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Faxed to
Chequers
2315 on 23/1

From: John Holmes
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PRIME MINISTER

NORTHERN IRELAND

Since your conversations with Trimble and Hume, there has been the news that another Catholic was shot dead this evening, despite the attached UFF promise to have stopped. This may of course have been the work of the LVF, who have never had a ceasefire. But it means that any sense of relief at the UFF statement is diluted straight away.

Mo has put out the attached statement this evening, making clear that the UDP's position in the talks is now in serious jeopardy, and looking forward to discussion among the parties about this on Monday. I think it gets the balance about right. It is very hard to see how the UDP can now stay in the talks, or at least how we can support their continued presence in the talks. Mo is still working hard on them to produce a better statement than the one attached, as you asked.

You may like to see the relevant extract from the talks rules. One of the problems is that the Irish continue not to want the UDP thrown out and, as I read the rules, we need their agreement to throw them out. The argument on Monday could also be complicated - eg if the UFF have admitted going back to violence, but now say they are once again on a ceasefire, where does that leave us? If we think the UDP should be thrown out now, how long would they have to wait before we could re-admit them, assuming the UFF keep their promise to refrain from violence?

In the talks themselves, discussions have continued between us and the Irish on a possible Strand 2 paper. Both sides now accept that there is no chance of agreeing a substantive paper, given problems with Sinn Fein on one side and the UUP on the other. But both the Irish and the NIO are insisting that we must produce something for the talks, as we promised to do so, and some kind of focus is in any case desperately needed. Work is

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- 2 -

therefore going on to agree at least a list of questions. I attach the latest British draft. The Irish will want to make changes, but seem signed up to the principle. Discussion will go on over the weekend.

Meanwhile I have agreed with Sinn Fein that Adams should ring you at 10.00 am tomorrow morning. Please let me know in advance if this will not work. It is not clear precisely what he wants to say, but he may have picked up echoes from Irish officials that we are unwilling to put framework document-type references into the proposed Strand 2 paper.

I suggest you try to cover the following points with him:

- Not resiling from the framework document, but now we have Trimble signed up to a significant North/South dimension, we must keep him there. Too soon to produce a substantive new paper. More discussion is needed in the talks and behind the scenes.
- Have pressed Trimble to engage with you more directly. He understands the issue. Bilaterals may prove too difficult for him in the immediate future, but my sense is that progressive engagement in the talks themselves should happen.
- Don't want to risk unravelling the talks process by excluding parties, but cannot ignore UFF involvement in violence. So UDP's place will need to be looked at seriously on Monday.
- Concerned by the IRA statement, and its attempt to claim that the Heads of Agreement paper is a British Government document. It is a joint British-Irish document, welcomed by the SDLP in particular. Cannot respond to any threats from the IRA, and cannot engage with you politically if they go back to violence.
- Urge you to stay in the process and put your views forward. You can do so without accepting the document.