

**SECRET**

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

(80) 25th  
inclusions

COPY NO 65

CABINET

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

THURSDAY 26 JUNE 1980

at 11.00 am

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 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  
Secretary of State for Defence

The Rt Hon Lord Soames  
Lord President of the Council

The Rt Hon James Prior MP  
Secretary of State for Employment

The Rt Hon Sir Ian Gilmour MP  
Lord Privy Seal

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

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 Norman St John-Stevas MP  
Chancellor of the Duchy of Lancaster

The Rt Hon John Nott 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

The Rt Hon John Biffen MP  
Chief Secretary, Treasury

The Rt Hon Angus Maude MP  
Paymaster General

**SECRET**

**SECRET**

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Norman Fowler MP  
Minister of Transport

The Rt Hon Michael Jopling MP  
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong  
Mr M D M Franklin (Items 2 and 3)  
Mr P J Harrop (Item 1)  
Mr R M Hastie-Smith (Items 2 - 4)  
Mr W N Hyde (Item 1)  
Mr W N Wenban-Smith (Item 4)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	
	British Steel Corporation: Finance	1
2.	FOREIGN AFFAIRS	
	The Western Alliance	2
	Afghanistan	2
	India	3
	Cambodia	3
	New Hebrides	3
3.	COMMUNITY AFFAIRS	3
4.	NORTHERN IRELAND	4

CONFIDENTIAL

LIAMENTARY  
AIRS

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

ish Steel  
poration;  
nces

THE SECRETARY OF STATE FOR INDUSTRY said that he would be making a statement in the House of Commons that afternoon about the serious financial position of the British Steel Corporation (BSC) and the Government's reaction to it. The Corporation had told him on 6 June that they estimated that their cash requirement for 1980-81 would be some £400 million above the agreed external financing limit of £450 million. They were in a financial situation in which a private-sector company could not legally carry on trading, but would have to go into liquidation. The Corporation's problems arose from a long period of ineffective management as well as from the current recession and the effects of the long strike. He would tell the House that the Government were not satisfied that BSC had taken sufficiently vigorous corrective action, that they looked to the new chairman, Mr MacGregor, to produce new proposals, and that they were not prepared to fix a new external financing limit until they were satisfied that BSC were taking the necessary measures. Meanwhile, the Government would, in the last resort, have to stand behind BSC in meeting their obligations so that the Corporation could continue trading. The implications of the situation he would be describing to the House were very serious, and included the likelihood not only of additional calls on the taxpayer, but also of further redundancies in areas of high unemployment.

The Cabinet -

Took note.

REIGN  
FAIRS

---

Western  
ance

vious

ference:

(80) 24th

clusions,

ute 2

2. THE PRIME MINISTER said that the Seven-Power Summit Meeting in Venice on 22 and 23 June had broken new ground, by comparison with previous meetings in the series, in that the Heads of State and Government had discussed the international political situation, with particular reference to Afghanistan, as well as economic matters. The declaration on Afghanistan had been a useful demonstration of unity and cohesion in the West. The economic discussion had been dominated by the effects of the recent oil price increases. The British Government's economic policies had been endorsed. There was general agreement that the reduction in inflation was the top priority, though there was increasing concern about the prospects of recession, particularly in the United States and Canada. There had also been a good discussion about the implications of the oil price increases for the developing countries, and for relations with other countries with them. The increase in their oil bills as a result of the recent price increases was greater than the total of official development aid to them. Recycling was not the whole of the answer to the problem: some of the poorest countries had reached the limit of indebtedness, and needed to be assisted with grants rather than loans. The meeting had stressed the need for the oil exporting countries to share the burden of aid to developing countries with the industrialised countries. The oil exporting countries had to be convinced that it was not in their interests to weaken the economies of the industrialised countries and ruin some of the developing countries. The changing situation made the concept of the North/South Dialogue out of date. What was now needed was a three-sided dialogue involving the industrialised countries, the oil exporting countries and the developing countries. The main work for the next Summit would be a review of aid policies and procedures in the light of these developments. A significant feature of the meeting had been the close understanding between President Giscard and Chancellor Schmidt which had also been evident at the meeting of the European Council ten days earlier. There was general agreement that the communique issued at the end of the meeting was too long and that the fact that it had been largely prepared in advance unnecessarily circumscribed discussion. As they had now developed, these Summit meetings generated excessive expectations, and if expectations were not fulfilled the meeting tended to be regarded by the Press as a disappointment. For next year it was to be hoped that there could be a return to a much freer discussion, with many fewer people in attendance, both from Governments and from the media, with an agenda agreed in advance but with only a short communique prepared in the light of the discussion, or even no formal communique at all.

Afghanistan

vious

ference:

(80) 23rd

clusions,

ute 2

THE LORD PRIVY SEAL said the Soviet announcement of the withdrawal of troops from Afghanistan was made during the Venice Summit Meeting. Less than 10,000 troops appeared to be involved, and some might already have returned. The significance of the event should be largely discounted. It appeared that Press reports of the extent of resistance in Afghanistan were exaggerated, though there was no doubt that the Russians were in considerable trouble. Representatives of the Afghan resistance were in contact with representatives of the Islamic Conference.

CONFIDENTIAL

vious  
reference:  
79) 12th  
conclusions,  
page 2

THE LORD PRIVY SEAL said that the death of the Prime Minister's son Sanjay Gandhi was a great blow to his mother, in political as well as personal terms. He had been reputedly more favourable to the interests of the West and of private enterprise than his mother.

Cambodia  
previous  
reference:  
79) 24th  
conclusions,  
page 3

THE LORD PRIVY SEAL said that the Vietnamese had invaded Thailand for 24 hours, taking the Thai army by surprise and killing a number of Cambodian refugees. The invasion had been denounced by the Chinese and by a number of other countries in the region.

New Hebrides  
previous  
reference:  
80) 24th  
conclusions,  
page 2

THE LORD PRIVY SEAL said that following meetings between the Foreign and Commonwealth Secretary and the French Foreign Minister, M. Francois - Poncet, a package of measures had been worked out with the French. The success of this package depended on the British being able to persuade Fr Lini to play his part and on the French being able to persuade Mr Stevens in Santo to do the same. It was still hoped to achieve the independence date of 30 July for the New Hebrides.

The Cabinet -

Took note.

COMMUNITY  
AFFAIRS

previous  
reference:  
80) 24th  
conclusions,  
page 3

3. THE LORD PRIVY SEAL reported that M. Thorn was now the official candidate of the Benelux countries for the Presidency of the Commission. The appointment would be further discussed informally among the Foreign Ministers attending the North Atlantic Council meeting in Ankara. There would be some embarrassment if the question was not resolved before Luxembourg assumed the Presidency of the Council of Ministers on 1 July. There was still some hope that the Italians might put forward Signor Pandolfi as a candidate.

THE MINISTER OF TRANSPORT said that the Council of Ministers (Transport) on 24 June had been able to make progress on a common driving licence, subject in our case to the approval of the House of Commons. The question of greater competition among European airlines had also been raised, and a study had been agreed upon, but other countries would be likely to oppose lower air fares in order to protect Government revenue.

The Cabinet -

Took note.

NORTHERN  
IRELAND

Previous  
reference:  
(80) 12th  
Inclusions,  
Page 4

4. The Cabinet considered a memorandum by the Secretary of State for Northern Ireland (C(80) 31) to which was attached a draft document for publication setting out the Government's proposals for further discussion regarding the future government of Northern Ireland.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that his memorandum and the proposals attached to it flowed from the policies which the Government had been following since they had come into office, and the discussions which had taken place during the Constitutional Conference. The draft paper for publication had already been discussed in committee and a number of amendments had been made to it. The paper deliberately dealt with the problems at considerable length, because he attached importance both in Northern Ireland and outside to having a well argued case on the record. It was still not possible to say publicly precisely what the Government wanted or intended to do. Although substantial areas of agreement had been identified, some major issues required further discussion and negotiation. The draft proposals narrowed the field down to two possible approaches to the establishment of an Assembly and an Executive in Northern Ireland. There could be no certainty that the proposals would succeed. They would certainly attract criticism from the main Northern Irish political parties, none of whose aspirations would be entirely met by them; but there was a possibility (if no more than that) that these parties would acquiesce in what was proposed. It was desirable to publish the document soon even though July and August were bad months for rational political discussion in Northern Ireland. If the document was published at the beginning of July, intensive discussions and negotiations with the Northern Irish political parties could then take place privately, so that the position could be reviewed by the end of September and reflected in The Queen's Speech.

In discussion there was general agreement that the draft proposals represented the best that could be made of a very difficult task but that there could be no certainty that the proposals would be accepted. The following points were made:-

a. In Northern Ireland the political scene changed rapidly. What had seemed an appropriate political course of action when the Government took office was no longer relevant to present circumstances. It was possible that, even if the present proposals were not accepted, the published document setting them out would provide a basis for further discussion which might lead ultimately to some different successful political conclusion.

b. The publication of the proposals would undoubtedly give rise to the suggestion that similar considerations should apply to Scotland. But the text of the paper had been carefully considered from this point of view, it was widely recognised in Scotland that the situation in Northern Ireland was different to their own and the risk was containable.

CONFIDENTIAL

c. Although the representation of Northern Ireland at Westminster would certainly need to be considered if and when a legislative assembly was established in Belfast, it would be better not to deal with this issue at this stage since it would certainly create difficulties at Westminster. If the proposals were to fail, it would be important for them to be seen to fail because of the refusal of the North Irish political parties to make the necessary compromises. The representation issue might be used to obscure this point.

d. The underlying factor which would dictate the success or failure of the proposals was the extent to which the Unionists could be persuaded that the minority community should be allowed to exercise some restraint over the power of the Executive, and the extent to which the minority could be brought to accept that those restraining powers provided them with sufficient safeguards. It would be important to emphasise the fact that the Secretary of State for Northern Ireland would retain overriding powers in the event of a deadlock.

e. An important factor in the possible acceptance of the proposals would be the attitude towards them of Dr Paisley and his willingness and ability to assume a greater degree of leadership among the Unionists. His popular support appeared at present to be increasing at the expense of the leadership of the Official Unionist Party.

THE PRIME MINISTER, summing up the discussion, said that while the Cabinet recognised the possibility of failure, they agreed that the proposals should be published on 2 July, without any reference to Northern Irish representation at Westminster. Although there might be advantages in announcing the publication of the document in Northern Ireland, it was probable that the Secretary of State for Northern Ireland would be under very heavy pressure to make a Parliamentary statement on the date of publication. The proposals could be debated on 10 July at the same time as the Renewal of Emergency Powers.

The Cabinet -

Invited the Secretary of State for Northern Ireland -

- (i) to arrange for the publication of his draft proposals on 2 July, without any reference to Northern Irish Parliamentary representation at Westminster;
- (ii) to give further consideration in consultation with the Chancellor of the Duchy of Lancaster to the need for a Parliamentary statement on the date of publication.

Cabinet Office

26 June 1980