A: INTRODUCTION

1. In the Republic, the 22nd Dail was dissolved on 27 January when the Coalition Government's budget was rejected by one vote. In Northern Ireland internal bickering and in-fighting within the UUP continued. Substantial redundancies were announced at the De Lorean car factory in West Belfast.

B: NORTHERN IRELAND

(i) Political

2. Jim Molyneaux MP (UUP leader) called a press conference on 18 January to defend himself against the "do nothing" leadership claim by Harold McCusker MP (reported in NIPR(82)2). He stressed that he had no intention of resigning the leadership, nor would he "engage in any form of power-sharing for the sake of getting back some sort of exotic structure at Stormont."

3. Later, on 25 January, he alleged that the Northern Ireland Office was out of touch with reality - "floating wild and harebrained schemes" - and that the Secretary of State had wrapped up his thinking in "ambiguous phraseology". He argued that Unionists wanted "something not very different from that which was removed from us ... we would do our very best to demolish any power-sharing government". A meeting of the UUP Executive on 29 January reportedly reaffirmed the Party's commitment to the Convention Report.

4. On 25 January a delegation from the Irish Independence Party met the Secretary of State to discuss political development. Afterwards Pat Fahy (IIP leader) condemned the direction of the Secretary of State's thinking as "an unacceptable step backwards" from the commitment to power-sharing and an institutionalised Irish dimension symbolised in the 1974 Executive. John Hume led an SDLP delegation to meet the Secretary of State on 29 January.

5. The Secretary of State set out his ideas on political progress to the Conservative backbench committee on Northern Ireland on 28 January. According to reports he explained that he envisaged a progressive scheme and indicated that he did not rule out the eventual transfer of some security responsibilities to a Northern Ireland Executive which was seen to be performing satisfactorily. He hoped that elections could take place by the end of the year.

6. Harold McCusker MP (UUP) and Enoch Powell MP (UUP) were both interviewed on BBC Radio on 31 January about press speculation that the Secretary of State was thinking of proposing that the office of Governor be revived. Afterwards McCusker called on Molyneaux to rebuke Powell for opposing devolved government (against official UUP policy), and accused him of trying to sabotage the talks the UUP was to have with the Secretary of State the following day. In the interview Powell had dismissed Mr Prior's initiative as merely "the same plan, in essentials, (that) has been pushed forward by the Foreign Office and its allies elsewhere over the years ... as you look back you see a repeated pattern of attempts to roll out some sort of carpet along which Northern Ireland might be induced to walk into an All-Ireland state."
7. UUP nominations for the vacant South Belfast seat closed at midnight on 22 January with 8 contenders. The clear favourite is the Orange Order leader, the Rev Martin Smyth, who represented South Belfast in the Constitutional Convention in 1975/76 and who has said that he would resign as a Presbyterian Minister if elected to Westminster.

(ii) Kincora

8. Press speculation about "cover-ups" has continued during the period following the conviction last December of William McGrath for offences against boys committed at the Kincora Children's Home of which he was warden. (McGrath was prominent in certain Orange and loyalist circles in Belfast.) Ian Paisley, who originally denied any knowledge of the affair before it became public in early 1980, admitted on 26 January that he had known of McGrath's homosexuality in 1975, but continued to maintain that he was unaware until 1980 that he was warden of Kincora Boys Home. An inquiry into the Kincora affair under the Chairmanship of a former Northern Ireland Ombudsman has been announced by the Government. On 31 January Lord Brookeborough (ex-UPNI Assembly member and son of the former Northern Ireland Premier) called for a full public judicial inquiry, and commented -

"Does Mr Paisley seriously expect the public to believe that he did not know the occupation and the daily place of work of a man who preached from the pulpit of his church?"

(iii) De Lorean

9. Following a meeting on 28 January between the Secretary of State and Mr John de Lorean, it was announced that a rapid report on the prospects of the de Lorean firm had been commissioned from consultants. It was announced on the following day that some 1,100 of De Lorean's West Belfast workforce would be made redundant.

C: INTERNATIONAL

(i) Republic of Ireland

10. The 22nd Dail was dissolved on 27 January and a General Election will be held on 18 February. The Coalition Government, after only 7 months in office (the shortest-lived administration in half a century) was defeated on the Budget vote by 82 votes to 81, when four non-aligned deputies joined Fianna Fail in opposing severe budget proposals. Subsequently the Taoiseach (Dr FitzGerald) commented that it would have been quite wrong for his administration to trim its sails in order to be sure of getting the Budget through. Such an option might not have commanded confidence outside Ireland. Charles Haughey (FF leader) on 28 January called the Budget "inhuman, savage and anti-social", but when later pressed, admitted that if he formed the next Government he too would have to initiate a tough budget. He also added that if returned to power "the discovery of a solution in Northern Ireland is still my main objective".

11. On 30 January Provisional Sinn Fein announced its intention to contest the election on abstentionist tickets in up to 10 constituencies.
(ii) The Holy See

11. The upgrading of diplomatic relations between the United Kingdom and the Vatican was announced on 18 January. The Pope's representative in London becomes a Pro-Nuncio, while the United Kingdom representative in Rome becomes an Ambassador. It is believed that Dr Alibrandi, the Nuncio in Dublin will continue to have a pastoral (but not diplomatic) role for the whole of Ireland.

(iii) Operation USA

12. The visit by the combined UUP/DUP group to the United States took place between 18-28 January and Ian Paisley, who had failed in his attempts to have his US visa restored, visited Toronto from 15-21 January. He was, nonetheless, given extensive publicity in the US and appeared with his colleagues on TV link-ups. The main delegation (Peter Robinson, John Taylor, Eileen Paisley and Norah Bradford), attracted some publicity in Washington at the start of their tour and met some politicians and Administration members. They seem to have achieved little publicity in the course of the rest of their tour, though Mr Taylor spoke effectively to the Council on Foreign Relations, an influential group, in Chicago.

13. Meanwhile, on 21 January, Danny Morrison and Owen Carron, who had initially flown to Canada to counter Ian Paisley, were arrested by the US authorities for using false papers to obtain illegal entry to the US, apparently while on their way to a NORAID dinner in New York. After some days in custody they were deported on bail and are due to return to Buffalo to face charges on 8 March.

D: MISCELLANEOUS

(i) The Economy

14. It was announced on 26 January that unemployment in the Province had reached 113,337 (19.7%) - an all-time record.

(ii) NI Questions at Westminster, 28 January

15. The Secretary of State and his Ministerial colleagues answered questions in the House of Commons on 28 January. The range of questions covered the security situation, the return of devolved government, a possible Ministerial visit to the USA, the reform of local Government, contacts with the Government of the Republic, De Lorean, the Liverpool/Belfast Ferry Service and educational grants.

16. On security, the Secretary of State congratulated the security forces on their recent successes but emphasised the need to maintain the pressure to bring terrorists to justice. On constitutional matters, the Secretary of State advised the House that his consultations with NI parties were continuing but that no firm decisions had yet been taken.

NORTHERN IRELAND OFFICE 8 February, 1982.