

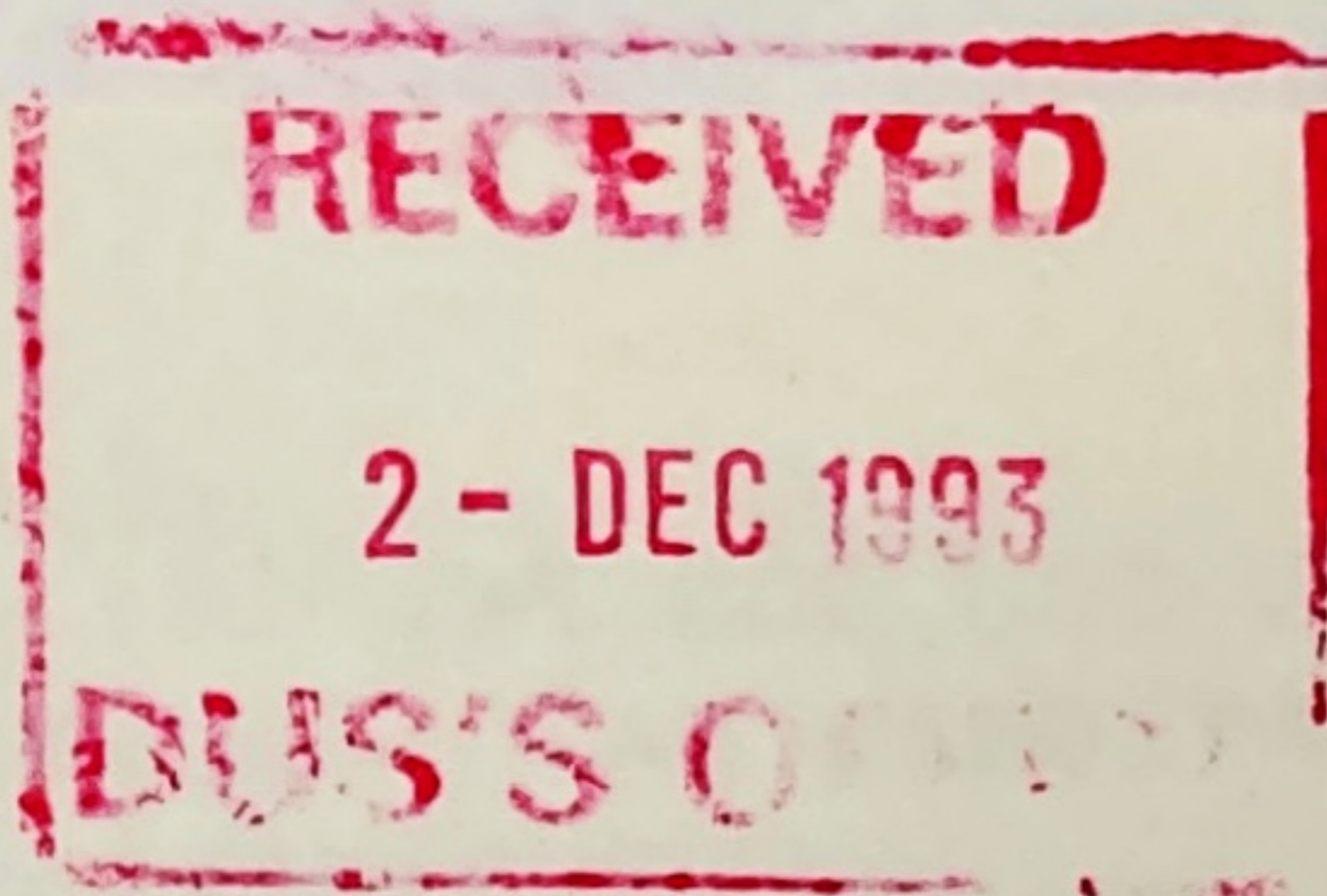
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ANGLO IRISH SUMMIT, 3 DECEMBER: SCENE SETTER

SUMMARY

1. THIS AND ANY FOLLOWING MEETINGS ARE VIEWED HERE
OVERWHELMINGLY IN TERMS OF NORTHERN IRELAND AND PEACE
INITIATIVE. NO OTHER ISSUE IS AS IMPORTANT AS THE
THE COALITION GOVERNMENT, WHICH HAS A SECURE MAJORITY. IN THE
EVENT OF FAILURE PUBLIC OPINION LIKELY TO BLAME HMG AND
UNIONISTS. DIFFERENCES BETWEEN REYNOLDS AND SPRING OVER NUANCE
AND STYLE, BUT NOT IN THEIR BASIC APPROACHES TO THE PEACE
INITIATIVE.

DETAIL

2. THE MAIN ISSUE FOR THE SUMMIT WILL BE NORTHERN IRELAND.
THE IRISH FEEL BRUISED BY THE REVELATIONS OF CONTACT BETWEEN
HMG AND PIRA (I HAD AN EARFUL THIS MORNING FROM TWO NORMALLY
MILD-SPOKEN CABINET MINISTERS). IRISH POLITICIANS ESPECIALLY
RESENT ACCUSATIONS THAT THEY HAVE BEEN MADE FOOLS OF BY THE
BRITISH, AND THE TAOISEACH HAD TO DEFEND HIMSELF IN THE DAIL
YESTERDAY AGAINST CLAIMS THAT HE HAD LET HIMSELF BE SIDELINED.
THE IRISH ALSO REMAIN SUSPICIOUS THAT WE ARE PLAYING GAMES OVER
A JOINT DECLARATION. THEIR ANGER ABOUT THE PANORAMA PROGRAMME
AND ALLEGED ACTIVITIES BY /BRITISH INTELLIGENCE/ HAS COOLED BUT
NOT DISAPPEARED. MORE RATIONALLY, THEY ALSO WORRY THAT THEY
HAVE DAMAGED HUME AND THE SDLP TO LITTLE ADVANTAGE, AND THAT
SINN FEIN HAVE GAINED POLITICALLY. AT THE SAME TIME
MR MOLYNEUX'S MODERATION LENDS CREDIBILITY TO THEIR FEARS THAT
THE PRIME MINISTER IS IN HIS POCKET. MINISTERS WILL ALMOST
CERTAINLY FACE EXPOSTULATIONS AND ACCUSATIONS ABOUT ALL THIS.

3. THE OTHER MAJOR ISSUES IN THE TAOISEACH'S MIND ARE NEXT
MONTH'S BUDGET (WITH FAMILIAR PROBLEMS OVER PUBLIC
EXPENDITURE), THE CONTINUING HIGH LEVEL OF UNEMPLOYMENT (AROUND

18% OR 300,000 PEOPLE) AND THE GOVERNMENT'S ATTEMPTS TO RENEW THE NATIONAL PAY AGREEMENT (THE PESP) WHEN IT RUNS OUT SHORTLY. UNEMPLOYMENT IS A BACKGROUND CLOUD RATHER THAN AN IMMEDIATE WORRY.

RENEWAL OF THE PESP IS LIKELY TO INVOLVE A STRIKE OVER PUBLIC SECTOR PAY, BUT IS NOT LIKELY TO THREATEN THE GOVERNMENT. OTHERWISE THE ECONOMY IS DOING WELL, THE PROMISED EC FUNDS ARE IN THE PIPELINE, GROWTH IS GOOD (2% AND RISING) AND INFLATION IS LOW (UNDER 2%). THE ROW ABOUT EXAGGERATED PROMISES OVER EC STRUCTURAL FUNDS (MY TELNO 353) HAS CEASED, THANKS TO OPPOSITION BY COMPETENCE. THE MAIN CONCERNS OF THE MAN IN THE STREET ARE JOBS AND THE CONTINUING PRESSURE ON CHILDREN TO EMIGRATE.

4. THE GOVERNMENT'S OTHER PROBLEMS ARE FOR THE FUTURE. THE BEEF TRIBUNAL REPORT, WHICH MAY CRITICISE REYNOLDS' GRANT OF CREDITS TO IRAQ IN 1987-8 WHEN MINISTER FOR FINANCE IS NOT EXPECTED UNTIL MARCH AT THE EARLIEST. THE GOVERNMENT FACES A REFERENDUM ON DIVORCE NEXT YEAR, AND PERHAPS CONTROVERSIAL LEGISLATION ON ABORTION: THIS MAY ENTAIL ANOTHER REFERENDUM IN 1995 (THEY WILL POSTPONE THIS AS LONG AS THEY CAN). WHILE ONE CANNOT DISCOUNT SUDDEN POLITICAL SQUALLS, THERE ARE NO OBVIOUS STORMS ON THE HORIZON.

5. REYNOLDS HAS INVESTED MUCH EFFORT AND PERSONAL POLITICAL CAPITAL IN HIS /PEACE INITIATIVE/ AND IN HIS RELATIONSHIP WITH THE PRIME MINISTER. IF HE SUCCEEDS, IT WILL OF COURSE BE TO HIS POLITICAL CREDIT AND HIS IMAGE AS A SHREWD OPERATOR WITH LIMITED HORIZONS WILL BE TRANSFORMED. FAILURE TO BRING OFF A CESSATION OF PIRA VIOLENCE WOULD NOT NECESSARILY DAMAGE HIM: HIS COMBINATION OF A DETERMINED PURSUIT OF PEACE AND NEGOTIATING TOUGHLY WITH THE BRITISH GOES DOWN WELL DOMESTICALLY, AND THE ELECTORATE WOULD MORE PROBABLY BLAME HMG OR PIRA. HE IS MUCH MORE VULNERABLE TO CHARGES OF NAIVETE IN HIS DEALINGS WITH US.

6. DOMESTICALLY REYNOLDS HAS SET HIMSELF THE GOALS OF REFORMING THE ECONOMY AND BRINGING THE REPUBLICAN AND SOCIAL TRADITIONS OF FIANNA FAIL UP TO DATE. HE CAME UNDER CRITICISM AT THE PARTY CONFERENCE LAST MONTH ON THIS SCORE. THE MOST DANGEROUS CHALLENGE TO HIS POSITION WOULD ARISE SHOULD HE GET BADLY OUT OF LINE WITH REPUBLICAN SENTIMENT WITHIN HIS OWN PARTY. BUT HE IS TOO WILY TO PUT HIMSELF IN JEOPARDY. AND HE SAYS, AND I BELIEVE HIM, THAT IF HE FOUND HIMSELF UNABLE TO

FULFIL HIS GOALS IN POLITICS, HE WOULD HAPPILY GO BACK TO BUSINESS.

7. WITH A COMFORTABLE DAIL MAJORITY OF 26 AND AN INEFFECTIVE OPPOSITION, THE COALITION IS SECURE AND WORKING WELL TOGETHER. SINCE IT TOOK OFFICE IN JANUARY THE RATINGS OF FIANNA FAIL AND THE TAOISEACH HAVE RECOVERED IN THE POLLS, WHILE SPRING'S HAS REVERTED FROM A GREAT HIGH TO SOMETHING MORE NORMAL. THIS PROBABLY REFLECTS PUBLIC DISILLUSIONMENT OVER LABOUR'S ELECTION PROMISE RADICALLY TO CHANGE IRISH POLITICS, AND HAS GIVEN THE TAOISEACH CONFIDENCE IN HIS ROLE AS SENIOR PARTNER IN THE COALITION.

8. THERE ARE FEW DIFFERENCES IN PRACTICE BETWEEN THE TWO PARTIES OR BETWEEN REYNOLDS AND SPRING. LABOUR FAVOUR INCREASED PUBLIC EXPENDITURE AND RETENTION OF STATE INDUSTRIES, FIANNA FAIL WANT A TIGHT ECONOMIC POLICY AND REFORM OF THE STATE SECTOR. SO FAR THE NECESSARY CIRCLES HAVE BEEN SQUARED. REPORTED DIFFERENCES OVER NORTHERN IRELAND POLICY ARE PROBABLY EXAGGERATED, THOUGH THERE ARE CERTAINLY DIFFERENCES OF NUANCE AND STYLE. REYNOLDS HAS ALWAYS PUT HIS PEACE INITIATIVE FIRST AND GOES BULL HEADED FOR IT. SPRING IS MORE INTELLECTUAL AND SUBTLE, PUTTING EMPHASIS ON THE NEED TO BRING THE TWO TRADITIONS IN IRELAND TOGETHER OVER A LONG PERIOD AS A PRECURSOR TO DEVISING NEW POLITICAL STRUCTURES. FOR HIM THE PEACE INITIATIVE IS ONE OF A RANGE OF POLICIES, THOUGH HE CLEARLY SUPPORTS THE TAOISEACH IN PUTTING IT FIRST.

9. THE TWO ALSO DIFFER TEMPERAMENTALLY. REYNOLDS IS USUALLY EQUABLE. SPRING CAN BE EMOTIONAL AND DOES NOT BEAR SLIGHTS EASILY. THE SUSPICION THAT THE IRISH HAVE BEEN DUPED WILL RANKLE WITH HIM.

10. OTHER TOPICS FOR DISCUSSION AT THE SUMMIT INCLUDE SECURITY AND EC MATTERS (INCLUDING GATT). THERE IS FRANKLY NOT MUCH ELSE TO TALK ABOUT.

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ADDITIONAL

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NORTHERN IRELAND

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