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CC(81) 25 th  
Conclusions

COPY NO 78

CABINET

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

THURSDAY 25 JUNE 1981

at 9.30 am

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PRESENT

The Rt Hon Margaret Thatcher MP  
Prime Minister

The Rt Hon William Whitelaw MP  
Secretary of State for the Home Department

The Rt Hon Lord Hailsham  
Lord Chancellor

The Rt Hon Lord Carrington  
Secretary of State for Foreign and  
Commonwealth Affairs

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP  
Secretary of State for Industry

The Rt Hon Francis Pym MP  
Chancellor of the Duchy of Lancaster  
and Paymaster General

The Rt Hon Lord Soames  
Lord President of the Council

The Rt Hon James Prior MP  
Secretary of State for Employment

The Rt Hon John Nott MP  
Secretary of State for Defence

The Rt Hon Sir Ian Gilmour MP  
Lord Privy Seal

The Rt Hon Michael Heseltine MP  
Secretary of State for the Environment

The Rt Hon George Younger MP  
Secretary of State for Scotland

The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales

The Rt Hon Humphrey Atkins MP  
Secretary of State for Northern Ireland

The Rt Hon Patrick Jenkin MP  
Secretary of State for Social Services

The Rt Hon John Biffen MP  
Secretary of State for Trade

The Rt Hon David Howell MP  
Secretary of State for Energy

The Rt Hon Mark Carlisle QC MP  
Secretary of State for Education and  
Science

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The Rt Hon Norman Fowler MP  
Secretary of State for Transport

The Rt Hon Leon Brittan QC MP  
Chief Secretary, Treasury

ALSO PRESENT

The Rt Hon Michael Jopling MP  
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong  
Mr M D M Franklin (Items 2 and 3)  
Mr P Le Cheminant (Item 5)  
Mr R M Hastie-Smith (Items 2-4)  
Mr W N Hyde (Item 1)  
Mr D J L Moore (Item 5)  
Mr W N Wenban-Smith (Item 4)  
Mr L J Harris (Item 1)

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PARLIAMENTARY  
AFFAIRS

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

Writs for  
Warrington and  
Fermanagh and  
South Tyrone  
by-elections

THE CHANCELLOR OF THE DUCHY OF LANCASTER AND PAYMASTER GENERAL said that the Labour Party intended to move the writ for the Warrington by-election the following day. This might encourage a backbench Member to move for a writ for Fermanagh and South Tyrone as well. If that happened, he would himself move a Government amendment to the Fermanagh motion proposing that the debate should be adjourned for a month so as to allow time for the Representation of the People Bill to complete its passage through both Houses and receive Royal Assent. The Chief Whip was making appropriate arrangements to ensure if necessary that an amendment in this sense could be carried.

Previous  
Reference:  
CC(81) 22nd  
Conclusions,  
Minute 1

The Cabinet -

Took note.

FOREIGN  
AFFAIRS

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France

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that President Mitterrand's decision to appoint four Communists as Ministers in the new French Government was a subtle move in relation to French domestic politics, but was causing some concern to the United States Government. It could also encourage the aspirations of the Italian Communists. From a British point of view the appointment of French Communist Ministers might create some problems, but our public line was that the British Government would continue to co-operate with the French Government as before, although some practical questions could need to be discussed.

Previous  
Reference:  
CC(81) 21st  
Conclusions,  
Minute 2

Afghanistan

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Foreign Affairs Council on 22-23 June had agreed to the new British initiative on Afghanistan. It was their hope that the European Council would agree to its proposed terms at their meeting on 29 June, so that an immediate announcement could then be made. There had been leaks about the proposals in Bonn and Paris, but the British Ambassador in Moscow had already told the Soviet Union about the initiative which seemed likely to be generally well received by other countries although the Indian attitude was equivocal. Even if the initiative did not succeed, it would be valuable in presentational terms.

Previous  
Reference:  
CC(81) 24th  
Conclusions,  
Minute 2



Arab/Israel

Previous  
Reference:  
CC(81) 24th  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the United Nations Security Council had passed a resolution calling upon Israel to pay compensation for the Israeli attack on Iraq's nuclear reactors. This resolution was very moderate from an Arab point of view, though the stance adopted by the United States in relation to it represented an unusually critical attitude on their part of the Israeli action. It would be difficult to see until after the election in Israel how matters would now develop.

The Cabinet -

Took note.

COMMUNITY  
AFFAIRS

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Budget  
Restructuring

Previous  
Reference:  
CC(81) 22nd  
Conclusions,  
Minute 3

3. THE FOREIGN AND COMMONWEALTH SECRETARY reported that the Commission had now completed its report on the mandate given to it by the Council of Ministers (Foreign Affairs) on 30 May 1980. The President of the Commission (Monsieur Thorn) would be seeing the Prime Minister and himself on 26 June in preparation for the forthcoming meeting of the European Council. Earlier in the week it had been agreed that the Commission's report would be examined by the Committee of Permanent Representatives (Coreper) in July in order to pinpoint the areas for substantive discussion and put in hand a programme of work with a view to the matter coming to the Council of Ministers (Foreign Affairs) in September.

In a brief discussion it was noted that the Commission's report was helpful to us in recognising the United Kingdom's budgetary problem but it took no account of the difficulties of the Federal Republic of Germany. The President of the Commission had made a procedural proposal which did not show sufficient sense of urgency.

Trade with Japan

Previous  
Reference:  
CC(81) 20th  
Conclusions,  
Minute 2

THE SECRETARY OF STATE FOR TRADE said that discussions at the recent meeting of the Council of Ministers (Foreign Affairs) had revealed a general wish to maintain pressure on the Japanese Government over trading relations between Japan and the European Community. While there seemed little immediate prospect of substituting Community arrangements for the existing national restrictions on imports from Japan, the Commission was anxious to maintain a Community dimension in trade relations with Japan, and had proposed some strengthening of its representation in Tokyo. The forthcoming Economic Summit meeting in Ottawa would be an occasion to speak firmly to the Japanese.



Multi-Fibre Agreement

The Council had also reached broad agreement on the Community's negotiating position in the forthcoming discussions for the renewal of the Multi-Fibre Agreement (MFA) but further detailed discussions had been postponed until the Council meeting in July. In general, the Federal Republic of Germany, the Netherlands and Denmark wanted a liberal regime to succeed the present MFA, whereas France was taking a hard line based on the need to protect the future of the European textile industries. The United Kingdom was seeking to ensure that the future rates of growth of imports were related to the development of consumption.

Boot and Shoe Industry

In a brief discussion, concern was expressed about the current difficulties of the domestic boot and shoe industry. Imports were regulated by certain bilateral agreements but on a voluntary basis. It was not easy to prove unfair competition from countries like Brazil.

Sheepmeat Clawback

THE FOREIGN AND COMMONWEALTH SECRETARY said that no agreement had yet been reached on improvement in the arrangements for the clawback of premium payments on exports of lamb from the United Kingdom. Although this was a relatively minor problem, the Commission had behaved badly: they had failed to take effective action within their own powers and were proposing that the matter should be discussed further in the Council of Ministers (Agriculture). It appeared, however, that the Dutch Presidency shared the British view that this was not a matter for the Council and that the Commission should take its responsibilities.

Previous Reference: CC(81) 24th Conclusions, Minute 3

The Cabinet -

Took note.

NORTHERN IRELAND AFFAIRS

4. The Cabinet considered a memorandum by the Secretary of State for Northern Ireland (C(81) 36) proposing the eventual establishment of an independent Committee to advise on the long-term problems of Northern Ireland prisons, and the announcement of a proposal to establish an Advisory Council for Northern Ireland.

Previous Reference: CC(81) 20th Conclusions, Minute 3

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that there was a political impasse in Northern Ireland in which public attention was focussed on the hunger strikes organised by the Provisional Irish Republican Army (PIRA), whose demands amounting to a claim for "political status", had been firmly resisted, despite the death of four hunger strikers. Seven more prisoners were now



refusing food, and the first to do so was likely to die early in July, with further deaths at weekly intervals thereafter. The Defence and Oversea Policy Committee had concluded that there would be an advantage in establishing an independent Committee to advise on the special problems which would arise from the transfer in 1982 of the remaining 325 "special category" prisoners from their present compounds to a new cellular prison. He had considered this matter further in consultation with the Home Secretary; they agreed that, if the Government were shortly to announce the establishment of a Committee on this basis, they would be accused either of taking action irrelevant to the immediate problems or of showing signs of yielding to the demands of the hunger strikers. He therefore recommended that he should continue to prepare for the establishment of a Committee to examine the longer-term problems, but should defer any announcement until a more opportune moment, perhaps in the autumn. He would, however, seek an early opportunity of restating in public, and in detail, the conditions now prevailing in Northern Ireland prisons and available to conforming prisoners, and the Government's commitment to the maintenance and where possible improvement of a humanitarian prison regime. The absence of an initiative on prisons would make it all the more important to take an initiative in the political field. The Government's White Paper (Cmd 7950) had envisaged that, if it did not prove possible to devolve executive or legislative powers to Northern Ireland on a basis acceptable to both parts of the Community, a more gradual approach might be adopted, under which a representative body would be set up which did not possess such powers at the outset, but might have the possibility of acquiring them later. This was the approach he now advocated, since an Advisory Council of this kind could be established without the need for legislation. A properly balanced representation of the two communities in the Advisory Council could be achieved if the Northern Ireland political parties were invited to nominate representatives, in proportion to the number of seats obtained in the recent District Council elections, from those elected to Parliament, the European Parliament, and the District Councils themselves. He proposed to announce this measure during the debate on the renewal of the Government's powers in Northern Ireland, which was due to take place on 2 July. Northern Ireland politicians might well acquiesce, and nominate representatives to the Advisory Council, if it were clear that the Government were determined to go ahead. His aim would be to complete the detailed arrangements in time for their announcement in the debate on The Queen's Speech in the autumn.

In discussion the Secretary of State for Northern Ireland's proposals were generally welcomed, as going to the limit of what was practicable in present circumstances. How they were presented would be very important.



The following were among the main points made in discussion:-

a. International opinion, especially in the Republic of Ireland and the United States of America, was increasingly concerned about the situation in the Maze prison. It would be important to explain the reasoning behind the Government's approach, bearing in mind that, whichever party in the Republic formed the new Government, further early elections could be expected. The Secretary of State for Northern Ireland's plans to make an early detailed statement of the Government's policy in relation to Northern Ireland prisons, emphasising their excellent conditions and the conciliatory steps already taken, could also make a valuable contribution to improving the international climate of opinion. At present the PIRA were receiving increased support through Noraid in the United States, where the image of the PIRA as a terrorist movement was becoming blurred.

b. Care should be taken in defining the range of matters on which the proposed Advisory Council should have powers to offer advice: if such powers went beyond the range of competence of local authorities, there could be a revival of pressures for greater autonomy in Scotland, particularly since Northern Ireland would shortly be as well represented in Westminster as any other part of the United Kingdom. This problem would be compounded if the proposed Council succeeded, however unlikely this now appeared, in reaching agreement on a basis for devolution of executive and legislative powers to the Province.

c. It was suggested that the Secretary of State for Northern Ireland might advantageously reserve a freedom to nominate to the Council people not associated with any political party. Against that it was pointed out that the Secretary of State for Northern Ireland was already advised by a number of specialised advisory bodies whose members he appointed; and it would be important presentationally that the composition of the proposed new body should be seen to be determined by the political parties themselves.

d. The selection of a chairman for the new Advisory Council required careful consideration: if the choice were left to the body itself, a heated argument could be expected and whoever emerged would no doubt claim to represent the collective will of the Province. On the other hand if the Secretary of State for Northern Ireland



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or his nominee filled the post, he would provide a direct focus for all the resentments of the Province.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that it was necessary to make a further political initiative in Northern Ireland, but at the same time not take any steps which might open the way to giving political or prisoner of war status to members of the PIRA in prison. The Secretary of State for Northern Ireland would need expert advice on certain longer-term problems relating to Northern Ireland prisons, and preparations to set up a Committee for this purpose should continue, but no announcement on this point should be made during the forthcoming debate on the renewal of the Government's powers in Northern Ireland. An announcement should be made of the proposal to establish an Advisory Council on the basis proposed by the Secretary of State for Northern Ireland. It would be important to emphasise the experimental nature of the proposal and to avoid any commitment to the eventual extension of the new body's powers. Members of the Government should take every opportunity to put forward the Government's case, especially as regards the measures already taken to improve prison conditions in Northern Ireland; and she would herself emphasise this in replying to a recent message from the Taoiseach. It would be valuable to explain the Government's proposals to the Governments of the United States and of the Republic of Ireland before they were announced publicly.

The Cabinet -

1. Invited the Secretary State for Northern Ireland -
  - i. to make a public restatement of the conditions available to conforming prisoners in Northern Ireland prisons and the Government's continuing commitment to a humanitarian prison regime;
  - ii. to announce his proposals as set out in C(81) 36, subject to consultation with the Prime Minister on the terms in which the powers of the new Advisory Council would be described;
  - iii. to continue to prepare on a confidential basis for the establishment of an independent Committee to advise on the problems arising from the opportunity of transferring special category prisoners to new cellular accommodation.
2. Invited the Secretary of State for Foreign and Commonwealth Affairs, in consultation with the Secretary of State for Northern Ireland, to inform the Governments of the United States and the Republic of Ireland in confidence of the Government's proposals, and of any statement which the Secretary of State for Northern Ireland made on the conditions and regime in Northern Ireland prisons.



INTERNATIONAL  
CONFERENCE  
CENTRE

Previous  
Reference:  
CC(80) 29th  
Conclusions,  
Minute 4

5. The Cabinet considered memoranda by the Foreign and Commonwealth Secretary and the Secretary of State for the Environment (C(81) 34) and by the Chief Secretary, Treasury (C(81) 35) on the building and financing of an international conference centre at Broad Sanctuary, Westminster.

THE SECRETARY OF STATE FOR THE ENVIRONMENT recalled that, at their meeting on 17 July, 1980, a majority of the Cabinet had been in favour of building an international conference centre on the Broad Sanctuary site but that, in view of the major objections seen to committing public expenditure for this purpose, it had been agreed that the project should go ahead only if it could be financed from the private sector. He had been invited to explore how this might be achieved and, with the agreement of the Treasury, he had commissioned Healey and Baker to approach major financing institutions and publicly to invite offers. They had now strongly recommended acceptance of the offer made by the Pearl Assurance Company. The main features were that Pearl would finance the estimated total capital requirement of £54 million, lease the completed building to the Government, and charge rents subject, every five years, to reviews linked to rental movements of offices in the area: the details were summarised in the Annex to C(81) 34. Because there would be insufficient demand from the private sector for all the conference facilities the Government needed, there was no prospect of a private developer providing a building to let to the Government when required. While this was the best form of private sector financing available, it was more expensive than direct Government financing (although not, in his view, to the extent estimated by the Chief Secretary, Treasury, in C(81) 35), but that was an inevitable consequence of the Cabinet's decision to rule out public sector financing.

THE FOREIGN AND COMMONWEALTH SECRETARY said that it was necessary for the Government to have facilities in London for holding major international conferences of the Commonwealth, the European Community (EC), the North Atlantic Treaty Organisation and Economic Summits; in addition, provision had to be made for a considerable number of smaller conferences (the total this year was about 600). The present facilities in Lancaster House and elsewhere were becoming increasingly inadequate. It would be short-sighted and uneconomical to provide a succession of temporary facilities at considerable cost - for example the cost of temporary facilities for the United Kingdom's EC Presidency in 1987 alone might be about £14 million - even if suitable sites could be found. The private sector financing proposals now recommended were consistent with the Cabinet's decision of July 1980, and he strongly recommended that they should be accepted, so that a permanent international conference centre on the Broad Sanctuary site would be available by 1987.



THE CHIEF SECRETARY, TREASURY, said that he recommended that the Pearl Assurance Company's offer should be rejected. Although it might be the best available, it did not represent genuine private sector financing and so failed to meet the requirement laid down by the Cabinet. Genuine private sector financing would involve the private sector not only financing the construction but also carrying the responsibility and the risks of management. The Secretary of State for the Environment's inquiries showed that no such arrangement was attainable. Under the proposed arrangements with the Pearl Assurance Company the building would be tailor-made to Government requirements and would be used virtually exclusively by the Government. The site and building would revert to Crown ownership at the end of the 125 year lease, during which the rent would be indexed. If the building were delayed, or if its costs overran the maximum amount offered by Pearl, the Government would have to find the extra money. Pearl carried very little risk in return for providing the capital. In effect the centre would simply be a Government project financed with a mortgage from the private sector. As such, it would be attacked as a sham and as a device for evading public expenditure controls. The finance for the project was on terms considerably more expensive than if it were financed by public sector borrowing; the Cabinet had, however, judged that the project was of insufficiently high priority to be financed by public expenditure. If the centre went ahead it could well prevent, or make more expensive, the financing of genuinely profitable schemes whether in the private or public sector.

In discussion the following were the main points made:-

- a. The financing proposals would have been more acceptable if they had provided for the private sector to build, finance and own a building with commercial offices and, as a condition for sale of the site, a conference centre to be made available to the Government on favourable terms. Arrangements on these lines had made possible the building of the new Mermaid Theatre. They were not, however, practicable on the Broad Sanctuary site where limitations of space and planning constraints ruled out a building large enough to accommodate both a conference centre and enough commercial office space to warrant that sort of financial arrangement.
- b. If the project were to go ahead, it might be better for the Government to finance it directly. This would be cheaper and more defensible than the arrangements put forward by Pearl, and would avoid the risk that the nationalised industries and other



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public sector bodies would seize on the Pearl arrangements as a precedent for similar private sector leasing arrangements for projects which so far had been denied them. On the other hand, it had been agreed that room could not be found from within public expenditure programmes for the international conference centre. The leasing arrangements now proposed were no different from those applying to 60 per cent of the Government Office Estate. The decision to finance the project as proposed by Pearl could well be welcomed as enabling capital investment to go ahead with private sector involvement and money. It would be a boost to the construction industry and a source of employment.

c. There was a risk that the Government would be criticised for approving a major capital investment in the heart of London and for its own use at a time when other public sector investment was being held down. This criticism would be reinforced if there were costly delays on the project which, whatever the details of the financing, would be regarded as within the public sector. On the other hand, it was accepted that there was a need for a permanent international centre both to meet the foreseen demand for conference facilities and to avoid the high costs of providing a series of temporary and inadequate arrangements. The Broad Sanctuary site had been empty and an eyesore since the last war. It was eminently suited for an international conference centre and should now be used for that purpose.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet had decided not to take the capital costs of constructing the international conference centre on public expenditure. The balance of views in the Cabinet was clearly in favour of proceeding with the construction of the international conference centre on the Broad Sanctuary site on the basis of the proposals put forward by the Secretary of State for the Environment and the Foreign and Commonwealth Secretary, and of accepting the Pearl Assurance Company's offer.

The Cabinet -

1. Agreed that an international conference centre should be built at Broad Sanctuary, Westminster.
2. Authorised the Secretary of State for the Environment to accept the Pearl Assurance Company's offer, as summarised in C(81) 34, for the financing of this project.

Cabinet Office

25 June 1981

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