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CABINET  
DEFENCE AND OVERSEA POLICY COMMITTEE

NORTHERN IRELAND : SOCIAL AND ECONOMIC AFFAIRS

Memorandum by the Secretary of State for Northern Ireland

1. Under Direct Rule I am responsible for practically all governmental activity in Northern Ireland. This requires me, and my ministerial team, to take account of local needs, and traditions. At the same time I am a Minister of a Conservative government which is pledged to produce radical changes in the way in which the economy is run, notably to reduce the size of the public sector. The way in which this is done needs to be consistent with the special situation of Northern Ireland - a rapidly contracting manufacturing base, higher unemployment, remoteness and poorer housing, to mention only a few of the factors which affect everyday life in the Province. The Ulster economy needs nursing back to life. It is too weak to stand shock treatment. Direct rule gives us both a special responsibility and opportunity in the economic and social field.

General Strategy

2. I see my main objectives as follows:-

- (a) Regional Policy. I support the tightening up we have promised, to concentrate assistance on areas of greatest need. Northern Ireland is patently one of these. The incentives which are offered to firms to set up and expand there need to be tailored to its special position. This includes the need to keep investment incentives more attractive than elsewhere in the UK. In individual cases we may need to match competition from the Irish Republic for footloose investment.
- (b) Energy Policy. Northern Ireland is particularly exposed by the current pressure on oil supplies and prices, since it depends much more heavily on oil for most purposes than the rest of the UK and has no access to natural gas. The needs of Northern Ireland ought to be taken fully into account when we are considering future energy policy.

One problem calling for early decision is the future of the gas industry which is running at a substantial deficit and has no prospect of viability. The cost of supplying electricity in Northern Ireland is higher than it need be due to the loss of sales to the Irish Republic, because terrorist activity has led to the interruption of the North/South connector. This is an example of how the security situation damages the economic one.

- (c) Agriculture. Agriculture is the mainstay of the Northern Ireland economy. We need to ensure that the EEC common agricultural policy reflects Northern Ireland's needs and thereby contributes to the prosperity of Northern Ireland agriculture. The continuation of the Meat Industry Employment Scheme is important for both political and economic reasons. I shall shortly be in touch with the Chief Secretary about the financing of it, following discussion of the matter at Cabinet a few weeks ago.
- (d) Shipbuilding. This industry is under separate discussion. About 5% of manufacturing employment in Northern Ireland is in Harland and Wolff. Political and security factors need to be taken into account as well as economic ones when considering the future of this shipyard, since substantially higher unemployment in Belfast could lead to severe problems on the security front.
- (e) Social policy. Conservative policy on the sale of public sector houses (which I have now implemented) and removal of pressure to go in for comprehensive education should be a positive help in providing greater personal motivation. On the educational front it is fortunate that there is still an excellent grammar school system. We must improve the quality of the education available to equip young people as well as possible for the relatively harsh economic environment which they are entering. The same goes for training programmes for both the young and the adult.
- (f) Belfast. We must continue to give priority to making Belfast a more attractive place in which to live and work. Potential investors are frightened off by the appearance of squalor and devastation presented by many areas. There are political and security dividends as well as economic ones from improving the appearance of Belfast.
- (g) Good relations with other countries. Northern Ireland by itself is too small an area to be economically viable. For the economic as well as the political welfare of the country we need as good relations as possible with the Irish Republic, the rest of the EEC and the United States. A better image abroad is essential to attract more investment and tourism from overseas.

### Conclusion

3. I ask my colleagues to recognise that Northern Ireland has special economic and social problems which need to be taken into account when framing future policy in various fields, notably those mentioned above. The political and security situation means that

there is no escape from the fact that maintaining a reasonable quality of life in Northern Ireland is going to cost more than elsewhere in the UK. Higher expenditure on the maintenance of law and order is one reason for this. My ministerial team and I will be doing all we can to carry through the policies to which the government has committed itself, because such policies should also - though probably more slowly than elsewhere in the UK - benefit Northern Ireland by stimulating private enterprise and initiative. But special measures may on occasion need to be taken to facilitate the desired end. These will cost money, which cannot necessarily be provided from Northern Ireland's own resources. The net cost of so doing would not however necessarily be greater than allowing unemployment to become even higher, something which in its turn would add to the human and security problems we already face.

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Northern Ireland Office

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