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27 November 1990

Mr Dermot Gallagher Assistant Secretary Anglo-Irish Division Mr Corbbern " " weth: pis Guller 11)

Dear Assistant Secretary

The Tory leadership race: media speculation

As you will have seen, exhaustive attention has been paid in the British media over the past few days to the election prospects of each of the three contenders for the Tory leadership.

It is now generally accepted that no candidate will reach 187 votes in today's second round and that the issue will not be decided until a third round on Thursday. The betting in relation to today's round is that Heseltine and Major will each fare well and that Hurd will be some distance behind them. If this is repeated in Thursday's ballot, Hurd's second preferences will be crucial in determining the winner.

While most commentators are reluctant to make public forecasts about the outcome, the view expressed in private by several with whom I talked yesterday is that John Major will be the eventual victor.

This prognosis is based on the following considerations.

First, there is a general sense that Michael Heseltine's campaign may have passed its peak. By common consent, Heseltine did extraordinarily well in the first round, winning far more support than anyone thought possible (apart, that is, from his own campaign staff, who claimed to have accurately predicted to within one or two votes the level of support which he received). It is, however, widely recognised that many of the 152 MPs who voted for him did so merely in order to secure an alternative to the Prime Minister and that Heseltine will not be their man once they have a wider choice in the second round.

In order to offset the likely slippage, Heseltine has been making strenuous efforts to woo right-wing MPs (with, for example, his surprising claim that he is "the true inheritor of much of the Thatcherite tradition"). However, while he has succeeded in recruiting a number of prominent right-wingers, and while his own core vote reportedly on purely tactical grounds for him last week.

He is also faced with the "guilt factor". Whether justly or otherwise, he is blamed at grassroots level in the party for Margaret Thatcher's downfall. MPs have been under pressure from the largely pro-Thatcher constituency associations to "take revenge" on Heseltine for voting for Major.

Heseltine's strongest card remains his electoral attractiveness, which appeals particularly to Tories in marginal seats. If enough MPs panic about their reelection prospects, he will pull ahead of Major. He needs, however, a "bandwagon effect" more than the other two candidates and he will probably suffer more than them from the loss of momentum entailed in going to a third round.

As regards <u>Douglas Hurd</u>, the Foreign Secretary is perceived to have as many electoral drawbacks as assets. While his command of foreign affairs is unrivalled, he is regarded as weak on the economy, an area of ultimately greater concern to Tory MPs. His old Etonian and classic Tory background, furthermore, is a liability. It had been assumed that, after eleven years of Mrs. Thatcher, Tory MPs would welcome a leader in the traditional mould. However, many feel that the (relative) classlessness ushered in by Mrs. Thatcher should continue to characterise the Conservative Party in future. This places a question-mark over Hurd (and, to a lesser extent, Heseltine) and favours John Major.

A further drawback is that, while Hurd had been projected as the unity candidate, he has in the event attracted very few right-wingers to his campaign. Both Major and Heseltine, on the other hand, have been able to point to support on both wings of the party. Among Hurd's Cabinet supporters, it is clear that some at least (Chris Patten and Ken Clarke) are backing him largely because he could be expected to hand over the leadership to a younger man within a few years.

John Major's campaign got off to a flying start last Thursday. Many of Mrs. Thatcher's key advisers (including Sir Gordon Reece and Lord McAlpine) have joined him and he now has the explicit backing of eight Cabinet members. A number of polls have been predicting that the Tories could win the next election under Major's leadership as much as under Heseltine's. While it had earlier been assumed that his bland and uncharismatic manner and relative inexperience would be held against him, he has drawn strength from a number of other factors.

First, like Hurd, he is not tainted by any guilt in relation to Mrs. Thatcher's demise. Second, unlike Hurd, he is widely perceived as the Prime Minister's favourite and therefore the appropriate recipient for the "Thatcher vote". While the Prime Minister would not publicly endorse him, she indicated to party workers yesterday that Major is her favourite. She considers him best placed to carry forward her economic policies. She also approves of his position on Europe, as her Commons speech last Thursday indicated. Third, Major also has an appeal for the centre. He has a keen social conscience (exemplified over the weekend in an expression of strong support for the NHS). On most issues, furthermore, his approach is pragmatic rather than ideological. Fourth, his modest background not only gives him a "classless" appeal within the party but is also seen as an electoral asset in the country at large. Fifth, his youth is also seen as an advantage (in the context of fighting Neil Kinnock).

In the expected third round, Douglas Hurd's second preferences will probably be the decisive factor. While Michael Heseltine was claiming yesterday that he will benefit from these, most media opinion suggests that they will go to Major. Indeed, this was the purported rationale for both Major and Hurd standing against Heseltine. The objective was to deny Heseltine a clear victory in today's ballot and, with trading of second preferences in the third ballot, to ensure the election of either Major or Hurd.

It is generally expected that, if Heseltine wins, an early general election (probably next March) is on the cards. If, however, Major or Hurd emerges, the election will be left till later in the year.

It is also assumed that Heseltine, if elected, would automatically retain Hurd and Major in his Cabinet (in their present positions); and that, in the interests of party unity, the latter would invite Heseltine into any Cabinets they formed.

Peter Brooke is virtually certain to remain as Secretary of State for NI If Major or Hurd is elected. If Heseltine is elected, however, there could be a minor Cabinet reshuffle (to permit the departure of committed Thatcherites) and this, according to some media contacts, could have implications for Brooke, who might be brought back into one of the resulting vacancies. While Heseltine would wish to reward Michael Mates, it is not thought likely that this would take the form of giving him the NI portfolio.

As regards the position of the candidates on <u>Anglo-Irish relations</u> and Northern Ireland, brief indications have been given by two of them in response to questions at their press conferences.

Douglas Hurd said last Friday that he is "basically not a pessimist about Northern Ireland" and does not believe in changing the prevailing policy. He suggested, however, that, as the younger generations grow up, they will be impatient at a society "which lives politically in the seventeenth century and whose leaders find difficulty in moving out of that entrenched position".

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John Major also said last Friday that he was "not going to announce policy changes on NI on this occasion". Having been a Cabinet member for the past three years, he is fully privy to the policy the Government has been following and "I will not be making dramatic changes in those policies".

In private conversation with an Irish journalist after his press conference, Major recalled a lighthearted observation which he made to the journalist following his appointment as Foreign Secretary. He had remarked at that time that "anything is better than Northern Ireland". Asked how he feels about his current campaign, Major told the journalist that 'my previous observation still stands!".

Yours sincerely.

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Danil Donoghe

David Donoghue Press and Information Officer