Soviet Jews, many more were now seeking to emigrate from the Soviet Union.

Commonwealth  
Heads of  
Government  
Meeting in  
Kuala Lumpur  
18-24 October  
1989

THE PRIME MINISTER said that there had been a wide-ranging discussion at the Commonwealth Heads of Government Meeting (CHOGM) held in Kuala Lumpur from 18-24 October on the world political scene, led by the United Kingdom, and on the world economic scene led by the Prime Minister of Jamaica, Mr Manley, and the Prime Minister of Canada, Mr Mulroney. During the debate on the world economic scene a number of third world Commonwealth countries had pressed for the revival of the North/South dialogue. She had made clear that Britain was firmly opposed to renewal of the North/South dialogue, having in mind the experience at the Cancun Conference and afterwards. The economic problems faced by Third World countries could be dealt with much more effectively by existing international institutions such as the World Bank and the International Monetary Fund. The question had been remitted to Commonwealth Finance Ministers, which was a good outcome. There had been a comprehensive discussion on the environment, on which differences of opinion had surfaced as predicted. Many Commonwealth countries wanted to establish a separate International Environment Fund. She had opposed this proposal, pointing out that existing institutions such as the World Bank and the United Nations Environment Programme were capable of tackling world environmental problems efficiently. There was no point in setting up new and expensive bureaucracies, as had happened over the United Nations Educational, Scientific and Cultural Organisation. In the end the British view had been accepted. There had been a productive discussion on drugs. Britain had signed ten bilateral agreements with Commonwealth countries, which would enable governments to trace and confiscate the proceeds from drug trafficking. She herself had signed the tenth agreement with Malaysia during the Conference.



Not all Commonwealth countries had signed such agreements, nor the United Nations Convention on Human Rights. It was hoped that many more would have done so by the time of the next CHOGM.

Continuing, the PRIME MINISTER said that the debate on South Africa had predictably revealed much hypocrisy. The expected differences of view had surfaced. The Australian and Canadian Prime Ministers had taken the lead in pressing for additional financial sanctions against South Africa. They had been taken aback by the debt rescheduling agreement negotiated between the commercial banks and South Africa. She had pointed out that the prime responsibility of the banks was to their shareholders and depositors. This meant taking all possible action to recover debts. Under the agreement \$1.5 billion of existing debt would be rescheduled over a 3 1/2 year period. A number of countries had pressed both for tightening economic and financial sanctions and removing export credit cover. On four specific points Britain had disagreed with the final Communique, which the Foreign and Commonwealth Secretary had negotiated with great skill. Britain had firmly expressed its disagreement on these paragraphs but had not been given the opportunity to explain its position. Hence it had been decided to issue the British statement, setting out Britain's stand on these points. The hypocrisy of the discussion on South Africa had been vividly illustrated by the example of one African Head of Government who had told her that if the extra sanctions agreed in the Communique came into effect this would have damaging consequences for his country. Hence he would like to request extra economic assistance from Britain. In the debate she had set out the substantial contribution made by Britain to help improve the situation in South Africa. Those funds which Britain had decided not to spend on a monitoring agency for South Africa and participation in the Commonwealth Observers' Group in Namibia would be spent on alleviating hunger and poverty in South Africa. It was paradoxical that those governments advocating sanctions would effectively be contributing to increased hunger and deprivation in South Africa. Nevertheless, the discussion on South Africa had not been as unpleasant as at the Nassau CHOGM. A number of African Heads of Government, including Nigeria's, had expressed warm gratitude to Britain for its military and economic assistance.

Continuing, the PRIME MINISTER said that there had been worrying developments over Namibia. A number of third world Commonwealth countries were putting forward a resolution in the United Nations which would tie the hands of the United Nations Special Representative, Mr Ahtisaari. Mr Ahtisaari's task was to certify whether the elections had been free and fair. A number of African governments were now worried that the South West Africa People's Organisation (SWAPO) would not get their expected two-thirds majority. One Head of Government had said



that if SWAPO did not obtain such a majority it would fight. She had pointed out firmly that this attitude bore no relation to genuine democracy. Similarly, the report of the Commonwealth Observers' Group, to which Britain had rightly decided not to belong, had been very biased. It had made no mention of the death camps run by SWAPO in Angola where people had been tortured. Although reports of these camps had appeared in the international press, the churches had made no mention of them in their recent statements. Some of the people who had undergone torture in these camps were now fighting SWAPO in the elections. She had made clear that the Commonwealth meeting should not undermine the task of Mr Ahtisaari who had been specifically asked to judge whether the elections had been properly conducted.

Continuing, the PRIME MINISTER said that the election of the new Commonwealth Secretary General had been skillfully handled by the Prime Minister of Malaysia, Dr Mahathir. He had secured agreement that after a secret ballot he would announce the name of the candidate who had received most votes, without specifying the number. He had invited Heads of Government then to vote unanimously in favour of the winning candidate, Chief Emeka Anyaoku, which they had done. There had been regrettable double-dealing over the choice of venue for the next CHOGM. The Prime Minister of Malta, Dr Adami, had proposed over a year ago that Malta should host CHOGM. This would have increased his own Government's chances in the forthcoming elections. There had been no discussion of this question at Kuala Lumpur until the final stages of the meeting. Dr Adami had reminded Heads of Government of his application during the Retreat. Meanwhile, African Heads of Government had colluded with the Prime Ministers of Canada and Australia to put together a majority of one vote in favour of selecting Verare. Only fifteen minutes before the issue was to be decided they had approached Dr Adami and demanded that he withdraw his proposal, otherwise they would put the issue to a vote. Dr Adami had decided that he had no alternative but to withdraw. He behaved with great dignity throughout these discreditable manoeuvres.

In a brief discussion, it was pointed out that in the negotiations on the Communique the original draft had contained friendly references to the United Nations Special Representative in Namibia. After a long and heated argument a majority in the committee had succeeded in deleting the friendly references. The Foreign Ministers of Zimbabwe and Nigeria had shown particular bitterness towards Mr Ahtisaari. It had also been noticeable that while the Canadian Prime Minister had taken a high profile in pressing for increased sanctions against South Africa, Canada's trade with South Africa had soared dramatically. This had caused some embarrassment to the Canadians who had pressed for tighter monitoring of financial but not trade, flows. It was noted that Britain's own share of



trade with South Africa had diminished. The decrease had been taken up by Japanese and West German exports. It was significant that despite all the arguments Britain still provided 30 per cent of the funds for the Commonwealth Secretariat budget compared with Canada (16 per cent) and Australia (2 per cent) with equally small percentages from the other Commonwealth countries. It was helpful that Britain's stand on South Africa had subsequently been supported by the United States Secretary of State, Mr Baker, and by a number of other Governments.

The Cabinet -

Took note.

COMMUNITY  
AFFAIRS

Social  
Charter

4. THE SECRETARY OF STATE FOR EMPLOYMENT said that the Social Affairs Council on 30 October would consider a revised version of the Social Charter produced by the French Presidency following discussions at official level. He recalled that in June the United Kingdom had opposed the Commission's proposal for a Charter which had been accepted in principle by the other eleven member states. The subject had been discussed again in the European Council in Madrid, which had set guidelines for further discussion. The intention was to have the Charter adopted at the meeting of the European Council on 8-9 December. The revised text included some helpful changes: it stated that job creation was a top priority; that the primary responsibility for implementation would rest with national governments; and that there was no intention of extending the Community's competence. But major problems remained: the text referred to the need to set an 'equitable wage'; implied the regulation of hours of work and holidays for workers; embodied a right to strike and rights for Trade Unions to negotiate collective agreements; included a right of access to training for all workers; and set out special provisions for work by young people. There was a danger that the text could be used to justify the extension of Community competence into the whole social security area, including pensions and the treatment of the disabled. The Commission were preparing an action plan to implement the Charter, but this would not be tabled at the 30 October Council and it was even doubtful whether it would be available at the European Council meeting in December. He would continue to take the line that the United Kingdom favoured a social dimension for the internal market, especially the creation of employment. But the Charter in its present form was unacceptable: far from creating jobs, the regulation of wages and conditions of work would destroy them. Some member states, for example Ireland and Denmark, shared our concern about Community competence and Portugal was worried about the



anti-competitive aspects: but it was unclear how far they would sustain their opposition. Germany and the Benelux countries, by contrast, wanted to write in a number of specific minimum standards. The meeting of the Council could well end in confusion, but equally the United Kingdom could be in a minority of one. It would be essential to explain the government's position publicly. His Department had just published a booklet on employee involvement, and had prepared fact sheets on the government's policies and progress in the social area. It was also possible to cost certain aspects of the Charter in its existing form, for example an 'equitable wage' might eventually cost more than one million jobs.

In discussion it was pointed out that the issue had a high political profile, and a co-ordinated campaign of articles and speeches explaining the government's position would be needed, especially if the United Kingdom were isolated at the 30 October Council. On the other hand putting figures on the effects of the Charter was technically difficult and it would first be necessary to ensure that they were proof against criticism. Ideally, an economic analysis of the effects of the Charter ought to be made for the Community as a whole. There was a major risk of reducing the competitiveness of the Community relative to the outside world, and of burdening the less prosperous Member States, such as Portugal, with excessively expensive conditions. Although the Commission constantly referred to the principle of subsidiarity, they tended to ignore it in practice; and to overlook radical differences between Member States, such as the proportion of workers in trade unions, which would make harmonisation of employment conditions inappropriate. Even so, alongside the best possible public presentation of the government's case, the Government should continue to negotiate within the Community on the basis of the sort of text which was acceptable, and should not prematurely decide that there was no chance of making this point of view prevail.

Summing up the discussion, THE PRIME MINISTER said that, at the meeting on 30 October, the Secretary of State for Employment should firmly register our objections to the existing text and should explain the sort of charter which the United Kingdom could accept, without seeking to resolve the deadlock. At the same time, in conjunction with the Chancellor of the Duchy of Lancaster, he should consider the most effective means of publicly presenting the government's point of view.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of its discussion and invited the Secretary of State for Employment to proceed accordingly.



Agricultural  
Council  
23/24 October

THE MINISTER OF AGRICULTURE said that, at the meeting of the Agriculture Council on 23/24 October, the German Minister, with support from a number of other Member States, had strongly criticised the decision of the Commission to determine the Community's 1989 cereal harvest at 160.5 million tonnes which, under the 1988 agreement on agricultural stabilisers, was just sufficient to trigger an automatic 3 per cent cut in cereals support prices for 1990. This was ironic, since Germany had previously been among the Member States pressing for the Commission to make the determination at an early stage, when the degree of uncertainty was necessarily greater. Under the 1988 agreement a further consequence of the harvest exceeding 160 million tonnes should be an additional levy on cereals production of 0.3 per cent, but the Commission had proposed that this should be ignored on de minimis grounds, even though the loss to the Community's budget would be some 50 million ECU. He had been isolated in opposing this departure from the 1988 decision. He had, however, supported a proposal put forward by the Greek Minister that would result in the missing levy being recovered at a later date. During the same meeting, there had been further discussion of the Commission's proposal to limit Community-financed payments to livestock farmers in disadvantaged areas to a maximum number of livestock per farm. The effect of such a limit would be virtually confined to the United Kingdom, because our farms tended to be larger than those in other Member States. His opposition to the proposal had been supported, as a matter of principle, by the Dutch Minister and had received some modest help from the French Presidency. The Irish Agriculture Commissioner, on the other hand, appeared to assume that any UK farms above the given size were owned by rich landlords. The argument would be continued during the informal meeting of Agriculture Ministers, commencing on 29 October.

In a brief discussion it was noted that a considerable number of farmers in both Scotland and Wales would be affected by the limitation, if it were agreed. The United Kingdom had had some success in the past in resisting discriminatory measures of this sort, and it would be essential to continue to do so. The economy of even large farms in hill areas was very fragile. The present policy of the Commission was aimed at a significant switch in support towards smaller farms, which would benefit Member States such as Ireland, Greece and Italy and disadvantage the United Kingdom.

The Cabinet -

Took note.

Cabinet Office

26 October 1989