



# An Chartlann Náisiúnta National Archives

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## REPORT

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### Meeting between the Taoiseach and the British Prime Minister, Government Buildings, Thursday 21 December, 1995.

The Taoiseach was accompanied by the Tánaiste and Minister for Foreign Affairs and the Minister for Social Welfare. The Prime Minister was accompanied by the British Ambassador, Cabinet Office officials Mr. Paul Lever and Mr. Rod Lyne and Mr. Andrew Marre, Deputy Press Secretary. Irish officials present were Mr. Paddy Teahon, Secretary, Mr. Sean O'hUiginn, Second Secretary, Ambassador Ted Barrington, Mr. Sean Donlon, Special Advisor, Mr. Brian McCarthy, Assistant Secretary, Mr. Fergus Finlay, Special Advisor, Mr. Shane Kenny, Government Press Secretary.

Welcoming the Prime Minister, the Taoiseach said that he was pleased that Irish and British officials had completed a very comprehensive report of East/West co-operation. He complimented the officials concerned for their work. An important conclusion of the officials' report was that the programme of the East/West Ministerial contact now envisaged should be monitored by the Cabinet Office and the Department of the Taoiseach. The Taoiseach said that there was always potential for misunderstanding in relations between the two countries and the East/West Ministerial contact now envisaged would help to remove this. We needed an early warning system in relation to potential problems between the two countries that would avoid events like Irish Steel.

The Taoiseach suggested that the meeting might also consider developments in the twin track process. He expressed the Government's concern at the recent killings in Northern Ireland - we took these incidents very seriously and would do everything possible to stop them. The Taoiseach said that he would also welcome an elaboration of the British Government's position on the issue of a single currency within the EU.

The Prime Minister said that the report on East/West co-operation was a very good development. Relations between Ireland and Britain were a huge paradox in many ways. We had a shared language, our citizens had voting rights in each other's jurisdictions, etc but nevertheless the bilateral relationship was often tense. This should not be the case. The Prime Minister expressed the hope that this could be put right - many of our interests were similar, as for example in relation to Europe where issues in the future were going to affect both countries. Referring to the recent killings in Northern Ireland, the Prime Minister said that their assessment was that this was "freelance" work. These incidents and the punishment beatings were appalling but he did not believe it was a start of a renewed terrorist campaign.

Referring to the work of the International Body, the Tánaiste said that it had established its authority very quickly and this was important. He had publicly asked that the Body be given space to do their work. Turning to the meetings that he had in recent days with Sinn Fein, the SDLP and the Alliance Party the Tánaiste said that he had gone through the checklist of questions with the parties. This was a useful exercise but Sinn Fein had sought to move to multilateral talks quickly. On the attitudes of the parties, the Prime Minister said that the UUP took a more forward position in private. Their meeting with the SDLP had gone well. As regards Sinn Fein/IRA the Prime Minister said that he took the recent statement by the IRA as a message to their own people.

In a further discussion on the International Body, the Prime Minister indicated that he might meet the Body. It would be important that he and the Taoiseach should meet again soon after the Body's Report is published (the Prime Minister referred to a meeting in 3 weeks time). The Prime Minister said it was hard to get into Sinn Fein's mind and to assess how forward they were in relation to the task of the Body. He expressed the view that Senator Mitchell was going to find hard questions for Sinn Fein to answer. The Taoiseach commented that the Body would need to engage in intensive discussions with Sinn Fein. The Minister for Social Welfare noted that progress on the issue would depend on what Senator Mitchell asks Sinn Fein - otherwise they will stick to their "no surrender" line. The Prime Minister speculated that Senator

Mitchell could well end up asking Sinn Fein if they would go down the negotiating body route if they would not decommission.

At the conclusion of this part of the meeting the Taoiseach asked the Prime Minister if he would use his influence with the UUP to encourage them to meet the Irish Government. The Prime Minister commented that his influence was limited - the UUP kept voting against his Government in the Commons !

### European Union

- Noting that during the Presidency, Ireland would be managing the mid-part of the IGC, the Taoiseach asked the Prime Minister if he would elaborate on British reservations in relation to a single currency. In a detailed response, the Prime Minister said that he was alarmed at the prospect of a single currency - not because of political problems relating to his Euro-sceptics but because the practical problems involved had not been taken on board. The Prime Minister said that with the locking of exchange bands, weak economies would suffer and employment would bear the brunt if member states were to meet the Maastricht criteria - member states would have little flexibility on taxation/exchange rates to adjust their economies. In his view a single currency would be a more savage version of the ERM which had resulted in soaring unemployment.

As regards individual member states, the Prime Minister said that the exchange rates would be set at German levels and it was impossible to conceive that the Germans would lessen their economic performance. This benchmark would be too high for many members. He expressed the view that if France did not meet the criteria, the single currency would not go ahead. Belgium and Holland would probably meet the inflation criteria but not the debt criteria. Italy and Spain were frontline countries in the EU and politically they should not be excluded from a single currency. His instinct was that the EU would have to wait until both of these countries were ready. You could end up with a situation where only half the member states would go into the new system and would be representing less than half the population of the Union. The Prime Minister asked what the 9 or 10 countries outside the system would do. [The Prime Minister did not offer reasons why countries other than Spain and Italy would not be ready to join]

Moving to a single currency was going too far too soon without proper economic convergence. The Prime Minister agreed with the Taoiseach's comment that the reason for pushing ahead with the Maastricht Treaty was to provide political momentum for the European ideal. The problem was that this momentum conflicted with economic realities and it was significant that Delors - and his daughter who, the Prime Minister remarked, might become President - had now gone off the single currency proposals. In response to a question from the Taoiseach as to how the momentum could now be slowed down without derailing the whole European Union, the Prime Minister said that events might do it and economic arguments may prevail. There was also the factor that you would have to have referenda in countries that qualified for membership of the new system. The Prime Minister said that the British proposal for parallel currencies was a much better idea. The scheme they had worked on - implicitly involving the ECU for international and a parallel currency for domestic transactions - would see the new parallel currency used increasingly by businesses over a period of time. A market driven - the market would determine the point at which the ECU and parallel domestic currencies would converge - scheme such as this was the only one that would work. You would be moving to a single currency by public demand and not by political diktat. The Prime Minister said that it was still possible that the EU would come back to the British proposal and his Government would be making an input on it through ECOFIN. He repeated that the ERM experience was a debacle of which he had first hand experience.

### Russia

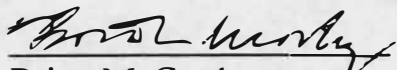
Responding to the Taoiseach's request for a British assessment of the situation in Russia, the Prime Minister said that the election results were not as bad as might be thought. The size of the turnout was encouraging and he was not surprised at the return of Communist candidates given the economic hardships which the people had to endure. It was difficult to assess what the electoral results would mean for the Presidential elections and it would be hard to assess whether Yeltsin would win or lose. He had faced huge problems and the reforms could not be completed overnight. There was encouraging signs however in the increased number of small scale private enterprises and the fact that Russia was now open with consumer demand increasing all the time. The

Prime Minister said that, overall, they were reasonably optimistic about the situation. Mr. Lyne commented that economic reform in Russia now had a momentum which could not be stopped. If one more election could be got through the situation there should be stable.

As the meeting concluded, the Prime Minister gave the Taoiseach a letter of invitation to President Robinson to visit Britain as a guest of the Government next June. The Taoiseach thanked the Prime Minister for this invitation which would be conveyed to the President.

The Taoiseach suggested a discussion over dinner on Bosnia and the IGC. The Prime Minister agreed.

No communiqué was issued following the meeting but both the Taoiseach and the Prime Minister made brief statements to the media outside Government Buildings and answered a number of questions. (A transcript of this is available separately).

  
Brian McCarthy  
Assistant Secretary to the  
Government.

28/12/95.

c.c. Mr. Teahon  
Mr. Murray  
Mr. O'hUiginn (for circulation in your system)  
Mr. Donlon