

SUBJECT

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
TAOISEACH IN THE CHARLEMAGNE BUILDING, BRUSSELS, at 0930 HRS
ON TUESDAY, 30 MARCH, 1982

Present: The Prime Minister Mr Haughey
 Sir Robert Armstrong Mr Nally
 Mr A J Coles

Commenting on his election success, Mr Haughey explained that the normal Parliamentary term was five years but the electoral situation was such that governments rarely lasted for long. There followed a brief discussion of the difficulties caused by the proportional representation system. The Prime Minister then enquired about the economic situation in Ireland. Mr Haughey stated that the main problems were fiscal and budgetary. He hoped that the PSBR would be down to 14% of GDP later this year. This was still high but given the state of the economy, there was an imperative need for investment and that made a high rate of borrowing inevitable. The budgetary deficit was running at about 5.5% of GDP. The balance of payments was very much "out of order". But the reserves were still benefiting from a flow of inward investment, even though American investment was not at its previously high level. Reflation in the UK would solve most of Ireland's problems. The Prime Minister commented that reflation would not solve the UK's problems but an upturn in the economy, which was another matter, could help the Irish situation. Mr Haughey asked whether an upturn was expected. The Prime Minister said that we were forecasting 1 - 1½% growth this year but we, like others, were very much dependent on economic trends in the United States.

Mr Haughey asked whether it would be possible to have an early meeting in the context of the Anglo/Irish Inter-governmental Council? The Prime Minister replied that she thought that an early meeting would be difficult. Her programme for May and June was extremely full, with the visit of the Pope, the Versailles and NATO Summits, President Reagan's visit to the United Kingdom, her visit to New York for the UN Special Disarmament Session and another European Council. Mr Haughey asked whether July was a
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possibility. The Prime Minister replied that that was more likely, though of course she would be meeting Mr Haughey at the European Council in June.

The Prime Minister said that she hoped that the Pope's visit to Britain would be extremely successful. The vast majority of people had great respect for him. Mr Haughey said that the Pope's earlier visit to Ireland had had a marked influence on the resurrection of religious feeling. People who had earlier drifted away from religion had come back to it as a result of the visit.

Mr Haughey observed that Mr Collins would be calling on Mr Prior in London on 31 March to talk about the proposed political initiative in Northern Ireland. Would the Cabinet then be discussing the initiative? The Prime Minister confirmed that there would be a Cabinet discussion on Thursday. Mr Haughey asked whether the Prime Minister was optimistic about the initiative, implying in an aside ^{that} he did not view it with favour. The Prime Minister explained that the proposal had not been discussed in full at Cabinet before. No proposals were trouble-free.

After a brief discussion of the situation in the Falkland Islands, Mr Haughey asked whether July could be tentatively earmarked for his next meeting with the Prime Minister. The Prime Minister replied that she thought some date around that time might be possible.

A. J. C.

30 March, 1982