

PRIME MINISTER

NORTHERN IRELAND - A NEW ECONOMIC INITIATIVE

1. Following our talk last evening, I have looked at the Memorandum dated 31st August, prepared by Jim Prior.
2. It is not quite as bad as I expected it to be.
3. In particular, I note that even he says that he will need to consider further the suggestion of statutory (?) wage control.
4. It is certainly the case that the tax climate for new businesses in the Republic is much more favourable than in Ulster.
5. I am extremely sceptical about the assertion made in paragraph 15 when Jim says:-

"I am seeking ways of redistributing my expenditure to make it more effective, not to increase it".

6. In the introduction to the White Paper "Northern Ireland - a Framework for Devolution", presented to Parliament in April 1982 Jim stated:-

"Political stability, economic recovery and the defeat of terrorism go hand in hand. Political instability discourages the domestic and international investment so vitally needed to create confidence, prosperity and jobs. There is a direct link between the creation of a durable and fair system of Government and the ending of the violence which has brought so much suffering to Protestant and Catholic alike. Confidence in political institutions and in the political process generally would further isolate the terrorist, and sharpen the contrast between terrorist crimes and the pursuit of political goals by peaceful means".

7. In his speech on 10th May, introducing the Second Reading of the Northern Ireland Bill, Jim said this:-

"My right and hon. Friends in their amendment say that the Bill will do nothing to achieve the defeat of terrorism or revive the economy of the Province. Of course the introduction of an Assembly will not directly and immediately achieve either objective. It would be naive to suppose that it could. But that does not apply if we lift our eyes to a longer time span. Few will doubt that political stability would have a beneficial effect upon investment and therefore employment in the Province, and this is an essential element in economic revival. Similarly, few would doubt that the willingness of all parts of the community to associate with the institutions of law and order would, in time, improve the supply of information and strengthen active and positive resistance to terrorism.

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7. (cont) "The Assembly is a necessary preliminary to political stability. The Bill does not deliver a better economy or better security, but without it we cannot proceed to later stages. Much patience and further negotiations will follow, and it will take time, but without the Assembly we cannot set out along this road. Of course, that makes for a different approach from that to the rest of the United Kingdom and as such raises constitutional issues and fears, but I ask the House most earnestly to consider the following proposition.

"Let us suppose that, for whatever reason, a sufficient measure of agreement were struck between the parties in Northern Ireland so that they were prepared to work together within an acceptable constitutional structure. Is there really any hon. Member here who would turn down that benefit simply to avoid restoring a constitutional anomaly which Northern Ireland has enjoyed for 50 years? Are we really saying that the admitted difficulties that arise from devolution and the so-called West Lothian question are not a price worth paying for a degree of political cooperation and harmony in Northern Ireland?"

8. As you know, I believe that the Northern Ireland Act, and the Election which will take place on 20th October will increase and not diminish political instability, and will heighten and not reduce the prospect of violence. I believe that future events will bear out this prediction.
9. Nevertheless, apart from the proposal for a statutory wages freeze, I am not as hostile to the proposals set out in the Memorandum dated 31st August as I expected that I would be.

10. I THINK THAT THIS IS WORTH A BATTLE
BUT NOT A WAR.

Ian

7th September 1982