

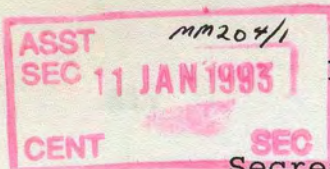
21 October 1992

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[FROM: HM AMBASSADOR, DUBLIN]

[ADVANCE COPY, FOR INFORMATION]



REPUBLIC OF IRELAND: ANNUAL REVIEW FOR 1992

Her Majesty's Ambassador at Dublin to the
Secretary of State for Foreign and Commonwealth Affairs

SUMMARY

1. A year of political uncertainty, social turmoil and economic dilemmas. Reynolds replaced Haughey as Taoiseach. An abortion crisis dogged his new Government for much of the year (paragraphs 1-3).
2. The economy: unemployment the major preoccupation. Otherwise, a satisfactory year until sterling flotation pushed up Irish interest rates, destroyed competitiveness against UK firms and slowed growth. Signs of more liberal attitudes on social issues. The Bishop Casey affair was a major blow to conservative values. Further erosion of neutrality (paragraphs 4-7).
3. Personal relationships broke up the coalition. In the ensuing election Fianna Fail and Fine Gael lost heavily and Labour and PDs gained. After lengthy negotiations, Fianna Fail/Labour coalition virtually certain though probably not what the electorate wanted. Another good year for the President (paragraphs 8-9).
4. Northern Ireland: a "historic" year, despite a reluctant performance by the Irish Government in the talks. Security co-operation continues to thrive (paragraphs 10-12).
5. Bilateral contacts prospered. Though Irish EC goals differ from ours, they can be useful allies. Trade: we could do still better (paragraphs 13-14).
6. Conclusions: 1992 was a good year for British interests. Consequences for us, in Northern Ireland and EC context, of likely Fianna Fail/Labour coalition. Need to continue to 'normalize' our relationship, in particular on security matters. Hope that Royal contact might be resumed (paragraphs 15-18).

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BRITISH EMBASSY

DUBLIN

7 January 1993

The Rt Hon Douglas Hurd CBE MP
Foreign and Commonwealth Office
LONDON

Sir

REPUBLIC OF IRELAND: ANNUAL REVIEW FOR 1992

1. For the Republic 1992 was a year of political uncertainty, social turmoil and economic dilemmas.

Domestic Politics

2. In February Haughey was finally ousted as Taoiseach and leader of Fianna Fail, appropriately enough as the result of new allegations about the 1982 phone-tapping affair. His successor, Reynolds, sacked or demoted most of Haughey's ministers, promoted his own supporters and promised open, consultative government without his predecessor's authoritarian stamp.

3. The new Government immediately ran into squalls when the Attorney-General without consultation issued an injunction to prevent a teenage rape victim from travelling to Britain for an abortion. The consequences of the "X" case dogged the Government for much of the year: at one point, when Reynolds sought to solve his problem by renegotiating the Irish Protocol to the Maastricht Treaty, they even threatened Irish ratification. The Beef Tribunal was another long-running sore.

4. The avowed top political issue was the economy, in particular unemployment. Until September most economic indicators were set fair: inflation at 2.8%, an exchequer borrowing requirement of some 2.4% of GNP, forecast 1992 growth at 3.1% and a balance of payments surplus of 7.8% of GNP. The January budget buoyed demand, while increased high technology and agricultural exports bucked international recessionary trends. Reynolds fought the Maastricht referendum campaign largely on the extra £6bn EC funds which he claimed would follow Irish ratification; and the 69% majority in favour in June - more than the Government expected - encouraged these hopes. But with the emigration valve closed by economic conditions in the UK and US, unemployment rose to 17.5% in August, despite half-hearted job creation measures. And the national debt remained at 106% of GNP.

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5. The floating of sterling brought new acute dilemmas. The Irish instinct, reinforced by the implications of punt devaluation for debt repayments, was to stick to the Deutschmark, both to encourage financial rectitude and to maintain their claim to membership of the EC inner circle. The cost was sky-high interest rates and a drop of 16% in Irish competitiveness against the UK, their major trading partner (we take 32% of their exports and supply 41% of their imports). The economy began to slow. The stop-gap solution, a £50m fund to support Irish exporters hit by sterling's flotation, had little effect. It is difficult to see how a punt devaluation can be avoided much longer. The Government would prefer to devalue in company with France and Denmark, but may not have the option.
6. Despite its political prominence, the debate over abortion aroused less heat than many with memories of the 1983 referendum campaign expected, and the results of the referenda in November suggested more liberal attitudes. The rights to travel and to information were endorsed, but the Government's ambiguous wording on abortion itself was defeated, with all sides claiming victory. It will be for the new Government to unravel the mess. Legislation liberalizing the sale of contraceptives went through virtually unnoticed and breaches of the new law are being ignored. Postponed legislation on divorce and homosexuality will also fall to the new government. But the biggest blow to conservative values was the Bishop Casey affair. Some claim that reactions to the Catholic Church's authoritarian handling of the scandal signalled the beginning of the end of its traditional influence in Ireland. Women's issues came to fore with the election of a record number of women to the Dail and the appointment of the first woman to the Supreme Court.
7. Abroad, the Government mended some fences with Iran and Libya to promote beef sales. In a further tentative step away from neutrality, Ireland became a permanent observer at the WEU.
8. The Government was brought down in November not by abortion or even the economy, but an exchange of insults in the Beef Tribunal. Relations between the coalition partners had steadily deteriorated over the months as Reynolds ignored the Progressive Democrats (PDs). His refusal in October to retract his comments in evidence to the Tribunal that O'Malley, the PD leader, had been "dishonest" was the final straw. The heavy Fianna Fail and Fine Gael losses in the resulting election on 25 November and the large gains by Labour (and the PDs) led to much criticism of Reynolds and speculation that old political moulds were finally breaking. It is too soon to tell. Undoubtedly the electorate wanted a change from Fianna Fail: but if, as I suspect, they wanted a Fine Gael Government run by Spring, the Labour leader, they have been disappointed. The lengthy negotiations to form a new Government continued as the year ended, with a Fianna Fail/Labour coalition virtually certain.
9. President Robinson continued to sail above these troubles, meeting the disadvantaged, fostering North/South reconciliation and presenting her new image of Ireland in visits to France, Australia, the Netherlands and Berlin. Her February visit to Belfast was the

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first official trip by an Irish President to Northern Ireland. In Londonderry in May, and in September - when she went on to Enniskillen to meet relatives of the victims of the 1987 Remembrance Day bomb - she received a generally warm welcome. After an emotional visit to Somalia in October she continued to New York, to press the UN Secretary-General to step up international aid. The public remain delighted with her. Unlike his predecessor, Reynolds after a sticky start gets on well with her: perhaps he realises he has no alternative. Her only mistake has been a rather self-satisfied address to Parliament in July whose purpose puzzled the press.

Northern Ireland

10. November polls confirmed that Northern Ireland was well down the list of public concerns. It was nevertheless a significant year for "the national question". In June an Irish Government team sat down with Unionist politicians for the first time since 1973, and in September the UUP and Alliance delegations (though not the DUP) visited Dublin. Irish Ministers took part in the intensive talks at Stormont between July and early November. The Irish entered the talks deeply suspicious of the Unionists and of HMG, with no great expectations and a watching brief. They were unprepared and bureaucratically inept. Their defensive, tactical approach exasperated the other participants, including occasionally the SDLP. They decided only too late in the day, when the shadow of their election was upon them, that something useful might emerge from the process.

11. But the gains have been considerable. Some mistrust has been dispelled and some old myths weakened. All the political parties favour the earliest resumption of talks, as does public opinion. Whereas most people before the talks began could not conceive of a solution, many now think one possible, though they cannot say what it might be. This does not mean that Northern Ireland has moved up the agenda of the Irish populace nor that a sufficient majority would be ready to amend Articles 2 and 3 of the Constitution except in the context of a package. Irish Ministers are right to urge caution: a failed referendum would be disastrous. But the coach has begun to move in the right direction.

12. Security cooperation continues to thrive, North-South as well as East-West. To help cover our reconstruction of vehicle checkpoints north of the border between January and July the Irish Army mounted their biggest deployment since 1945. The Gardai have since mounted joint anti-racketeering operations with the RUC. A RAF Search and Rescue helicopter detachment spent three days here in January for a seminar with the Air Corps, and individual aircraft have come since. A Sea-Cadet Corps training ship visited Dublin in July: small beer but the first quasi-naval visit since 1970. The First Sea Lord, here privately in September, met senior Irish officers socially. Other visits took place, in both directions. We should continue to promote such contacts, but with care: excess zeal, or publicity, could lead to political retreat.

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Bilateral

13. Other contacts prospered too. The President visited London in January and Scotland in July: alas, no members of the Royal Family came here in 1992. The Taoiseach and Prime Minister met four times, excluding EC Summits. Other Ministerial traffic was considerable, in both directions. The Irish were supportive of our EC Presidency, delighted at the outcome of Edinburgh and full of genuine praise for the Prime Minister. Irish EC goals differ radically from ours, but we differ politely. While they continue reluctant to support UK positions in isolation, they share many of our gut feelings on EC topics and can be useful allies.

Trade

14. We retained in 1992 our 41% share of the Irish market, and the Republic remains our seventh biggest customer. We could do yet better, if businessmen in Britain - and in Northern Ireland - took more interest in a market ideal for firms new to exporting.

Conclusion

15. It was a good year for British interests. The talks marked the beginning of rational discussion about the Irish question, though we have completed only the first chapters of what may prove a three-decker novel. Irish society continued to become more open. While Anglophobia is still evident, our bizarre relationship is becoming more normal.

16. But 1992 was the year of Albert Reynolds. For all his early talk about openness and consultation, it was he who made the key decisions, often alone. He proved amiable but tough (witness his Cabinet purge), decisive (it was his decision to go for the Maastricht referendum before tackling abortion), shrewd and pragmatic. He also bears Britain and the Prime Minister personally much goodwill - he has no Republican baggage. But he is something of a gambler, he makes it up as he goes along (cf his repeated references to the 1921 Government of Ireland Act and to "everything being on the table", which neither he nor his advisers could explain) and he tends to act without stopping to think or to listen to advice. As he likes to say of himself, "What you see is what you get", and often you don't see very much. The Irish performance at the talks owed much to the lack of strategic political thinking. While he got some things right during 1992, he got some wrong, not least tumbling into an avoidable, unnecessary and disastrous election. He has not succeeded in uniting his party, nor in shaking off the Beef Tribunal charges of cronyism and shady dealings. With the luck of the Irish he unexpectedly ended the year as the likely leader of a new coalition with Labour, with no immediate threat to his party leadership and with his main rivals, Fine Gael, in catastrophic disarray.

17. Such a coalition will bring changes relevant to British interests. Provided it endures, it offers perhaps the best chance for reaching a Northern Ireland settlement and making it stick.

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Though on Northern Ireland issues generally and on security cooperation we can expect a continuation of policy, the Labour Party will be less suspicious, will insist on better bureaucracy and planning and will inject moderation and common sense. On EC matters, Labour influence may lead to more economic interventionism and to an unwelcome shift over social/labour affairs. At home, the risk is that increased public spending to boost employment will exacerbate inflation and increase public debt.

18. As to British policy, we have every interest in close cooperation with any Irish Government and in continuing to 'normalize' the relationship between Britain and the Republic. Much of the business will look after itself. But we need actively to pursue contacts with the Irish security authorities, preferably after sorting out our own priorities. We need more FCO funds for military training. I also hope that Royal contact might be resumed. Perhaps, if President Robinson finds herself in London during 1993, it might be possible - the new Irish Government permitting - to arrange a private call on HM The Queen.

Objectives

19. Most of the Embassy's 1992 objectives were met, even though some are outside our control.

20. I am sending copies of this despatch to the Secretaries of State for Northern Ireland and Defence and to the Attorney-General; and to HM Ambassadors at other EC Posts, at Washington and at the Holy See.

I am, Sir,
Yours faithfully

D E S Blatherwick