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Confidential

Taoiseach's meeting with President Bush - 17 March 1989

The meeting took place in the Oval Office. The President was accompanied by General Brent Scowcroft, Director, National Security Council, Jim Wilkinson, Deputy Assistant Secretary, European Division, State Department, Philip Kallikow, National Security Council Staff. The Taoiseach was accompanied by Ambassador MacKernan, Secretary Ó hUiginn, Secretary Dorr and M. Burke.

The President wished the Taoiseach a happy St. Patrick's Day and numerous photographs and television shots were then taken.

The Taoiseach opened the discussion by expressing his appreciation for the President's interest in Ireland. He indicated his particular appreciation for the President's statement and wished him a successful Presidency.

The Taoiseach spoke about recent improvements in the Irish economy. We now had very low inflation and a balance of payments surplus. Our one remaining major problem was unemployment at 18%. We have a big expenditure on welfare and this had resulted of course in heavy borrowing in the past. One of the consequences of high unemployment was of course the fact that a large number of our young people had emigrated. We are, however, making progress with the economy. While not reflected in more jobs this had resulted in very successful growth but not the jobs we need. Factories can now be run by "one man and a computer". This is a factor in many economies at present.

The President enquired where the young people went when they emigrated.

The Taoiseach said that a large number went to various parts of Europe. Our third level institutions were producing high quality computer-literate graduates and a lot of these were being creamed off by the big European corporations who would soon be doing their annual "trawl" in Ireland. There was also a substantial number who had emigrated to the United States.

The President enquired about the Northern Ireland situation.

The Taoiseach referred to the Anglo-Irish Agreement signed in 1985. Both Governments support it. He expressed appreciation for US support for the Anglo-Irish process and for the International Fund. Progress had been achieved through the Agreement. He expressed gratitude for the President's statement.

The President responded by saying "I meant it".

The Taoiseach said that he had taken a recent initiative and asked the leadership of the Unionist community to talk to him. This would achieve two things: (a) it would undermine the basis for violence; and (b) it would make sense now that 1992 was approaching. The two economies were likely to converge and reduce barriers further. So far the Unionist leadership had not responded but he hoped they might.

The President enquired as to the level of violent incidents - were they up or down?

The Taoiseach responded that they were about the same.

The President referred to Ireland's role in international peacekeeping. It was a magnificent performance. He realised some lives had been lost and enquired whether this had an adverse effect on Irish public opinion in carrying out our peacekeeping role.

The Taoiseach responded that people accepted that it was something we had to do. The Defence Forces were keen to be involved. Naturally there was public dismay and sorrow when one of our soldiers were killed. However, there was no question of Ireland pulling out of our peacekeeping role.

The President referred to Namibia and said that this "should be okay" if the agreements reached held. He was optimistic also on Angola.

The Taoiseach indicated that 50 Irish policemen and some soldiers would participate in UNTAG.

The President referred to Tip O'Neill whom he described as very special and a great friend.

At this point the President called his wife on the phone to drop by and meet the Taoiseach. The President then referred to President Reagan as having been wonderful for him. He then said he would share with the Taoiseach some of the advice which President Reagan had given him on his departure. There were

three things in particular:

- (1) Not to worry about things you cannot solve immediately.
- (2) Stay with a handful of principles - even if you have to modify them occasionally.
- (3) Never walk by an elevator operator or an attendant or someone doing something like that without being courteous and saying hello.

In general, President Reagan made it a practice never to say the job is too great or the problems overwhelming.

The Taoiseach then referred to our forthcoming Presidency in January 1990. A very important phase was developing in the Community with the approach of 1992. He said that he would be as helpful as possible to the United States on the trade side.

The President said he had been talking to his people and that this is a very sensitive issue. It was important to keep open good lines of communication. We have got to have solutions in this area.

The President referred to a latent boiling cauldron of protest aimed more at Japan than the EC. These feelings are there and are leading the legislative branch to take action. He had very little control over this situation.

The Taoiseach said he could count on us. We had an open economy, 70% dependent on foreign trade and believed in free trade in the European Community.

The President then introduced his wife and took the Taoiseach for a stroll around the White House Garden. In response to a reference by the Taoiseach to the nomination of Richard Moore as Ambassador-designate to Ireland, the President spoke of Moore as an old and valued friend who he expected would do well in Ireland.

The atmosphere of the meeting was distinctly cordial and friendly with the President making an obvious effort to establish a rapport with the Taoiseach.

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22 March 1989

Confidential

Taoiseach's meeting with US Secretary of State Baker -
16 March 1989

The meeting lasted about thirty five minutes. The Taoiseach was accompanied by Mr Ó hUiginn, Ambassador MacKernan, Mr Burke and the undersigned. Mr Baker was accompanied by Bob Kimmitt, Bob Zoellick, Margaret Tutwiler and Ambassador Heckler.

The following is dictated from my summary notes and couched for convenience in direct speech. It is not, however, by any means a complete record. A fuller note of the meeting is being prepared by Mr Burke of the Embassy.

After initial courtesies the Taoiseach wished the Secretary of State every success in his new office and offered any assistance which we could give in our own small way. He said he would like to think that our relationship was friendly, stable and without any serious problems.

Secretary Baker referred briefly to his recent trip to NATO capitals.

Taoiseach I will go over briefly some matters of interest to us. First there is our own situation. Internally our economy is doing very well in every area except that of unemployment. We have low inflation, low interest rates and expect 3-3½% growth. Unfortunately this is not reflecting itself in the unemployment figures which are of the order of 16-18%. This leads inevitably to emigration and many of our young people have come here. In remedying this, the goodwill of the State Department is all we ask for.

At the moment our interest is concentrated very much on progress towards 1992 and on our own Presidency which begins on the 1st January. There is also the fact that the Irish Commissioner Ray MacSharry is now the Commissioner for Agriculture.

I can tell you that our approach in general to the Presidency is to seek to avoid any idea of "fortress Europe". We take the view that the more trade the better and we will seek to eliminate differences and problems between the US and the EEC.

As to Northern Ireland the Anglo-Irish Agreement is in place and it has the support of the two Governments. There is at times a bit of different emphasis as to what it is achieving or what it should be achieving but by and large both support it. It is a plus.

Recently side by side with the Agreement I have been making overtures to the Unionists particularly in the context of 1992 when the economic border between us will virtually disappear. It makes commonsense to look at this together.

Secretary Baker There is a continuing reluctance on their part?

Taoiseach On the surface, yes, but there are quite a lot of contacts. My assessment is that if they could have sufficient confidence in their own constituency something could happen.

As to our relations with the USA, there are several issues where we have some problems.

Secretary Baker You do?

Taoiseach Yes. Some difficulties for US investment in Ireland arise as a consequence of the Tax Reform Bill 1986. There are some 330 US firms in Ireland representing 18% of our total manufacturing output.

The Taoiseach explained the PFIC issue under which US firms may be taxed on profits retained in Ireland in certain circumstances; and he went on to explain the super-royalties proposal which could force Irish firms to pay substantially more for patents from their American parent companies.

Secretary Baker I have to feel a bit guilty about that since I was responsible for the Tax Reform Act. We will have to work with your Ambassador to see if we can resolve the problems.

Taoiseach We understand the US philosophy but there is one thing that you should put into the weighing scale in our favour, that is your balance of payments surplus of about a billion dollars with us. We have a surplus with everyone else but we have a deficit with the United States.

Secretary Baker (We will seek to resolve the difficulties with you?)

You will be seeing Brady (Secretary of the Treasury)?

Taoiseach Yes his father had horses in training in Ireland.

There is another issue - that of landing rights for Aer Lingus off the West Coast. We feel hard done-by in this. In 1945 we signed an air agreement with you. We were very generous. We gave everything away. Now we have nothing more to give but we are very anxious to fly in to the West Coast.

Secretary Baker I am aware of this. There is an overall review going on on air transportation at present. I wish I could be optimistic. It will be a while, however. It is a problem we cannot handle until the review is completed but we are aware of your concerns.

Taoiseach Thanks very much. We hope you will be generally sympathetic.

Baker I was very interested in your comments on the European Community. One of the biggest threats is the increase in protectionism around the world. There is a great nervousness now about 1992. We would welcome it very much if the Community is outward-looking. But I recall that with every accession of new members, there has been some further restriction for which we have had to be compensated - for example, Spain and Portugal etc. So there is a very great amount of nervousness.

1992 would be helpful for world trade if the Community is outward-looking and not a "fortress Europe". We accept the assurances at face value.

Things would work better if there is the earliest possible consultation as standards are set. We can also be very helpful in damping down the concern of other countries - Canada and Japan for example. They talk to us a lot about it.

The single biggest trading problem for the world at present is that of agricultural trade. You will have this issue right on your doorstep when you take over the Presidency. We do not under-estimate the difficulties - it is difficult for us too. There will be a political will to deal with it in the USA but only if others are seen to deal with it also. I know there are pressures in Germany and in France but they are no greater than in the US. We have simply got to find a way to close the gap.

Taoiseach Our Commissioner, Ray MacSharry, who is the Commissioner for Agriculture will be oriented towards this. Furthermore for our own part we are an open economy - we have nothing to gain from "fortress Europe". Europe will be a single market. But this will have the advantage for a US corporation trading into Europe that once they get into the Community there will be no further barriers within the Community.

You can take it that as far as our voice in the Community goes it will be for openness. This is our philosophy.

Secretary Baker Does Ireland itself have large subsidies for agriculture?

Heckler Very large.

Taoiseach There are beef and dairy subsidies from the Community. But we have 20% of our population in agriculture and we are suffering at present because the Community is damping down its subsidies.

Secretary Baker There are problems from over-production.

Taoiseach No. There are quotas now for grain, beef, milk etc.

Secretary Baker But within the EEC - we are doing the same. We are subsidising agriculture to an extent which is fore-closing developing countries from entering the market and forcing the price up.

Taoiseach The mood in Europe is very much to cut back on such subsidies.

Secretary Baker Yes?

Taoiseach The former "mountains" are nearly eliminated. Anyway I take your point. I believe Commissioner MacSharry and Andriessen had a good visit here.

Secretary Baker I would like to say a word about East/West relations. The present phenomenon in the Soviet Union is extraordinarily interesting and uncertain in its result. We think that change is very real. Gorbachev means what he says. There is a serious question as to whether he will succeed - the opposition is greater than he anticipated when he started.

It is clear to me from two hours meeting with Shevardnadze that the Soviets are in a hurry. They are reaching out across a broad spectrum trying to change their economy and their politics. They are changing their political structure. The changes in Eastern Europe too are very significant. I spent some time with the Hungarians and the Poles in Vienna.

We want Gorbachev's policies to succeed but it depends not on us what on what they do in the Soviet Union. Some Americans say that it would be better for us if they were weaker but, this is a minority view here.

We are working to generate ideas and initiatives and we are undertaking a comprehensive review of policies. We have told the Soviet Union we will shortly be in a position to tell them when we can get back to the table.

We were very pleased with the Warsaw Pact meeting and discussion on conventional arms reduction - their position is amazingly close to that of NATO.

We think there are some opportunities but there are still a lot of problems. For example they have not in practice abandoned the Brezhnev doctrine completely. They are anxious to be more involved in Iran etc.

These things are all part of the "new thinking". Our response is to welcome it and to say that we would love to see flesh put on the bones. For example, if they want a role in the Middle East, they should start by recognising Israel and stop their support for some terrorist groups in Syria. There is a lot going on and it is a very interesting time to be involved.

Taoiseach We warmly welcome this and we hope these changes will be of substance. I agree with your analysis that it depends on what Gorbachev is able to achieve internally. The US approach is very enlightened.

Secretary Baker There are still major differences on regional issues. They are still pumping one billion dollars a year just south of us into Nicaragua. They are still heavily armed.

Taoiseach It is difficult to go into reverse after fifty years.

Secretary Baker Political changes are going better than economic change.

At this point as the meeting was about to end Ambassador Heckler intervened to speak of the true friendship and good relations between the two countries as she had observed it during her tour of duty as Ambassador in Dublin.

Department of Foreign Affairs
22 March 1989