



## An Chartlann Náisiúnta National Archives

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General Political Overview Note prepared by Embassy London

1. The Taoiseach's visit to London comes two days after the end of the Easter Parliamentary recess and the launch of the Labour Party's campaign for the Local Government elections scheduled for 3 May. Conservative MPs reassemble on 18 April burdened with a mounting tide of political woes. Since Nigel Lawson's resignation last October there has been an almost continuous slide in the Government's fortunes. Each new opinion poll brings further evidence of potential electoral catastrophe. Labour's lead in the polls is the biggest ever achieved by that Party and in recent weeks the polls show Margaret Thatcher to be the most unpopular Prime Minister since polling began in Britain over fifty years ago.
2. The loss of the hitherto safe Tory seat of Mid-Staffordshire in the by-election on 22 March was a telling illustration of the Prime Minister's current political difficulties. This electoral set back is likely to be eclipsed, however, by the predicted loss by the Conservatives of up to a quarter of the seats they are defending in next months local elections. The vote on May 3 will be the biggest test of voter opinion since the 1987 General Election and it is expected to put Tory flagship local authorities like Westminster (Peter Brooke's Constituency) and Wandsworth in London, Derby in the Midlands and Bradford in the North of England at risk to a revitalised Labour Party. Labour are likely to present the Local Government elections as a referendum on the integrity of the Thatcher Government.
3. The main issue on which the Prime Minister faces growing discontent among the electorate and mounting disaffection among backbenchers is the continuing and increasingly bitter and divisive controversy over implementation of the Community charge - the so-called "Poll Tax" - the first

payment of which is due by end April. This is, however, only the most recent of a series of difficulties which have afflicted the Government over the past year or so. The Government's handling of the economy has been the subject of growing criticism, in particular, the upward spiral of interest rates and the consequent hardship for householders, many of whom were encouraged into the housing market for the first time in the earlier boom years of Thatcherism. Her deeply felt antipathy to greater European integration has also cost her a large measure of public support with the European election results and subsequent opinion polls demonstrating that British public opinion is more favourably inclined towards Europe than she is. Her reserve on the question of German reunification - another deeply held personal conviction - and her stance on South African sanctions are other foreign policy stances which have also cost her a measure of support.

4. The new Parliamentary term is unlikely to offer any short term respite to the Prime Minister as she forges ahead with her agenda of reforming legislation - against the wishes of many of her backbenchers who feel that the Government's legislative programme is overambitious as well as increasingly unpopular. In the coming session the Government is likely to face a hard passage on a number of issues viz. the issue of passports to Hong Kong residents, the proposed War Crimes legislation and reform of the NHS.
5. Apart from single issues such as the Poll Tax, most commentators recognise that the Government's future, and Mrs. Thatcher's continued hold on the leadership in particular, will be dictated in large measure by her ability to manage the economy. Recent indices on inflation, pay and productivity, however, provide little long term comfort for her on the economic front. In recent days, the Confederation of British Industry in its sternest criticism to date of the Government's handling of the economy has

called on the Chancellor to take urgent steps to cut business taxes or face the threat of an economic crisis sparked by a fall in investment. The inflation figure for April is likely to be around 9.5% and despite the Chancellor's assurances in his March budget that this would be no more than a "blip", financial analysts now predict that inflation could remain at this level, or more, until Autumn and possibly beyond. In this context Labour are striving, despite residual misgivings about their capacity as economic managers, to establish a new level of credibility for the party's economic policies. There is increasing evidence in recent weeks that voters and the financial markets in particular are now prepared to contemplate the prospect of a Labour Government with what the Prime Minister can only view as a disquieting degree of equanimity.

6. Despite the Prime Minister's repeated and robust assertions that she will lead the Conservatives to victory in the next election, there are some indications that the race for succession has already begun. It is now increasingly acknowledged at senior levels in the Conservative Party that it is imperative for the Government to start defining the agenda for post-Thatcherite policies even if Mrs. Thatcher remains for the moment formally in control. In the wake of the Mid-Staffordshire defeat and with an eye to an even more dismal result in the May Local Government elections, the various power blocks and ginger groups within the Conservative Party are beginning to manoeuvre in the struggle for influence and advancement in the succession stakes.
7. The personalities most often spoken of in this regard are Michael Heseltine, Kenneth Baker, Sir Geoffrey Howe, John Major and Douglas Hurd. Michael Heseltine is increasingly seen as the most likely challenger despite his repeated assurances that he expects to see Mrs Thatcher lead the

Conservatives to victory in the next General Election. Conventional wisdom in Westminster leans to the view that Heseltine could be the focus of an Autumn challenge. A former Defence Secretary who resigned from the Cabinet over the Westland affair, his place outside the Government leaves him untainted by the Government's recent troubles and he has in recent months assiduously built upon his reputation among the grass roots of the party constructing a policy portmanteau with a broadly based appeal although carefully avoiding any direct criticism of Mrs. Thatcher.

8. Despite the many set backs, however, strategists at Conservative Central Office insist that the current difficulties amount to no more than the usual mid-term trough which the Government will in due course pull out of and go on under Mrs. Thatcher's leadership to win the next election. The Government's poor performance in the polls, the by-election set back and the expected poor results at the Local Government elections are all seen as temporary and inevitable mid-term difficulties. Party activists recall that the Prime Minister has been through bad times before, for example the Westland Affair when the Government's rating and the Prime Minister's popularity plummeted to new lows. Nonetheless in the 1987 election she led the Government to its largest majority. MPs loyal to the Prime Minister argue that there is plenty of time before the next election for the Government to turn the corner on the economy, controlling inflation and lowering interest rates. Even in a worst case scenario they insist that Labour is unlikely to be in a position by the time of the next election to achieve the necessary target of winning almost 100 additional seats. They are equally dismissive of speculation regarding the Prime Minister's future insisting that she will choose her own time to go and that those who foresee her being the victim of an internal challenge or forced out by electoral defeat, completely underestimate her political skills and the widespread and deep seated loyalty to her within the party.

9. Others, however, are increasingly less certain. After ten years of strong leadership her image is now that of an obstinate, shrill and ageing woman, lacking in judgement and unable to get on with her colleagues in Government and increasingly alienated from her own backbenchers. Over the Easter Parliamentary recess Sir Geoffrey Howe, the Deputy Prime Minister urged Mrs Thatcher to adopt a softer approach to the task of winning her fourth general election and predicted a change of pace in the Government's commitment to its far reaching programme of reform. In essence his urgent message was that the Prime Minister should urgently concentrate on winning friends as well as arguments. There are many, not least in the Conservative Party, who argue that she is increasingly losing the ability to do either.

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