

RELEASE IN FULL

CONFIDENTIAL

May 7, 2010

For: Hillary
From: Sid
Re: The Downing Street meeting today

Today a seven hour meeting took place at Downing Street to attempt to determine Gordon's strategy. The participants were Gordon, Shaun, Peter, Alastair Campbell, and Ed Balls (who is close to Gordon).

1. Gordon has made a maximum proposal to Clegg through intermediaries, including a referendum on proportional representation, program, cabinet slots if Clegg wants them, or not if he prefers to be perceived as above dealmaking. The offer is open, too, and can be added to. Gordon is letting Cameron and Clegg have their conversation without going public. Clegg in private is in something of a state of shock. He actually expected to win about 125 seats—and finished at 57, losing 14 from what the Lib-Dems held. While Clegg is out front he cannot make a deal on his own; he requires his party's backing. Gordon and his people are in touch with people close to Clegg. Many of Clegg's senior people will not support the deal that Cameron has proposed. Vincent Cable, Clegg's number two, the shadow chancellor, is unhappy with the Tory deal. Clegg is therefore at sea. Clegg's party base, moreover, would not approve a deal that did not represent a "progressive" position. Much of the Lib-Dem base is idealistic and subject to disillusionment.
2. Gordon is doing whatever he can to hold on to power. Shaun, for his part, is working on an economic package for Northern Ireland to win support from the DUP and other parties for Labour—a package to be proposed in the Queen's Speech. Peter floats in and out of the meeting and appears on TV. Alastair has emerged as a stalwart, providing Gordon with talking points and practical ideas hour by hour.
3. The Tories are working overtime to foster the atmosphere that Gordon is repudiated and should leave. This perception is gaining ground as the Cameron-Clegg talks go on. Cameron seems to be dragging them out in order to undermine Gordon.
4. The outcome is highly uncertain largely because Clegg is between a rock and a hard place within his own party. More to come later...