

GRPS 700

C O N F I D E N T I A L **CONFIDENTIAL**

FM DUBLIN 23:1620Z JANUARY 1981

TO IMMEDIATE FCO

TELEGRAM NUMBER 19 OF 23 JANUARY 1981

Read in full:-
[Signature]

IRISH POLITICAL SITUATION

1. MOST POLITICAL COMMENTATORS BELIEVE THAT MR HAUGHEY'S POSITION HAS STRENGTHENED IN RECENT MONTHS. THE FIANNA FAIL VICTORY IN THE DONEGAL BY-ELECTION AND THE SATISFACTORY OUTCOME OF THE ANGLO-IRISH SUMMIT HAVE LARGELY CONTRIBUTED TO THIS THOUGH PUBLIC OPINION WAS ALREADY MOVING HIS WAY IN THE AUTUMN FOLLOWING HIS FIRM HANDLING OF A MAJOR STRIKE BY PETROL TANKER DRIVERS AND THE SUCCESSFUL NEGOTIATIONS WITH THE UNIONS OF A NATIONAL UNDERSTANDING ON WA GE INCREASES. BY CONTRAST FINE GAEL IS STILL IN THE DISARRAY CAUSED BY THE DONEGAL BY-ELECTION RESULT. THE POSSIBILITY OF A COALITION VICTORY AT THE NEXT ELECTION IS NOT HELPED BY LABOUR'S DECISION AT THEIR PARTY CONFERENCE IN OCTOBER TO CONTEST THE NEXT ELECTION WITHOUT A PRE-ELECTION PACT WITH FINE GAEL. THE LATEST OPINION POLLS BEAR OUT THE VIEWS OF THE POLITICAL COMMENTATORS. A SEPTEMBER POLL SHOWED THAT 34% WOULD VOTE FINE GAEL OR LABOUR, 36% WOULD VOTE FIANNA FAIL AND 26% WERE UNDECIDED. BY NOVEMBER 35% WOULD VOTE FINE GAEL/LABOUR, THE UNDECIDED HAD DROPPED TO 20% AND THE FIANNA FAIL VOTE HAD INCREASED TO 42%.

2. THE NEXT GENERAL ELECTION MUST TAKE PLACE BY JUNE 1982 BUT THE LIKELIHOOD IS THAT MR HAUGHEY WILL OPT FOR AN ELECTION THIS YEAR, MAYBE EVEN AS EARLY AS MARCH. (THE FIANNA FAIL PARTY CONFERENCE IS DUE TO BE HELD IN MID-FEBRUARY). THE BUDGET IS DUE ON 28 JANUARY AND THE DETAILS OF THE BUDGET MAY GIVE A CLEARER IDEA OF MR HAUGHEY'S PLANS. THE MAIN ARGUMENT FOR A RELATIVELY EARLY ELECTION IS THAT THE ECONOMIC SITUATION IS SERIOUS AND LIKELY TO GET WORSE. THERE IS A DEEPENING RECESSION AND UNEMPLOYMENT NOW STANDS AT 122,000 OR 12% OF THE WORKING POPULATION, AN INCREASE OF 39% IN A YEAR. THE BUDGET DEFICIT REACHED IR£533 MILLION BY DECEMBER 1980, SOME IR£200 MILLION OVER THE BUDGET ESTIMATE. MR HAUGHEY HAS SO FAR REFRAINED FROM INCREASING TAXATION OR CUTTING PUBLIC EXPENDITURE WHICH COULD BOTH BE POLITICALLY DAMAGING IN THE CONTEXT OF A FORTHCOMING ELECTION. INSTEAD HE HAD CHOSEN TO BORROW ABROAD. HE MAY WELL CONSIDER THAT THE SOONER HE CAN WIN AN ELECTION AND THEN INTRODUCE THE SEVERE ECONOMIC MEASURES NEEDED TO RECTIFY THE SITUATION, THE BETTER.

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3. WITHIN THIS GENERAL PICTURE THE GOVERNMENT IS PARTICULARLY CONCERNED ABOUT THE RISING DISSATISFACTION AMONG FARMERS (IT WAS THE DEFECTION TO FIANNA FAIL OF THE FARMERS WHICH PLAYED A KEY PART IN THE COALITION DEFEAT IN THE 1977 GENERAL ELECTION). IT IS ESTIMATED THAT FARM INCOMES HAVE FALLEN BY SOME 40% IN THE LAST TWO YEARS IN REAL TERMS GIVEN THAT INFLATION REMAINS AT NEARLY 20% AND THAT CAP PRICE INCREASES HAVE BEEN RELATIVELY MODEST. THE POSSIBILITY OF OBTAINING A SIGNIFICANT INCREASE AT THE FORTHCOMING G.A.P. PRICE FIXING WILL BE A CRUCIAL ELEMENT IN MR HAUGHEY'S JUDGEMENT OF THE CORRECT TIME TO GO TO THE COUNTRY. HIS DIFFICULTIES HAVE BEEN INCREASED BY THE UNFORTUNATE DEATH OF MR GUNDELACH WITH WHOM THE IRISH WERE IN NEGOTIATION OVER A PACKAGE OF SUPPLEMENTARY AIDS FOR IRISH FARMERS WHICH WAS WIDELY SEEN AS AN ELECTORAL DEVICE.

4. IT IS A REASONABLE ASSUMPTION THAT THE NEXT ANGLO-IRISH SUMMIT WILL NOT BE BEFORE JUNE/JULY 1981. GIVEN THE FACTORS MENTIONED ABOVE, IT IS OUR BEST GUESS THAT THERE WILL BE AN IRISH ELECTION BEFORE THEN. IF SO THERE IS NO REASON WHY MR HAUGHEY SHOULD WANT TO MAKE PRESENTATIONAL CAPITAL OUT OF THE PROGRESS OF THE JOINT STUDIES, INDEED HE IS LIKELY TO WANT TO REST ON THE OUTCOME OF THE DUBLIN CASTLE MEETING. HOWEVER, IF THE ELECTION DOES NOT TAKE PLACE UNTIL AFTER THE NEXT ANGLO-IRISH SUMMIT, HE WILL BE MUCH MORE CONCERNED THAT THE SUMMIT PRODUCED SOMETHING WHICH HE CAN REASONABLY PRESENT TO HIS ELECTORATE AS A SUCCESS. BUT ALL THAT IRISH OFFICIALS HAVE SAID TO US SUGGESTS THAT THEY WILL BE ANXIOUS TO KEEP THE PROGRESS OF THE JOINT STUDIES COMPLETELY CONFIDENTIAL UNTIL THE SUMMIT.

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