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SUBJECT
MASTER

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From the Private Secretary

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Dear Martin,

FAXED

to NIO 23/7
at 18.45.

MEETING WITH THE LOYALIST PARTIES, 22 JULY

The Prime Minister met representatives of the two Loyalist parties, the Progressive Unionist party (PUP) and the Ulster Democratic Party (UDP) for about 50 minutes on 22 July. Hugh Smyth and David Ervine represented the PUP and Gary McMichael and John White the UDP. Although there had been hesitation from both parties in advance about coming to the same meeting, in practice they seemed to work as a team during the meeting, and it was noticeable that the two representatives of each party did not insist on sitting together. Sir John Wheeler and Jonathan Stephens were present on our side.

After welcoming them to Downing Street, the Prime Minister said that it was the Loyalist ceasefire which had made the meeting possible. He was grateful for the efforts of the Loyalist parties in establishing a ceasefire and in maintaining it. The breakdown of the IRA ceasefire had caused immense damage. He was well aware of the pressures that this had created on the Loyalists and was doubly grateful for the restraint they had shown, and the way in which the Loyalist parties had contributed constructively to the talks. It was difficult to be sure what the IRA would now do. He assumed they would conduct more attacks. But there was also a recognition on the part of at least some in Sinn Fein of the damage that the abandonment of the IRA ceasefire had done. Unfortunately, the events surrounding Drumcree had provided a boost to the IRA cause. They must have been rubbing their hands in glee. In any case, the Government were tackling the threat of IRA terrorism with all possible vigour, as the recent arrests in London showed. Meanwhile the peace process was in jeopardy because of the two setbacks of the IRA ceasefire and Drumcree. What was needed now was not soft words, but action to jolt the Belfast talks back into life this week.

Smyth said that he was grateful for the opportunity to meet the Prime Minister, not least because he realised that this involved some political risks. He fully agreed on the urgent need for progress in the talks. McMichael said that he was also grateful for the meeting. He was concerned that it was

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increasingly difficult to argue for democratic methods in Northern Ireland. The present process often seemed to lean towards the Republicans. The approach of the official Unionist parties was also inadequate. In these circumstances, the Loyalist community felt threatened. It was important to recognise that the anger the Nationalists felt about the Chief Constable's decision of 11 July was matched by Loyalist anger at the stupid decision he had taken on 6 July. In any event, the talks were now in disarray, with little sign of willingness to move. Nevertheless, the aim had to be to get on to the substance of the negotiations, because the talks were the only thread left. It was also important for the British Government to look closely at the issues which were of importance to the Loyalists, in order to help the Loyalists remain a stabilising force.

Ervine agreed on the need to jolt the talks into action. The Prime Minister, as "moral guardian" of the talks, needed to make clear to all concerned that there had been enough nonsense. The time had come to get on with it. The key participants were the UUP and the SDLP. The DUP and McCartney might get left behind. If so, that would be too bad. The Loyalists were willing to help Trimble move forward if they could, but there was a danger that if Trimble thought the process was about to collapse, he would be unwilling to move himself. Meanwhile, the Loyalist ceasefire faced serious difficulties, although the situation was not yet disastrous. The Loyalist ceasefire had been put in place after the IRA ceasefire, on the basis of assurances from various quarters, including the British and Irish Governments, that there was no question of joint authority over Northern Ireland. Now that the ceasefire was under pressure, a signal of the Prime Minister's attachment to the Union would be helpful, even if this was only private. It was important for the Loyalists to know that this commitment was there.

The Prime Minister said that he had made clear his commitment by his offer of a referendum. In practice there was no way in which such a vote could be for anything but a settlement within the Union. The people of Northern Ireland had accepted this when the offer had been made, but had now come to question it, for whatever reason. He was happy to confirm that there would be a referendum, and that only if the people agreed on any settlement reached would he put legislation to the House of Commons. This was an absolute safeguard. If Britain had to keep troops in Northern Ireland for 100 years because the majority of people wanted Britain to stay, that was what he would do.

Ervine commented that, after the IRA ceasefire, there had been a feeling that the IRA had given up the armed struggle and were relying on political leverage. This no longer applied. Meanwhile, the Loyalists had no faith in the Irish Government and a very deep distrust of the IRA. There was also a feeling in the air of betrayal by the British Government, even if there was no real logical basis for this. White commented that the key had to lie in the political

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talks and keeping them going. The Prime Minister agreed that this was the only way forward. Whatever was to be put to the people of Northern Ireland could only emerge from a talks process. There was no question of the British and Irish Governments imposing anything.

Ervine asked what he admitted was an unusual question for a Loyalist. How could the Provisionals be brought into the talks? The Prime Minister said that he wanted Sinn Fein in, but this was impossible without a credible ceasefire. This would have to be lasting and not just a tactical device. If Sinn Fein could produce a new ceasefire, and accept the Mitchell principles, it would then be possible to get into discussion of decommissioning. This was where the Loyalists could make life difficult for Sinn Fein by making clear that they were ready to go ahead with decommissioning and putting pressure on Sinn Fein to do the same. There was no question of asking the Loyalists to decommission in advance of Sinn Fein. The process would have to be mutual and parallel. But there would have to be some decommissioning during the talks. Without this, there could be no agreement.

McMichael said that the Loyalists had similar fears about decommissioning to those of the IRA. They were concerned about the kind of structures proposed and feared they would be put in the dock and pushed into unilateral decommissioning. The attitudes of the Unionist parties, particularly Paisley and McCartney, were not encouraging in this respect. He recognised himself that unilateral decommissioning was not a starter, but the suspicion was still there among the paramilitaries. As far as the IRA was concerned, the Loyalists definitely wanted them inside the talks. Otherwise they feared that the process would collapse. But they did not believe that the IRA were really interested.

The Prime Minister asked what the Loyalists would do to bring Sinn Fein in. Ervine said that we should avoid building a "decommissioning chamber" just inside the door. Otherwise they would not come through the door. The trick was to get them through the door first, and then build a decommissioning structure around them. There was also a more fundamental point. The IRA had always taken the view that the real enemy was the British Government, and that the Unionists were really deluded Irishmen. They were gradually beginning to realise that they had to do a deal not with the British Government but with the Unionists, who were themselves British. This was a valuable lesson. They would be helped to learn it by their introduction into the talks. This argued for not making it too difficult for them to get in, particularly when the talks process itself would effectively result in the collapse of the IRA's dream.

The Prime Minister asked how the Loyalists would react if the IRA ceasefire was restored in August and Sinn Fein entered the talks. Ervine said

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that it depended on how Sinn Fein behaved between now and then. If they showed some willingness to recognise the fears of Unionists and the need to deal with them, the Loyalists' attitude would be positive. McMichael said that the best time for an IRA ceasefire was now. This would allow a period of "cleansing" while the talks were in recess. They would then be able to join in September. He thought he could understand the Republican viewpoint. It was difficult for them to enter the talks from a position of weakness, but it was also difficult to construct a position of sufficient strength. It was important to demonstrate to Sinn Fein that there were benefits to be had from being inside the talks process - benefits such as a meeting like this.

Ervine said that the Loyalists were anxious to avoid lapsing into a renewed cycle of violence and retaliation. The immediate question was what would happen if the IRA resumed violence in Northern Ireland itself. It was tempting for the Loyalists to say that either the Government dealt with this, or the Loyalists would. They did not want to say this, but it helped gain time if the Government were taking strong measures to deal with terrorism themselves. The Prime Minister asked what he had in mind. Ervine said that he had no specific ideas. Smyth commented that the Prime Minister had said in Northern Ireland in the past that the Loyalists need never return to violence. That was what the Loyalists wanted to hear. They had never wanted violence in the first place, and stern action against the IRA would help to prevent this.

The Prime Minister asked for the Loyalist assessment of the IRA's position. McMichael said that he was not optimistic. He thought they would rather wage war than face a possible split because of a decision to stop action. There was a serious North/South split in the IRA, with the East Tyrone and South Armagh brigades particularly militant. It was interesting that the IRA had not re-started violence in Northern Ireland in the last two weeks, despite having a reasonable pretext to do so. It was clear that they did not want to be blamed for the collapse of peace in Northern Ireland, even if some of them rather wanted this to happen. Ervine agreed on the North/South split in the IRA. There were undoubtedly some who wanted to go down the political path and to enter substantive negotiations as long as there were no pre-conditions. But they also wanted a time frame. The Prime Minister said that no one wanted substantive negotiations more than him. But this required people ready to negotiate on both sides. This had not proved easy. He was also in favour of a time frame, but this could only be indicative because there was no way in which the Government could control it. He would have liked to get agreement by the end of this Parliament, but this no longer looked realistic. The concepts of a fixed time frame and of the consent principle simply did not fit easily together.

Ervine said that the Unionists, by refusing to engage seriously in negotiations, were denying themselves the chance to be part of the British

population. The Unionists were also giving the Republicans excuses not to engage. A few people could easily keep the violence going. It required a strong will on the part of many to stop it. He therefore feared the worst. Smyth agreed but commented that the ordinary people of Northern Ireland were still crying out for peace and did not want to give this up.

Prisoners

McMichael raised the issue of Loyalist prisoners, whom he described as "political". They felt that they were being punished for the actions of the IRA in breaking the ceasefire. Many of them faced being "knocked back" on the length of their sentences. This was having a very negative effect. The Loyalist parties needed some concessions to show that the continuing Loyalist ceasefire made a difference. White added that the Loyalist prisoners were committed to the peace process. Their support was very useful in restraining the paramilitaries. The prisoners were deeply upset that this role was not recognised. Proposals had been put forward for prisoner releases based on outside criteria, such as the existence of a ceasefire. There was an opportunity here to show goodwill, which would have a great effect on the prisoners.

The Prime Minister asked about the impact of this meeting on the prisoners. Ervine said that it would be massive. Smyth agreed but said that some practical reward for the prisoners was also needed. Sir Patrick Mayhew had asked for a list of their "demands" - a word which he immediately withdrew. They would produce this and hoped to get a positive response. Why could the Government not make some gestures to the Loyalist prisoners and make clear to the IRA that the same thing would be available for their prisoners when they restored the ceasefire?

Sir John Wheeler said that there were already some rewards from the continuing existence of the Loyalist ceasefire. The Remission of Sentences Act had somehow survived the breakdown of the IRA ceasefire, but it would not survive a breakdown of the Loyalist ceasefire. He gave various figures to demonstrate that Loyalist prisoners were not being badly treated, in terms of releases and reductions of sentences. McMichael said that the prisoners were a very demanding constituency. Asking them to wait for two or three years before their sentences came before Review Boards was simply too much.

Ervine said that guarantees had been given in 1986/87 by all the paramilitaries that those released would not re-offend. In practice, the re-offending rate was only 0.3 per cent. The Government was therefore not under any threat from those let out. Moreover, if they had not been rehabilitated after over 10 years in prison, a year or two more would not make any difference. 357 life sentence prisoners were already back on the streets in Northern Ireland, without causing problems. He could see that there were difficulties with

changes requiring legislation, but there were gestures which could be made which did not involve legislation and were relatively easy for the Government to do. Smyth said that one example was to institute a review of sentences after seven years, as happened elsewhere in Britain. White made a comparison with what happened to British Army prisoners, some of whom had only served six or seven years of their life sentences. The argument was that these cases were exceptional, but all such cases were in practice exceptional. The Prime Minister said that he had registered the points made and the strength of feeling. Sir Patrick Mayhew would look at the list of proposals when it was given to him. He would also look at it personally too.

Money

Smyth said that Sir John Wheeler's recent statement about the cost of repairs to the damage caused by the disturbances (which he condemned) had worried him. Northern Ireland could not afford money to be taken away from health and housing. But most people in Northern Ireland were not insured for this kind of damage and needed help. He therefore hoped the approach could be reconsidered, and more money found, despite the Government's overall financial difficulties. Even if logic might point the blame for financial loss at those responsible for the disturbances, the reality was that the Government would get the blame. Sir John Wheeler recalled that, when the promise about a "security dividend" had been made, it had also been pointed out that if violence returned the security dividend would also have to be returned. It was difficult to ask the Treasury to provide more money for this kind of disturbance. Meanwhile there was money to be saved in Northern Ireland through administrative efficiencies. For example, was it really necessary to have five educational boards?

The Prime Minister concluded that he was grateful for the meeting, which he had found useful. He asked whether the Loyalists would have any difficulty with the attached press line. They confirmed that they would not, and said that they would be positive in their own comments on the meeting (as they were). They also made clear that they were grateful for the opportunity to meet the Prime Minister. They hoped they could be included in future rounds of meetings involving political parties.

Comment

This was an amicable and largely constructive meeting. The Loyalist representatives spoke well, particularly Ervine and McMichael. As the Prime Minister commented afterwards, they made a lot more sense than some of their brethren from larger parties. It was not an entirely comfortable experience, shaking hands with a double murderer, but the Loyalists were clearly pleased afterwards and, White aside, the criticism has been relatively muted. John

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Hume made a point of telling me on the telephone today how glad he was about the meeting, and the Irish Government clearly took the same view, although they have not said so.

Yours ever
John

JOHN HOLMES

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