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28 OCT 1993

[FROM: O THOMAS cc: Messrs Bell, Brooker, Cooke - 28.10.93]

26 October 1993

From: D E S Blatherwick

To: DHM

Ms Gallagher

Mr Whitting

cc:

Mr Thomas,

Mr Williams

Mr Archer RID

MINISTER FOR ENTERPRISE AND EMPLOYMENT

1. I had lunch on 21 October with Rory Quinn, the Minister for Enterprise and Employment (who is also Deputy Leader of the Labour Party).

Structural Funds

2. Quinn said that he had just left a meeting of the Parliamentary Labour Party which had discussed the fracas over EC structural funds. All had been supportive of the Government and the Party leadership, and worried that the affair could damage the credibility of the Tanaiste. He thought the rumpus would die down after next week's likely vote of confidence. It was the first serious set-back for the Government, and the coalition was so far sticking together well, though Ahern (Minister for Finance) had undermined both coalition leaderships by asserting - unnecessarily - that he had known of the likely shortfall all along. He doubted this was part of a bid by Ahern to unsettle the Taoiseach - on present form, he expected the present Government to last until 1996 or 1997, and perhaps longer - but it was damaging and unnecessary.

3. Quinn said that the European aspect was also important. The affair represented the vindication of Millan's strict accountancy over Delors' more political approach. Millan had threatened to resign some weeks ago over the structural funds issue. Delors had persuaded him to stay on, mainly because his resignation would have been too damaging for himself (Delors). Delors had in turn offered resignation to the Tanaiste the night before: Spring had dissuaded him. If the Irish Commissioner alone had voted against the proposed deal that morning, Delors' position - already undermined by anti-EC sentiment throughout the Community - would not have been much damaged. But the Italians and the Greeks had also voted against. Delors' domestic ambitions in France must have taken a knock. The Irish Government were still wondering how much of the blame to put on Delors.

mistake!

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PESP

4. Quinn said that he expected the "social partners" to agree a new PESP, probably for a four-year period but with annual reviews. The starting point would have to be endorsement of the relevant sections of the coalition's "Programme for Government": the Government could accept no less and he believed the unions (linked to the Labour Party) and the employers would accept it too. The only other difficult point was public sector pay. He thought it could be tied down within a negotiating range of 1.5% to 2.5%. No doubt a public sector strike would be necessary before the unions could throw in the towel, but the Government would have to wear it.

Industrial Policy

5. I asked Quinn whether he had got any further with his thoughts on level playing fields through the EC. How did the Government propose to inject competitiveness and innovation into the semi-state sector without privatization? Other EC countries could not be expected to allow Irish protectionism indefinitely while Irish firms were permitted to invest heavily abroad. Quinn said that innovation was not incompatible with state ownership: witness Renault in France. The key was for Government to be hands-off (a doctrine which has implications for Bord na Mona and ESB, as well as Aer Lingus). He was worried about the competitiveness of Irish industry - not the multinational sector, where wage costs were comparatively unimportant, but the kind of industries which relied on the UK market and had come a cropper following UK devaluation in September 1992. Telecom was a special case. The Chief Executive (Fergus McGovern - about to retire) was a technician and the former long-time Chairman (Michael Smurfit) had little experience of politics. Telecom and C and W, who were natural partners, had made a mess of their initial attempts at doing business together (made public as a projected buy-out of Telecom by C and W). This had raised atavistic feelings in Ireland, and the normal fear of on the part of a small country confronted by a big neighbour. The present proposal, for Telecom and C and W to set up a joint venture to handle specified areas of Telecom's business, was sellable to the unions and more generally. The essential thing was for the Government to be able to say that Telecom remained an Irish company and intact. (He also said he thought C and W in Ireland were inept over their PR: could I advise them to hire an agency? I will pursue this separately.)

Northern Ireland

6. Quinn said that he found it hard to understand the Hume-Adams affair, but he doubted it was going anywhere. The main problem was Hume's outsize ego, which was not helped by the adulation he received in the Republic. He was not a member of the inner-circle, which comprised the Taoiseach, Tanaiste, Minister for Justice and Attorney-General (but the Attorney-General tells me he is not in it either). I said that he should not write off the three stranded

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process, and spoke in general terms about the Ancram rounds. Quinn said that one essential was for the UUP (who he noted were distancing themselves helpfully from the DUP) and the Tanaiste to get in touch (I agreed, and said we had tried to help). Spring was frustrated that his overtures had been rejected. The message that needed to be got over to unionists was not just that the present Irish government was different from the last, but that the Fianna party was now different too. The old Republicanism had faded.

(Signed)
D E S Blatherwick
HM AMBASSADOR

QUESTIONS 1 - 16

(1913 - DUP DEALT)

QUESTIONS 17 - 25

QUESTIONS 26 - 28

QUESTIONS 29 - 31

QUESTIONS 32 - 33

QUESTIONS 34 - 35

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