

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

CC(81) 5th
Conclusions

COPY NO 78

CABINET

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

THURSDAY 5 FEBRUARY 1981

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 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 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 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

The Rt Hon Norman Fowler MP
Secretary of State for Transport

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

SECRET

ALSO PRESENT

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr M D M Franklin (Items 2 - 4)
Mr R L Wade-Gery (Items 2 - 4)
Mr W N Hyde (Item 1)
Mr L J Harris (Item 1)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
	Iron and Steel Bill	1
	Legislative Programme 1980-81	2
2.	FOREIGN AFFAIRS	
	Poland	4
	Norway	4
3.	COMMUNITY AFFAIRS	
	European Parliament	5
	Fisheries Policy	5
4.	COMMUNITY RELATIONS	7

CONFIDENTIAL

PARLIAMENTARY
AFFAIRS

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

Iron and Steel Bill

THE CHANCELLOR OF THE DUCHY OF LANCASTER AND PAYMASTER GENERAL said that Legislation Committee had considered the draft Iron and Steel Bill the previous day. The Bill had been drafted to give effect to decisions of the Ministerial Committee on Economic Strategy on the corporate plan of the British Steel Corporation (BSC) and to make provision for further advances to the BSC after their present borrowing limit was reached at the end of February. The Solicitor General had advised the Committee that the use of this measure to provide for the increase in the Corporation's borrowing limit was of doubtful legal propriety, since it would in effect mean that the borrowing in excess of the existing limit would not have statutory cover until the Bill received Royal Assent, which was not likely to be until the end of June. In these circumstances, Legislation Committee had felt unable to approve the Bill in its existing form, and had invited him to discuss the problem further with the Ministers concerned. As a result of these further consultations, it had now been agreed, subject to the approval of the Cabinet, that the raising of the borrowing limit would be dealt with in a separate short Bill (which would be a money Bill) to be passed by the end of February; the main Bill, modified as necessary, would then proceed on the original timetable. The Secretary of State for Industry would be seeking the agreement of the Ministerial Committee on Economic Strategy in correspondence to the terms of a statement on the BSC's corporate plan to be made as early as possible the following week. The statement would be followed immediately by the publication of both Bills. A day would be set aside in the week beginning 16 February, in which he hoped it would be possible for the Bill on the borrowing limits to pass through all its stages in the House of Commons. This would give a first opportunity for a general debate on the corporate plan, and the Government's response to it. He invited the Cabinet to give their approval in principle to the introduction of both Bills and their publication as soon as the Secretary of State for Industry had made a statement, with the final texts of the Bills being cleared formally by Legislation Committee without the need for a special meeting.

THE LORD PRESIDENT OF THE COUNCIL, supporting the Chancellor of the Duchy of Lancaster and Paymaster General's recommendation, said that it would be convenient if the short Bill on borrowing limits could complete all its stages in the House of Commons by close of business on 18 February, so that it could be printed in time to be taken through the House of Lords in the week beginning 23 February.

CONFIDENTIAL

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed that a separate Bill raising the borrowing limit of the British Steel Corporation should be prepared as soon as possible and introduced into the House of Commons at the same time as the Iron and Steel Bill containing the necessary legislative provisions to implement the Government's policy towards the BSC. The Secretary of State for Industry should outline that policy in a statement to be made on the same day as the Bills were published. The Cabinet also agreed that the passage of the Bills through Parliament should be on the lines proposed by the Chancellor of the Duchy of Lancaster and Paymaster General.

The Cabinet -

1. Invited the Secretary of State for Industry -

i. to circulate a draft statement on the corporate plan of the British Steel Corporation to the Ministerial Committee on Economic Strategy for approval;

ii. to circulate the text of a Bill to raise the borrowing limit of the British Steel Corporation and the revised text of the Iron and Steel Bill to Legislation Committee for approval;

iii. subject to i. and ii., to arrange with the Chancellor of the Duchy of Lancaster and Paymaster General and the Chief Whip to make the proposed statement in the House of Commons and for the introduction of the two Bills in that House.

2. Invited the Chancellor of the Duchy of Lancaster and Paymaster General, in consultation with the Chief Whip and the Lord President of the Council, to seek to arrange for the passage of the short Bill to be expedited as he proposed.

THE CHANCELLOR OF THE DUCHY OF LANCASTER AND PAYMASTER GENERAL recalled that at their meeting on 22 January the Cabinet had agreed that the Petroleum and Continental Shelf Bill should be published and introduced into the House of Commons as soon as possible, with the intention of making further progress in the current Session only if sufficient Parliamentary time could be made available. The text of the Bill had been approved by Legislation Committee at their meeting the previous day, but no decision had been reached about its

introduction. He was concerned that once the Bill had been introduced, there would be constant pressure on the business managers to find time for it to make further progress. It was now virtually certain that this would be impossible this Session. Apart from the likelihood that a significant amount of time would have to be provided for legislation on the Canadian constitution, the Opposition were now demanding a whole day's debate on the Bill that had become necessary to raise the borrowing limit of the Redundancy Fund, and a further day would probably have to be provided for another unforeseen Bill, to give additional financial assistance to the Port of London Authority and the Mersey Docks and Harbour Company. If the Petroleum and Continental Shelf Bill were to be handled in the way agreed by the Cabinet, therefore, it should be clearly understood that the prospects for proceeding beyond First Reading in the present Session were negligible.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet accepted that the severe pressures on the legislative programme in both Houses meant that it was very unlikely that any substantive progress could be made with the Petroleum and Continental Shelf Bill in the current Session. On the other hand, the issues dealt with in the Bill were central to the Government's economic and industrial strategy, and their own supporters would need to be reassured that any failure to pass the Bill this Session did not imply a loss of political momentum. For this reason, the Cabinet confirmed their earlier decision that the Bill should be introduced and published as soon as possible. The Chancellor of the Duchy of Lancaster and Paymaster General should consider with the Secretary of State for Energy how best to make it clear that, although it would probably not be possible to make progress with the Bill in the present Session, it would in that event be reintroduced as a matter of priority at the beginning of the 1981-82 Session.

The Cabinet -

3. Reaffirmed their decision that the draft Petroleum and Continental Shelf Bill as approved by Legislation Committee should be introduced in the House of Commons as soon as possible.
4. Invited the Secretary of State for Energy, in consultation with the Chancellor of the Duchy of Lancaster and Paymaster General and the Chief Whip, to make arrangements accordingly.
5. Invited the Chancellor of the Duchy of Lancaster and Paymaster General, in consultation with the Secretary of State for Energy, to consider further the most appropriate way of announcing the Government's intentions about the further handling of the Bill.

FOREIGN
AFFAIRS

Poland

Previous
Reference:
CC(81) 4th
Conclusions,
Minute 2

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the future course of events in Poland remained difficult to predict. The latest compromise between the Government and the Solidarity movement had been once again in the latter's favour. It was not clear how long the Government could continue to give way, not least because of the country's worsening economic crisis. He had recently discussed the situation with the Austrian Foreign Minister, Dr Fahr, who was regarded as a good judge of Polish affairs. Dr Fahr believed that compromises would continue to be reached, although he acknowledged that others were less optimistic; he also thought that in the last resort the Polish army might prefer to undertake any necessary military repression themselves, if the alternative was for the country to be subjected to a Soviet invasion. It was notable that the Polish communist party leader, Mr Kania, had recently been getting rather less publicity than one of his colleagues, Mr Olszowsky, who was believed to be more of a hard-liner and might be being groomed as a successor.

Norway

THE FOREIGN AND COMMONWEALTH SECRETARY said that the military strategy of the North Atlantic Treaty Organisation could be undermined by the proposal for a nuclear-free zone in northern Europe which was currently being canvassed by the ruling Labour Party in Norway and was having some influence on public opinion elsewhere, notably in Denmark, Belgium and the Netherlands. It appeared, however, that the new Norwegian Prime Minister, Mrs Brundtland, though a member of the Labour Party, was likely to be more resistant to this idea than her predecessor; and it was in any case expected that the Norwegian general elections in September would be won by the right wing rather than by the Labour Party.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

European
Parliament

3. THE FOREIGN AND COMMONWEALTH SECRETARY said it was clear from the talks he had recently had with Madame Flesch, the Luxembourg Foreign Minister, that there was likely to be a row in the European Community over the siting of the institutions. In particular, the French Government, in spite of its reserved attitude towards the European Parliament, was determined that Strasbourg should become its permanent site. On the other hand, the Luxembourg Government was equally determined not to give up the significant financial and political advantages which derived from having the staff and some meetings of the European Parliament in Luxembourg. While the Belgian Government were not taking any public stance, they were working behind the scenes to enhance the claims of Brussels. The Members of the European Parliament were understandably anxious to avoid the perpetuation of the present inconvenience of meeting in three places, and had called on the Council of Ministers to take a decision by June of this year. It was unlikely that agreement would be reached, and the problem would still be outstanding during the British Presidency. In the meantime, since there was no major United Kingdom interest at stake, the British Government need not take up a position.

In a brief discussion, reference was made to the damaging publicity for the Community following Press stories about expensive overseas visits by Members of the European Parliament, including those from the European Democratic Group. The costs involved seemed likely to be excessive both in relation to any benefits which might accrue and in relation to the costs of overseas visits by Members of the British Parliament. Subject to checking the figures to which publicity had been given, the Government could reasonably express its concern about lavish expenditure of this kind.

It was also noted that a recent opinion poll commissioned by the Consumers Association suggested a worrying fall of public support for British membership of the European Community. It also showed that this reflected a very large measure of misunderstanding and ignorance.

The Cabinet -

1. Took note.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said he had met the French Minister of Fisheries in Paris on 3 February and after an amicable, full and promising discussion it had been agreed that officials should follow up the various issues in preparation for the forthcoming meeting of the Council of Ministers (Fisheries) on 9-10 February. The following morning, however, the French Minister had informed the Commission and the Dutch Presidency that he saw no prospect of agreement and officials had subsequently been

Fisheries
Policy
Previous
Reference:
C(81) 4th
Conclusions,
Minute 3

CONFIDENTIAL

informed that the French side saw no point in a further meeting. It was difficult to understand this sudden change in the French position. He had fully informed the German Government of his efforts to reach agreement with the French, in the hope that, during the current Franco-German summit talks, the Federal Chancellor would have some influence on the French position. The Germans had a strong interest in an early settlement of the Common Fisheries Policy. Meanwhile, the leaders of the fishing industry continued to support the Government's negotiating position and would, as usual, be in attendance during the forthcoming Fisheries Council.

The fishing industry was nevertheless in grave difficulties. The Scottish fleet had already stopped fishing, and other ports were increasingly finding it unprofitable to continue. The high value of sterling made it possible to sell fish imported from the Netherlands and other Community countries in this country at prices with which it was impossible for the British fishing industry to compete. The Germans and the Danes, as well as the Dutch, were landing fish in Holland which was subsequently freighted at low cost to ports in both Scotland and England. The industry had also produced invoices which suggested that they were having to pay considerably more for fuel than their French or Dutch competitors. The French industry had for some time enjoyed a fuel subsidy to which the Commission had raised no objection, and it seemed as if the French Government, no doubt with the forthcoming Presidential elections in mind, had recently increased the rate of subsidy. This was available to all fishing vessels taking on fuel in French ports, not just to French vessels, and some British owners were refuelling in French ports to take advantage of this. The financial position of the industry now appeared to be worse than at the time when the Government had decided to give the temporary financial assistance which was due to last until 31 March. He had spoken to the Dutch Minister responsible for fisheries who had undertaken to try to moderate the level of Dutch exports, but this would be difficult since the trade was not illegal.

THE SECRETARY OF STATE FOR SCOTLAND said there would be another protest meeting on 6 February of fishermen at Peterhead and Fraserburgh. Another covert attempt by Scottish Nationalists would undoubtedly be made to oust the current moderate leadership; so far, the Government had not been able to give the moderates much help.

In the following discussion, questions were raised as to whether British fishermen really were disadvantaged over fuel costs. Prices for diesel, petrol and gas oil were now if anything lower than those in other European countries, and only in the case of heavy fuel oil were we near the top of the range. The suggestion that subsidies brought down the cost of fuel oil in France needed to be checked. Nevertheless, it was clear that there was a serious risk of a further run down or cessation of fishing activity in ports like Fleetwood,

Lowestoft and Whitby, as well as in Peterhead and Fraserburgh. It would be difficult to stop imports from other Community countries benefiting from lower exchange rates. Some additional action to support the fishing industry appeared to be necessary irrespective of the progress of negotiations on the Common Fisheries Policy, and despite the potential embarrassment to the Government of singling out this particular part of the private sector for special assistance. If further help were given to the industry, it would be important to stress its special characteristics.

THE PRIME MINISTER, summing up the discussion, said the Cabinet agreed that it was necessary to give some immediate indication of the Government's concern over the plight of the fishing industry. She would take an early opportunity of indicating that the Government was ready to review the amount and duration of aid to the fishing industry. The Minister of Agriculture Fisheries and Food and the Secretary of State for Scotland should review the financial state of the industry, as a matter of urgency, and report, with proposals as appropriate, to the Ministerial Committee on Economic Strategy.

The Cabinet -

2. Took note, with approval, of the Prime Minister's summing up of their discussion.

3. Invited the Minister of Agriculture, Fisheries and Food and the Secretary of State for Scotland to review the financial state of the fishing industry and to report to the Ministerial Committee on Economic Strategy on the case for further Government assistance.

4. THE HOME SECRETARY said that he had the previous day received a deputation of the Joint Committee against Racism which had presented him with a dossier on the activities of the British Movement. He did not welcome the publicity given to this occasion by The Times that morning, but the Cabinet should be under no illusions about the fact that the British Movement, a neo-fascist group, had replaced the National Front as the main promoter of racial harassment, was actively engaged in violent attacks not only on coloured communities but also on the Jewish community, and was recruiting supporters in schools as well as in groups of older people. He had told the deputation that he would discuss with the police the possibility of setting up special police units to monitor and investigate racist attacks.

CONFIDENTIAL

THE FOREIGN AND COMMONWEALTH SECRETARY said that, in the course of his talks with the British Board of Jews on other matters, they had also voiced their growing disquiet at the increasing scale of attacks on the Jewish community in this country, although for obvious reasons they did not wish to draw public attention to them.

The Cabinet -

Took note.

Cabinet Office

5 February 1981

CONFIDENTIAL