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From: JOHN HOLMES

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PRIME MINISTER

NORTHERN IRELAND: AFTER MANCHESTER

A few initial thoughts may be helpful.

The first question is whether this is a one-off, possibly even the spectacular before the ceasefire, or the beginning of a long and nasty campaign, at least on the mainland. I have no clear answer. The latest intelligence does not reveal one either. The latter looks more probable at the moment. The "logic" of the bomb is hard to explain any other way. But republican psychology is hard to penetrate. Both the Irish and the Americans were confident last week that a ceasefire was coming. But they have been conned by Adams before.

I am not sure I buy the Bruton theory that this was cover for the IRA admission that they killed the Garda man. How is that supposed to help? It perhaps shows the British are the real target, not the Irish, but again the logic is hard to follow.

What are the implications for our policy? I think we should resist being thrown off course. We have always known further IRA violence was possible if the talks started without Sinn Fein. The Manchester bomb does not show that our strategy was wrong. On the contrary, it shows that we were right to insist on a ceasefire before Sinn Fein's entry, and right not to allow them to hold up the process if there was not a ceasefire.

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It is clear that we cannot now allow Sinn Fein straight into the talks if they declare a ceasefire quickly. Even if we wanted to, the other parties would not wear it. There will have to be a cooling-off period of a few weeks, assuming any ceasefire is sufficiently unequivocal. One of our first tasks must be to persuade the Irish of this - I do not think Bruton himself will be hard to persuade. He was very tough on TV today. Even Spring has been hard on Sinn Fein. I do not see a good case for a new precondition, eg addition of the word "permanent", but we can make clear that we, and no doubt other parties, will take some convincing of the credibility of any new ceasefire.

Should we go for a major hardening of security policy? It is difficult to see what more we can sensibly do in practice. We should resist calls for eg internment. The Cranborne thesis is slightly strengthened, but there is still no point in doing things which we do not believe will be effective in practice.

I suggest the most effective response is to strike while the iron is hot with the Irish. You should ask Bruton to take a tougher stance against known IRA militants in the Republic, and to step up the search for arms caches etc. If they really put their mind to it, the Irish must be able to make life harder for the IRA. The right political climate now exists in Dublin. Let us take full advantage.

Meanwhile we must continue the talks and not have any truck with suggestions that they are pointless. On the contrary, it is more important than ever to press ahead on the political track. The importance of decommissioning has been confirmed. But so has the importance of getting beyond procedural wrangles. We should make this clear to the Unionists.

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The point is that we continue to occupy the political and moral high ground. Sinn Fein/IRA cannot point to any even half plausible reason for violence, and are alienating rapidly the Irish and the Americans. Adams is under huge pressure over his dilemma: either he approves of the IRA and is beyond the pale, or he does not but can't deliver and is irrelevant. Our aim should be to increase this pressure.

The way to do this is through a twin-track approach of turning the security screw via the Irish, and turning the political screw via the talks, the Americans and the Irish. Unless the Manchester bomb really was a one-off before a ceasefire, our best tactic may be to try to force a split in the Republicans (but without saying so). They will resist fiercely, but my guess is that the split is already there and beginning to widen. We need to drive the wedges in - and the last thing we should do is give them an escape route through some policy lurch of our own, whatever the pressure from the Unionists and some backbenchers.

I would like to talk all this through with the NIO, Paddy Teahon and Tony Lake on Monday. Does this approach seem to you on the right lines?

Two other immediate questions arise:

- Do we need a meeting of NI or some smaller grouping and if so when? We should avoid any suggestion of a panic reaction. We should fit NI in fairly soon - we need one for the Cranborne paper anyway - and meanwhile have a smaller meeting on Tuesday or Wednesday: Mayhew, Howard, DPM, Cranborne?

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- Parliamentary Statement? Obviously depends on the parliamentary pressure. I see no great need. Nothing has changed fundamentally, and we should not make statements about every IRA attack - this feeds the IRA publicity machine. If one is needed, it should be Paddy Mayhew or Michael Howard, not you.

PRIME MINISTER

JOHN HOLMES

Bruton was interviewed on "On the Border" this morning. You may like a short account. He was speaking on Sinn Féin, which I have never heard him before.

He said that the Movement for Change had been speaking damage to Sinn Féin's credibility. It was not open to question. There is no test week - with the Garda killing and the Movement for Change - Sinn Féin were betraying the people who had voted for them. The people had clearly wanted peace. But there was no peace at present. That was the people who Sinn Féin who were making peace. The Sinn Féin people were not committed to peace and not denouncing the murder of a Garda officer and the Blackdown bomb, if they seriously claimed to be anti-violence. There was now a question mark against the credibility of Sinn Féin's peace strategy.

The Taoiseach said that the Irish Government was now reviewing very seriously the Sinn Féin strategy and was not at all sure that Sinn Féin and the Republican movement, Irish Government and people had to face down the men of violence. It was the most difficult and the most important task. But the Government had to be a disappointment. It was a step in the face of the people of Ireland.

The Taoiseach said that what was now needed was an unconditional and

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