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**SUBJECT
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Taoiseach vlb

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From the Private Secretary

3 July 1997

*Dear Mr,***MEETING WITH THE TAOISEACH, 3 JULY: PLENARY**

After their tête-à-tête, which I have recorded separately, the Prime Minister and the Taoiseach joined the rest of the participants, who had been meeting in parallel. We will not be recording this part of the meeting separately ourselves. I would be grateful if one of the NIO participants could record points of interest not recorded elsewhere. In this part of the meeting, the Taoiseach was accompanied by Foreign Minister Ray Burke, Ted Barrington, Paddy Teahon, Martin Mansergh, Sean O'hUiggin and one other official. On our side, Dr. Mowlam, Sir Robin Butler, Sir John Chilcot, Veronica Sutherland, Quentin Thomas, Jonathan Powell and I were present.

The Prime Minister gave a brief account of his discussion with the Taoiseach. He had explained what we had done to try to bring Sinn Fein into the process. We remained ready to provide genuine clarification, but we were not prepared to be strung along to no good purpose. On Drumcree, we would have to get through the marching season as best we could. It was important that the two governments should keep as close together as possible, with a proper dialogue at all stages.

Ahern agreed that the two Governments should work closely together, particularly the Secretary of State and the Irish Foreign Minister. He had explained to the Prime Minister his own assessment that Sinn Fein were not in the game of dragging the process out and wasting the Prime Minister's time. A level of clarification would certainly help. The Irish Government wanted everyone on board for the talks, but this needed a complete cessation of violence. If that could be achieved, confidence could begin to build. If the second Sinn Fein letter could be answered in a positive way, and the two thorny issues of decommissioning and prisoners properly dealt with, this would certainly assist the process. But if it all went wrong, the two Governments would have to pick up the process on the other side. He was not as pessimistic as he had been a few weeks previously. He had been worried about Sinn Fein's first letter to us, but the second letter struck him as better.

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Burke said that his discussion with Dr Mowlam had mirrored the discussion of the Prime Minister and the Taoiseach. There had been warm agreement that the two Governments should work together, to prevent one being isolated from the other. Other issues covered had included Bloody Sunday and the use of plastic bullets. On the European side, there had been discussion of the prospects for enlargement, difficulties over the Schengen text stemming from Amsterdam (the Irish were keen that we should keep up the fight against the Spanish text), and duty-free sales. They had also discussed bilateral links, particularly working together on standards of education. There was a link with the Millennium here. One issue they had not covered was prisoners.

Dr. Mowlam said this was an important area for confidence-building. We had tried to help through recent transfers under the guidelines. We were still discussing other possible transfers, and the criteria for these. The Home Office were working co-operatively. Once these transfers were through, there would be very few prisoners left in Britain. She was prepared to look at how the Life Sentence Review Board worked, but she was not sure any other system would in fact be more flexible. What particular concerns did the Irish have in mind?

Burke said that the main one was the high security category of some long-stay prisoners. This meant that they received very few visits from their families. If they could be down-graded to "high risk" this would still meet security requirements, but would allow more flexibility over visits. The prisoners concerned came from small, tight-knit communities, and this raised the intensity of the issue. He was not asking for them to be transferred to open prisons, but simply to move down one security grade. He believed there were 14 prisoners involved.

Dr. Mowlam said that she would look at this, but she suspected the prisoners concerned, e.g. the Whitemoor escapees, had other problems. She asked about the specific concerns of Sinn Fein. They never actually spelled these out. Ahern confirmed that the main issue was security categorisation. He accepted that these issues would be easier to deal with once there was a ceasefire, but he repeated that the people concerned were important in the republican movement and came from small communities.

The Prime Minister said that confidence-building was important, but it cut both ways. What were the other side prepared to throw into the pot? For example, punishment beatings should stop. Dr. Mowlam added that prisoners were of course a concern for the loyalists too, although they did not have prisoners in Britain. The government could not negotiate with the two sides simultaneously, but there was a knock-on effect from one group of prisoners to the other. As far as punishment beatings were concerned, they were unacceptable. But they were also unfortunately

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seen on both republican and Loyalist sides as a way of keeping the hard men from doing worse. She was careful herself not to talk too loudly about punishment beatings because we had not used them as a reason to throw the loyalists out of the talks. We had to avoid hypocrisy on this issue.

Ahern said that he had always avoided any suggestion that the loyalists should be expelled from the talks. That would not help. The Prime Minister was quite right to draw attention to punishment beatings. But there was a Nationalist argument that this was a result of the lack of policing in their areas. Some sanctions were needed on anti-social behaviour.

Sir John Chilcot commented that there had been progress on policing during the last ceasefire. He noted also that, while the republicans could clearly control punishment beatings on their side, the loyalists did not appear to have the same control.

Burke returned to the issue of prisoners. This was a big issue for both republicans and loyalists. He recalled the anger there had been in Christmas 1994, when relatively few prisoners had been let out. The Prime Minister said that we would take a careful look at all this.

Europe

The Prime Minister said that we were already playing a more constructive role. On EMU, our options were genuinely open, and the public mood in Britain was beginning to shift in a more positive direction. He himself was basically pro-European, although he believed a lot of changes were needed in Europe. It was unclear what would happen over EMU. Many people still believed it would happen on time. They could be right, but there seemed to be a contradiction between what Chancellor Kohl was saying, and the likely French budget deficit.

Ahern said that Britain's position over EMU was of enormous interest in Dublin. He hoped Britain would join. Meanwhile, Waigel was talking of locking currencies this autumn, rather than next spring. He did not understand the reasons for this. Ireland, with a small currency easily buffeted by volatile markets, would suffer more than anyone else from this. Moving too early could create horrendous problems for Ireland, and he would appreciate British Government support. The Prime Minister promised to look at this carefully.

Ahern continued that Ireland always did well when Britain was flourishing. He had been glad to see the good budget the previous day. The Prime Minister said

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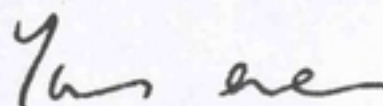
that we certainly expected to meet the Maastricht criteria. Indeed, our budget should be in balance in two years.

Press Line

The Prime Minister said that, on Drumcree, it would be most helpful for us if the Taoiseach could say that he appreciated what a difficult situation the British Government faced, that he had already stated his own position on Drumcree, and continued to hope that an accommodation could be found. Anything more than that would create difficulties. Ahern said that he assumed he could say that Dr. Mowlam was still trying to reach a local accommodation, and that the Prime Minister had undertaken to keep him informed of British thinking. The Prime Minister confirmed this. He wanted to keep in very close touch with the Irish Government on all these issues at all times. He believed that it was essential to maintain pressure on Sinn Fein from all their potential pillars of respectable support. If there was division between the two Governments, the pressure on Sinn Fein would be eased. We really had done what we had been asked to do over Sinn Fein. We would give further clarification, but no more than that.

Ahern agreed and repeated that our reply to the Sinn Fein letter could make a huge difference. He acknowledged that it was a cumbersome process, but it was worth doing if it could get movement towards inclusive talks. The Prime Minister checked that Ahern would not be talking about this publicly. Ahern agreed.

I am copying this to William Ehrman (Foreign and Commonwealth Office), Jan Polley (Cabinet Office), Sir John Kerr (Washington) and Veronica Sutherland (Dublin).



JOHN HOLMES

Ken Lindsay, Esq.,
Northern Ireland Office.

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