

09/25/90

ANNEX A

ADVANCE COPY

IRISH POLITICAL SCENE: RECENT DEVELOPMENTS

Mr Reynolds' main political worry is unemployment which at 21% and rising is the highest ever level in the Republic of Ireland. The recent turmoil in the ERM has resulted in the Irish punt falling to its ERM floor and interest rates coming under upward pressure. But the Taoiseach, speaking in the USA last week, said he was confident the punt would ride out the storm. The Irish punt is trading at its highest ever rate against sterling with consequent fears about Irish export competitiveness in the UK.

Tension between Mr Reynolds and his coalition partners (the PDs) remains high. The rift has widened over allegations by the PD leader, that Mr Reynolds unfairly favoured the beef company Goodman International over export credits to Iraq. These allegations are being investigated by a tribunal set up for the purpose. If the rift widened it could lead Mr Reynolds to call an early general election and go for a majority Fianna Fail government.

The government is committed to a referendum on abortion this autumn. The campaign is expected to be bitter and divisive.

*Proformic Democrats*