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CYPHER/CAT A AND BY BAG

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PRIORITY FOREIGN AND COMMONWEALTH OFFICE  
TELEGRAM NO. 104 DATED 25 AUGUST 1969

TO DUBLIN

(WESTERN EUROPEAN)

SECRET.

WRR3/548/3

ADDRESSED TO DUBLIN TELNO. 104 OF 25 AUGUST REPEATED FOR INFORMATION  
SAVING TO WASHINGTON, UKMIS NEW YORK.

YOUR TELNO. 220, PARA 4.

WHITEHALL DEPARTMENTS HAVE NOT YET CONSIDERED WHETHER ACTION IN  
THE FIELD OF TRADE AND OTHER ECONOMIC RELATIONS COULD BE USED AS  
A WEAPON AGAINST THE IRISH REPUBLIC SHOULD THE NEED ARISE.  
OUR TENTATIVE VIEWS ARE AS FOLLOWS.

2. THE REPUBLIC IS NOW OUR FOURTH LARGEST EXPORT MARKET, WHILE  
IT IS TO SOME EXTENT A QUOTE CAPTIVE UNQUOTE MARKET, THE FREE  
TRADE AGREEMENT HAS PRESUMABLY PLAYED SOME PART IN THE RAPID GROWTH  
OF OUR EXPORTS SINCE 1965. THE FURTHER TARIFF REDUCTIONS DUE BETWEEN  
NOW AND 1975 MAY BRING EVEN GREATER BENEFITS. THUS, THE TERMINATION  
OF THE AGREEMENT BY EITHER SIDE WOULD PROBABLY BE HARMFUL TO OUR  
TRADE INTERESTS, PARTICULARLY IF THE IRISH ALSO PURSUED AN ACTIVE  
POLICY OF FINDING ALTERNATIVE SOURCES OF SUPPLY FOR THEIR MAIN  
IMPORTS FROM BRITAIN.

3. THERE ARE IN ANY CASE SUBSTANTIAL CONSTRAINTS ON OUR  
INITIATING ACTION AGAINST SOME MAJOR IMPORTS FROM IRELAND. THERE  
IS NO REAL ALTERNATIVE TO THE TRADITIONAL TRADE IN STORE CATTLE  
ON WHICH ONE SECTOR OF THE BRITISH FARMING INDUSTRY DEPENDS.  
MOREOVER, CONTINUED SUPPLIES OF IRISH STORE CATTLE AND CARCASE  
BEEF HAVE BECOME ALL THE MORE IMPORTANT IN VIEW OF A POSSIBLE  
REDUCTION IN BEEF SUPPLIES FROM LATIN AMERICA FOLLOWING THE  
DECISION TO BAN IMPORTS OF MEAT ON THE BONE FROM AREAS WHERE FOOT-  
AND-MOUTH DISEASE IS ENDEMIC. THE IRISH BUTTER QUOTA COULD BE  
CUT (BY REVERTING TO THE LEVEL WHICH APPLIED BEFORE THE FREE TRADE  
AGREEMENT WAS CONCLUDED) BUT COULD PROBABLY NOT BE WITHDRAWN

/ALTOGETHER

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ALTOGETHER AS THE REPUBLIC IS A TRADITIONAL SUPPLIER AND HAS A BASIC CLAIM TO A QUOTA. MOREOVER WE WOULD NOT WANT THE REPUBLIC TO CHALLENGE THE QUOTA SYSTEM IN GATT. CHEESE IS SUBJECT TO VOLUNTARY RESTRAINT ON WHICH IRISH CO-OPERATION IS ESSENTIAL. ANY MOVE TO A QUOTA SYSTEM WOULD PROBABLY RAISE THE SAME PROBLEMS AS FOR BUTTER.

4. THE TERMINATION OF THE FREE TRADE AGREEMENT (WHICH THE IRISH REGARD AS A PRELIMINARY TO ENTRY INTO THE EEC) WOULD ENABLE US TO SOLVE THE PROBLEM WHICH WOULD ARISE IF WE JOINED THE COMMUNITY BEFORE THE IRISH. BUT WE ARE IN ANY CASE FACED WITH THIS PROBLEM IN RELATION TO NORWAY AND DENMARK.

5. THE REPUBLIC IS AN IMPORTANT HOLDER OF STERLING BALANCES. THESE ARE SUBJECT TO THE AGREEMENT OF 1968 BUT THE IRISH MIGHT DENOUNCE THIS FOR POLITICAL REASONS. BY DOING SO, THEY WOULD NO LONGER BENEFIT FROM THE DOLLAR GUARANTEE OR FROM THE HIGH INTEREST RATES OBTAINABLE IN LONDON. BUT TERMINATION OF THE AGREEMENT WOULD BE FOLLOWED BY A POLICY OF DIVERSIFICATION WHICH MIGHT CREATE PROBLEMS FOR US IN PRESENT CIRCUMSTANCES.

6. A RELATED ISSUE WOULD BE REMITTANCES BY IRISH WORKERS IN BRITAIN. THESE WORKERS ARE ESSENTIAL FOR HEAVY LABOUR ON CONSTRUCTION SITES ETC. AND COULD NOT BE EASILY REPLACED. ACTION WHICH MIGHT RESTRICT THE SUPPLY OF IRISH WORKERS WOULD HARM US ECONOMICALLY, AND WE WOULD NOT WISH TO, NOR COULD WE, STOP THE FLOW OF THIS LABOUR. IF THE IRISH WERE TO SEEK TO DISCOURAGE THE FLOW, THEY WOULD FACE A LOSS OF REMITTANCES AND HIGHER UNEMPLOYMENT.

7. IT IS NOT EASY TO SEE HOW WE COULD CONTROL TOURIST TRAFFIC TO THE REPUBLIC. AS LONG AS ENGLISH MONEY IS ACCEPTED IN IRELAND, THIS COULD NOT BE DONE BY EXCHANGE CONTROL. THE ONLY EFFECTIVE METHOD WOULD BE TO INTRODUCE VERY STRICT CONTROLS ON TRAVEL BETWEEN THE TWO COUNTRIES. FOR THEIR PART, THE IRISH WILL BE ANXIOUS TO

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FCO TELNO 104 TO DUBLIN

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MAINTAIN THE TOURIST TRAFFIC BECAUSE IRISH INVISIBLE EARNINGS FROM  
BRITISH TOURISTS MORE THAN COVER THE PRESENT ADVERSE IRISH BALANCE  
ON VISIBLE TRADE.

8. WE AGREE THAT ECONOMIC MEASURES ARE A DOUBLE-EDGED WEAPON  
AND OUR PRELIMINARY VIEW IS THAT IT WOULD NOT BE IN OUR INTERESTS  
TO INITIATE ANY ECONOMIC MEASURES AGAINST THE IRISH. IF THEY SHOULD  
CHOOSE TO INITIATE SUCH MEASURES AGAINST US, WE WOULD HAVE TO  
CONSIDER HOW TO REACT. IN WHAT COULD BECOME AN EMOTIONALLY CHARGED  
ATMOSPHERE, THERE IS SOME DANGER THAT MEASURES AND COUNTER-MEASURES  
COULD ESCALATE TO THE POINT AT WHICH SERIOUS DAMAGE WOULD BE DONE  
TO BOTH ECONOMIES. WE ARE THEREFORE GLAD TO NOTE THAT THE IRISH,  
BY LAUNCHING A CAMPAIGN TO PROTECT THEIR SALES IN BRITAIN, ARE  
SHOWING AWARENESS OF THE IMPORTANCE OF THEIR ECONOMIC LINKS WITH  
US.

STEWART.

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