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Prime Minister

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FM DUBLIN

TO IMMEDIATE FCO

TELNO 517

OF 231600Z DECEMBER 96

INFO IMMEDIATE NIO(L), NIO(B), WASHINGTON

INFO PRIORITY WHIRL, ACTOR, SNUFFBOX

ADVANCE COPY

A very useful

Snapshot: but

depressing for John

Proctor.

(Edward)

24/xii

JEH fi. 9/1

BLUNDERS + file

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SUBJECT: THE IRISH GOVERNMENT'S DOMESTIC PROBLEMS

SUMMARY

1. A BAD AUTUMN DOMESTICALLY FOR THE IRISH GOVERNMENT. BLUNDERS + file
ABOUND: ELECTORAL PROSPECTS POOR, INSPITE OF SUCCESSFUL PRESIDENCY
AND BOOMING ECONOMY.

DETAIL

2. MY TELEGRAM 513 REPORTED THE SUCCESSFUL OUTCOME OF THE IRISH PRESIDENCY. UNFORTUNATELY FOR THE COALITION PARTIES, THIS ACHIEVEMENT HAS DONE LITTLE TO BOOST THEIR POPULARITY, AT LEAST ACCORDING TO OPINION POLLS. THIS IS ALL THE MORE SURPRISING GIVEN THE STRONG PERFORMANCE OF THE ECONOMY. GDP GROWTH IS EXPECTED TO BE 7% FROM 1997 AND THE REPUBLIC IS ON COURSE TO MEET THE MAASTRICHT CRITERIA.

3. NONE OF THIS, HOWEVER, IS ENOUGH TO QUELL CRITICISM OF THE GOVERNMENT. ON ECONOMIC ISSUES THEY ARE CASTIGATED FOR AGAIN FAILING TO CONTROL PUBLIC SPENDING. THE GOVERNMENT'S DECISION ON 13 DECEMBER TO ABANDON A PUBLIC SECTOR PAY PAUSE, COUPLED WITH INCREASES IN SOCIAL WELFARE, WERE WIDELY SEEN AS A CAPITULATION IN THE FACE OF TRADE UNION AND NGO PRESSURE.

4. THE GOVERNMENT'S STANDING HAS BEEN FURTHER DAMAGED BY THEIR CLUMSY RESPONSE TO A SERIES OF INTERNAL CRISES. THE HEALTH MINISTER STANDS ACCUSED OF MISHANDLING A NUMBER OF TRAGEDIES INVOLVING CONTAMINATED BLOOD. THE MINISTER FOR AGRICULTURE WAS RIDICULED AFTER ANNOUNCING THAT HE HAD SIGNED A DUBIOUS DEAL ON BSE WITH THE RUSSIANS AT DUBLIN AIRPORT WHEN HE HAD ACTUALLY BEEN SPOTTED ELSEWHERE AT THE TIME IN QUESTION. THE MINISTER FOR JUSTICE IS ACCIDENT-PRONE. TO QUOTE BUT ONE EXAMPLE, A DECISION TO DISMISS A JUDGE WAS NOT OFFICIALLY COMMUNICATED, THUS NULLIFYING

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CASES SUBSEQUENTLY DECIDED BY HIM. TWO INVOLVED IRA TERRORISTS WHOM WE ARE SEEKING TO EXTRADITE. MOST RECENTLY THE DUNNE'S STORE SCANDAL HAS ALREADY CAUSED THE RESIGNATION OF THE MINISTER OF TRANSPORT. FURTHER REVELATIONS ARE PROMISED, INVOLVING SENIOR FIGURES FROM BOTH GOVERNMENT AND OPPOSITION PARTIES. THE TAOISEACH'S RESPONSE TO THE SCANDAL HAS BEEN WIDELY CRITICISED AND COMPARED UNFAVOURABLY WITH THAT OF BERTIE AHERN, LEADER OF FIANNA FAIL. BUT NEITHER OF THEIR PARTIES HAS COME OUT OF THIS WELL.

5. NOR CAN THE TAOISEACH CLAIM SUCCESS ON NORTHERN IRELAND. THIS REMAINS AT THE TOP OF THE GOVERNMENT'S AGENDA. THEY KNOW THAT FIANNA FAIL INTEND TO MAKE ELECTORAL CAPITAL BY POINTING TO THE GOVERNMENT'S FAILURE TO MAINTAIN THE NATIONALIST CONSENSUS, AND ABOVE ALL FOR LOSING THE CEASEFIRE HANDED TO THEM BY ALBERT REYNOLDS. FIANNA FAIL WILL ARGUE THAT THE HUME/ADAMS INITIATIVE COULD HAVE LED TO A CEASEFIRE, AND THAT THE GOVERNMENT LACKED THE NECESSARY DIPLOMATIC SKILL TO CONVINCE US OF THIS.

6. THE IRISH GOVERNMENT WILL FIND IT HARD TO COUNTER THESE ACCUSATIONS. HENCE THE ELEMENT OF DESPARATION IN THEIR DEALINGS WITH US, EVIDENT IN THEIR BEHAVIOUR AT THE SUMMIT IN LONDON ON 9 DECEMBER. HENCE TOO THEIR OVERRIDING DESIRE FOR A CEASEFIRE EVEN AT THE PRICE OF THE COLLAPSE OF ALL-PARTY TALKS.

THE TAOISEACH ... AND THE NEXT ELECTION

7. DESPITE THIS GLOOMY BACKGROUND, THE TAOISEACH HIMSELF STILL COMMANDS RESPECT. HE THRIVES UNDER PRESSURE. HIS PERSONAL APPROVAL RATINGS ARE HIGHER THAN THOSE OF THE OTHER TWO COALITION LEADERS, AND FINE GAEL ALONE HAS BEEN ABLE TO MAINTAIN ITS LEVEL OF SUPPORT DURING ITS TIME IN GOVERNMENT.

8. BUT MR BRUTON CALCULATES THAT HIS ONLY CHANCE OF REMAINING IN POWER AFTER THE NEXT ELECTION IS BY CONTINUING THE COALITION WITH LABOUR AND DEMOCRATIC LEFT. GIVEN THE CHOICE, HE WOULD PROBABLY LIKE TO CONTINUE THE PRESENT GOVERNMENT INTO THE AUTUMN, CALLING AN ELECTION IN OCTOBER AFTER THE INTRODUCTION OF A SECOND BUDGET IN 1997. THIS WOULD ENSURE COALITION SOLIDARITY. BUT THERE ARE RISKS IN LEAVING AN ELECTION UNTIL THE LAST MINUTE, AND HE MAY DECIDE TO GO TO THE COUNTRY BEFORE THE SUMMER RECESS.

9. WHETHER MESSRS SPRING AND DE ROSSA WOULD COOPERATE IN SUCH A STRATEGY REMAINS TO BE SEEN. BOTH THEIR PARTIES ARE PERFORMING POORLY IN THE POLLS. THOUGH THE PRESSURE TO RUN ON A COALITION

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TICKET MAY PROVE IRRESISTIBLE, LABOUR WILL NOT WANT TO CLOSE THE DOOR TO THE POSSIBILITY OF PARTICIPATING IN AN ALTERNATIVE COALITION GOVERNMENT. WHETHER THEY WOULD GO AS FAR AS TO PUT THE FORTUNES OF THEIR OWN PARTIES AHEAD OF THOSE OF THE COALITION AS A WHOLE AND PULL OUT OF THE GOVERNMENT ON A POINT OF PRINCIPLE, FOR EXAMPLE, IN THE NEGOTIATIONS FOR THE FEBRUARY BUDGET, IS A MOOT POINT. THE EVENTS OF 1994 ARGUE AGAINST A REPETITION OF SUCH TACTICS BY LABOUR.

10. MEANWHILE, THE LEADERS OF THE MAIN OPPOSITION PARTIES - BERTIE AHERN OF FIANNA FAIL AND MARY HARNEY OF THE PROGRESSIVE DEMOCRATS - HAVE PERFORMED IMPRESSIVELY IN RECENT WEEKS. AHERN HAS CHECKED CRITICISM OF HIS LEADERSHIP STYLE BY THE MEASURED MANNER IN WHICH HE HAS EXPOSED THE FLAWS IN THE GOVERNMENT'S PERFORMANCE. AND HARNEY REMAINS ONE OF THE MOST POPULAR POLITICIANS IN THE REPUBLIC. CONCLUSION

11. IF OPINION POLLS ARE TO BE BELIEVED, IT IS INCREASINGLY DIFFICULT TO SEE HOW THE GOVERNMENT PARTIES WILL BE ABLE TO IMPROVE THEIR STANDING SUFFICIENTLY TO WIN THE 1997 ELECTION. WHILE THEY MAY GAIN A BOOST FROM THE BUDGET IN FEBRUARY, THIS IS UNLIKELY TO HAVE A DRAMATIC IMPACT. THE POSSIBILITY THAT SCANDAL OR PARTY DIVISIONS MIGHT DERAIL FIANNA FAIL CANNOT BE EXCLUDED. BUT ON PRESENT FORM, MOST COMMENTATORS CONTINUE TO BELIEVE THAT MAY/JUNE IS THE MOST PROBABLY DATE FOR THE NEXT ELECTION, AND THAT A FIANNA FAIL/PROGRESSIVE DEMOCRATS COALITION WILL EMERGE AFTER IT.

12. ALL THIS MAY BE A POOR RECOMPENSE FOR JOHN BRUTON AND HIS MINISTERS WHO HAVE DELIVERED AN INTERNATIONALLY ACCLAIMED EU PRESIDENCY AND UNPRECEDENTLY RAPID ECONOMIC GROWTH. THESE PREOCCUPATIONS, COUPLED WITH THE DEMANDS OF PARTICIPATING IN THE TIME-CONSUMING TALKS IN BELFAST - HAVE DEFLECTED THE GOVERNMENT'S ATTENTION FROM DOMESTIC ISSUES, WITH UNFORTUNATE RESULTS. UNFAIR, NO DOUBT: BUT THE REALITY NEVERTHELESS.

SUTHERLAND

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