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From: JOHN HOLMES

Date: 5 September 1996

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PRIME MINISTER

NORTHERN IRELAND: FUTURE POLICY OPTIONS

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... The NIO have produced a new paper (attached), working up the options we
... picked out from their earlier paper (also attached).

25 July

As the NIO concede in advance, their analysis is pretty negative. I think there are two reasons for this. One, which they admit, is that they do not want to give the impression that there is a good alternative to the present talks. I have no difficulty with this.

The second reason, which NIO unsurprisingly do not admit so openly, is that they are worried about nationalist/Irish reactions to any attempt to move forward on the kind of basis we suggested. The hand of the "green" tendency in the NIO is clearly visible here.

I see no purpose in a row with the NIO about this at present hypothetical paper, and can agree that there is little point in further detailed work at this stage. But I think it is worth putting down a marker with the NIO that you do not necessarily accept all their arguments. I suggest I therefore respond on the lines that:

- grateful for the further work;
- agree that the talks process is by far the best game in town which we must try to preserve if at all possible;

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- but believe that your analysis is not only negative, but unnecessarily so; ✓

- in particular, not convinced that

- the return of more powers to local government is necessarily as one-sided as suggested; ✓

- there would not be a greater welcome for eg a panel of local politicians to advise Ministers; ✓

- limited and balanced measures of the kind proposed would be bound to be seen as an "internal settlement" and a departure from the triple lock; ✓

- and that we need to negotiate every detail of the kind of measures proposed with the Irish Government. ✓

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John

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