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CC(81) 34th  
Conclusions

COPY NO 79

CABINET

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CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 29 OCTOBER 1981  
at 9.45 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 Carrington  
Secretary of State for Foreign and  
Commonwealth Affairs

The Rt Hon Sir Keith Joseph MP  
Secretary of State for Education and Science

The Rt Hon James Prior MP  
Secretary of State for Northern Ireland

The Rt Hon Peter Walker MP  
Minister of Agriculture, Fisheries and Food

The Rt Hon George Younger MP  
Secretary of State for Scotland

The Rt Hon Patrick Jenkin MP  
Secretary of State for Industry

The Rt Hon David Howell MP  
Secretary of State for Transport

The Rt Hon Leon Brittan QC MP  
Chief Secretary, Treasury

The Rt Hon Nigel Lawson MP  
Secretary of State for Energy

The Rt Hon Lord Hailsham  
Lord Chancellor

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

The Rt Hon Francis Pym MP  
Lord President of the Council

The Rt Hon John Nott MP  
Secretary of State for Defence

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

The Rt Hon Humphrey Atkins MP  
Lord Privy Seal

The Rt Hon John Biffen MP  
Secretary of State for Trade

The Rt Hon Norman Fowler MP  
Secretary of State for Social Services

The Rt Hon Baroness Young  
Chancellor of the Duchy of Lancaster

The Rt Hon Norman Tebbit MP  
Secretary of State for Employment

**SECRET**

The Rt Hon Cecil Parkinson MP  
Paymaster General

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 R L Wade-Gery (Items 2-5)  
Mr R L L Facer (Items 4 and 5)  
Mr D H J Hilary (Item 1)  
Mr L J Harris (Item 1)

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PARLIAMENTARY  
AFFAIRS

1. THE LORD PRESIDENT OF THE COUNCIL said that arrangements had been made through the usual channels to ensure as far as possible that there would be no delay in proroguing Parliament the following day because of obstruction of outstanding Government business.

British Nationality

THE HOME SECRETARY said that the Lords amendment to the British Nationality Bill making the exercise of his discretion in certain nationality cases open to challenge in the courts had been disagreed by the Commons by a majority of 56. Reinstatement of the amendment in the Lords would create expensive administrative complications, but no fundamental issue of principle was involved. It was to be hoped that the Government could avoid defeat in the Lords on this matter. If, however, the Government were defeated he would accept the defeat rather than put the Bill as a whole at risk.

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THE PRIME MINISTER, summing up the discussion, said that every effort should be made to ensure that the Lords did not override the clearly expressed decision of the Commons on the amendment in question.

The Cabinet -

Invited the Chancellor of the Duchy of Lancaster to arrange for the Captain of the Gentlemen-at-Arms, to take all possible steps to try to avoid a further Government defeat on the British Nationality Bill in the House of Lords.

FOREIGN  
AFFAIRS

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that a negotiating team of officials from the five Western countries which had taken the lead on the Namibian issue was at present visiting relevant countries in Africa. So far the results had been reasonably encouraging, and the attitude of the South African Government in particular appeared to be not unhelpful.

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THE FOREIGN AND COMMONWEALTH SECRETARY said that a worrying situation had arisen in Malaysia, where the new Prime Minister, Dr Mahathir, appeared to harbour a grudge against Britain and to be trying to steer public sector contracts away from British bidders. This would need to be watched carefully. The British stake in Malaysia was so large that the scope for retaliation was limited. He himself would be visiting Malaysia in 1982 and would wish to review the position thereafter.

Malaysia



In the course of a brief discussion it was noted that Dr Mahathir claimed to have been slighted by a British Minister while he was Minister of Trade. He was a Malay chauvinist by temperament who disliked the local Chinese community's disproportionate position of influence in the economy of Malaysia and therefore resented the recent decision of certain local British firms (eg Dunlop Estates and Guthrie) to sell out to Malaysian Chinese rather than Malay interests.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Foreign Ministers of the member states of the European Community had agreed on 26 October that, in order to help the Americans and to avoid weakening President Mubarak's position in Egypt, the Dutch, Italian, French and British Governments should participate in the proposed Multinational Force in Sinai. From Britain's point of view participation was unwelcome and had been accepted only with reluctance. A statement was being prepared which would make clear that it did not imply any British association with the Camp David Agreement; that it was designed only to facilitate the return of Arab territory occupied by Israel; and that British policy remained firmly based on the European Community's Venice Declaration of June 1980. Some outcry in other Arab countries was to be expected; but British economic interests there ought not to be significantly damaged, since the European countries would be acting together and European participation would open the way for other Western states (eg Canada, Australia and New Zealand) to follow suit. In the meantime, however, some members of the Community appeared to be having second thoughts. It was not now clear whether the Greeks would be able to agree after all; the Irish were worried about the implications for their traditional neutrality; the Italians might not be willing to participate unless all member states were in agreement; and there was even a report that the French, despite their earlier strong advocacy of participation, were considering limiting their contribution to equipment rather than men. The situation was therefore uncertain. This was not a matter in which Britain would wish to proceed without full and equal participation by France.

In discussion it was noted that this was not the only area in which the present French Government's foreign policy seemed to be highly volatile. Britain's economic interests would certainly suffer if the French commitment to the proposed force could be made to appear less whole-hearted than that of the British. French economic interests in the Middle East had been damaged initially by the new President's pro-Israeli reputation; but the French Government had recently gone a long way towards redressing the position. More generally it was argued that even with full French involvement British participation, though impossible to avoid because of the need to help the United States, was likely to lessen the advantage which British defence sales efforts had recently been achieving in the Gulf states. Special care would need to be taken to minimise criticism in Saudi Arabia.

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THE SECRETARY OF STATE FOR NORTHERN IRELAND said that on his visit to the Republic of Ireland on 27 October he had had a long talk with the Taoiseach, Dr FitzGerald. In order to minimise possible criticism in Northern Ireland they had met ostensibly to make each other's acquaintance, not to discuss Dr FitzGerald's forthcoming Summit Meeting with the Prime Minister. But inevitably the Summit had in fact been discussed, and it was satisfactory that no details of their conversation had so far leaked out. Dr FitzGerald, who had been less voluble than he had expected, appeared well disposed and concerned to be helpful over the Northern Irish situation. This was much to be welcomed, since the maintenance and development of good relations between the British and Irish Governments could have an important and beneficial influence on the course of events in Northern Ireland.

The Cabinet -

Took note.

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Council of Ministers (Foreign Affairs) on 26-27 October had decided on a number of issues including the approval of a European Coal and Steel Community loan for an investment by Sony in South Wales. Progress had been made in the accession negotiations with Spain and Portugal, but the French with Italian support had prevented the Community from offering improved trading arrangements to Cyprus. This could have serious consequences for the attitude of Cyprus towards the Community. The Council had devoted a half-day to discussion of the Mandate on budget restructuring without making any progress. It was perhaps inevitable at this stage that each country was sticking to its position. The Community rarely reached decisions until the last minute. The differences on reform of the Common Agricultural Policy and on the Community budget were so great that the prospect of a settlement at the forthcoming European Council on 26-27 November was not good. It was however important that the British Government should continue to evince in public a determination to try to secure an agreement at that meeting.



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THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that, at the Council of Ministers (Fisheries) on 27 October, the French Minister had appeared to change his tactic. Having previously shown no signs of urgency, he had now asked for the next meeting of the Fisheries Council to be brought forward to a date before the European Council, perhaps with the intention of using the meeting of Heads of Government to put pressure on Britain. It would be better to stick to the present arrangement for a meeting of the Fisheries Council after the European Council and to aim for a settlement then. He would be making a statement that day which would report on developments while the House was in Recess as well as on the latest Council meeting.

RELATIONS  
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4. The Cabinet considered a memorandum by the Foreign and Commonwealth Secretary (C(81) 52) on relations with the Vatican.

THE FOREIGN AND COMMONWEALTH SECRETARY said that in his view the time had now come for the Vatican to be invited to promote their diplomatic representative in London to the Ambassadorial status of a Papal Pro-Nuncio and for Her Majesty's Legation to the Holy See at the same time to be raised to the status of an Embassy. The present level of relations had become an anomaly. Most other states already had full diplomatic relations with the Holy See. The Apostolic Delegate in London, Archbishop Heim, had taken a consistently helpful attitude towards Northern Ireland. He proposed that an announcement should be made around the turn of the year, well before the Pope's visit to the United Kingdom. The Archbishop of Canterbury and the Moderator of the Church of Scotland, who had already been discreetly sounded, had reacted positively. The Secretary of State for Northern Ireland supported the proposal, as had his predecessor who had been consulted while still holding that office.

In discussion the following points were made -

- a. It would be necessary to ensure that the position of The Queen, as Supreme Governor of the Church of England, was fully safeguarded. She was aware informally of the proposal and was understood to be content.
- b. The Vatican representative in London would be a Pro-Nuncio and would not, as in Roman Catholic countries, be ex-officio Dean of the Diplomatic Corps.
- c. There was some doubt about the attitude of the Synod of the Church of England, and opinion among the Archbishop of Canterbury's advisers appeared to be divided.

- d. Although the Moderator of the Church of Scotland had reacted favourably, there were likely to be objections from the Scottish free churches.
- e. Some Protestants might argue that full diplomatic relations with the Vatican were inconsistent with the Act of Settlement 1701, although there were no good legal grounds for this view.
- f. The announcement should not be made near the time of the Prime Minister's meeting with the Taoiseach, nor during the marching season in Northern Ireland.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that full diplomatic relations with the Vatican should be established and that an announcement should be planned for around the turn of the year. The timing should be considered again just before the announcement was due to be made.

The Cabinet -

1. Agreed that full diplomatic relations with the Vatican should be established on the basis proposed by the Foreign and Commonwealth Secretary.
2. Invited the Foreign and Commonwealth Secretary to plan for an announcement about 1 January 1982, but to consider the timing again, in consultation with the Prime Minister, the Home Secretary and the Secretary of State for Northern Ireland, shortly before the announcement was due to be made.
3. Invited the Foreign and Commonwealth Secretary in due course formally to notify the Archbishop of Canterbury and the Moderator of the Church of Scotland; to inform the other Churches; and to negotiate the terms of the announcement, and any necessary questions relating to jurisdiction, with the Vatican.

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INDUSTRIAL  
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5. THE SECRETARY OF STATE FOR INDUSTRY said that the Board of British Leyland (BL) had met on Tuesday 27 October, and there had been further meetings with the unions concerned on 28 October. The talks had been broken off. The Board of BL had, however, decided that there should be no written ultimatum to the workforce that week; and they were not committed to any particular timing, should industrial action be taken as threatened on 2 November. The Board would not take decisions until Thursday 5 November; and he himself would be in contact with the Chairman on Tuesday 3 November. The Chairman had appeared on television the previous evening. While there had been no substantive change in his position, his attitude had been conciliatory: he had made it clear that his letter to the workforce in the previous week had not been intended to be provocative, and he had pointed out that the offer which had led to the strike threat had already been modified. His proposal that there should be a ballot of the workforce had been rejected by the unions. But the Advisory, Conciliation and Arbitration Service (ACAS) were now involved. The area in which there might be scope for some reconciliation of the opposing points of view was in relation to the bonus scheme.

In discussion there was general agreement that the Government should continue to make it clear that it was not intervening in the dispute, though the Secretary of State for Industry remained in contact with the Board; and that ACAS were now involved. In the present delicate situation it would be preferable to avoid having to make any kind of statement in the House of Commons; even though the Government could stick to the line proposed, some Government backbenchers representing constituencies in the West Midlands might give an impression which would make the dispute more difficult to resolve satisfactorily.

THE PRIME MINISTER, summing up a brief discussion, said that the Government position should continue to be that it was not intervening in a matter which was for the Board of BL, and it noted that ACAS were now involved. If (as seemed likely) the matter was raised in Prime Minister's Questions that afternoon, she would stick to that line, without suggesting that there was no contact between the Board of BL and the Department of Industry.

The Cabinet -

Took note.

Cabinet Office

29 October 1981