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10 DOWNING STREET LONDON SWIA 2AA Terporty relayed

From the Principal Private Secretary

Dee her,

THIS IS A COPY. THE ORIGINALIS RETAINED UNDER SECTION 3 (4) OF THE PUBLIC RECORDS ACT

BLOODY SUNDAY

The Prime Minister discussed this with Dr Mowlam this afternoon. After reviewing the options, the Prime Minister agreed that Dr Mowlam should make a statement, probably on Thursday, which would include an apology and an announcement that the new evidence, __________, had been referred to the RUC, who were appointing an independent investigator. This would leave open the option of a later inquiry, but it would obviously not be possible to conduct an inquiry while a police investigation was going on.

There is one particular difficulty with this, which is the Irish attitude. The Taoiseach made plain to the Prime Minister when they spoke on the telephone on Friday that he wanted an independent inquiry. Otherwise it would be better for us to say nothing. I understand that the DFA in Dublin were taking the line today with our Embassy that it would be better to say nothing. When I spoke to Paddy Teahon this evening about the meeting with Sinn Fein, he again raised Bloody Sunday, and made clear that the Taoiseach very much hoped that the Prime Minister would respond to his plea for an independent inquiry. The Taoiseach believed that he had gone out on a limb to help the Prime Minister over the Heads of Agreement document and deserved help in return. He also believed that the announcement of an inquiry would help the situation in Northern Ireland, which looked increasingly dangerous.

I explored in a gentle way with Teahon the likely Irish reaction if we made a statement which took the new evidence seriously, but fell short of an independent inquiry. Teahon said that he had discussed this with the Taoiseach. The Taoiseach's view was very clear. An independent inquiry was what he wanted and thought was needed. Anything short of this was likely to be seen as a fudge and a ruse.

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The Irish clearly do not know in detail what we have in mind, but we will need to look at this further before we finally go ahead.

I am copying this letter to John Grant (Foreign and Commonwealth Office), Tom McKane (Ministry of Defence), David Seymour (Attorney General's Office), Jan Polley (Cabinet Office), Sir Christopher Meyer (Washington) and Veronica Sutherland (Dublin), both by fax.

Maie parties including UUP have now more or less accepted Un ee

JOHN HOLMES

Northern Ireland Office cycle must be stopped. Condemn utterly all sectarian killing

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