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1202.**From:** John Holmes
Date: 18 February 1998**PRIME MINISTER****cc:** Jonathan Powell
Alastair Campbell
Philip Barton**SINN FEIN**

I had a worrying phone-call from Teahon late tonight. He said that the Taoiseach was going to insist on 2 March as the date for Sinn Fein to return to the talks. The Taoiseach was upset and depressed by the turn of events. The Irish believed that it was now clear that the Dougan killing had been carried out by part of the IRA trying to take the movement back to violence, rather than being authorised by the leadership. Teahon also made an enigmatic reference to our sources, which he would not explain and which I did not understand, but the implication of which was that we had been conned.

Teahon continued that the Taoiseach was clear that the action to be taken against Sinn Fein now had to be done quickly, with the aim of a rapid soft landing. The legal messing about should not hold this up. However, Ahern believed that the IRA was now likely to change irrevocably for the worse, and that Sinn Fein were unlikely in practice to be back in the talks. Adams had made an emotional speech to the talks participants this evening, suggesting that he would not be back. The Taoiseach also feared civil unrest in Northern Ireland, stirred up by Sinn Fein but also reflecting genuine nationalist anger about what was happening.

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Teahon added that Ahern faced a very difficult period politically. Many of his own party were not at all happy about the action he was proposing to take against Sinn Fein.

I have discussed with Mo. She confirmed this picture. The Irish, under pressure from nationalist opinion in both South and North, had gone wobbly again, insisting on a 2 March return date and impossibly weak language in the decision document. She had told them 2 March was not possible, but felt that you now had to talk to Ahern. She suggested "first half of March" language in public, and thought the Irish would settle for 9 March in the end (we could present as some 3 weeks.)

Mo is clear that we must take the action tomorrow. She and Andrews would brief Sinn Fein privately in Belfast, and then announce it and fight for it publicly. She thought you would have to talk to Trimble too.

Mo confirmed that nationalist opinion in the North was up in arms and that there was a danger of street action. She also said that Sinn Fein's propaganda had made several of the talks parties very wobbly, particularly the SDLP.

More widely Mo is more than ever concerned that we now have to go hard for a settlement and a 1 May date for a referendum – turning the present threat into an opportunity.

We should discuss this first thing tomorrow. Sinn Fein absence of 2½ weeks from the talks will be very hard for us to defend, and the UUP to live with. But there was no doubting the resolve in Teahon's tone this evening.

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To complete the gloom, I attach an intelligence report about the UDA and retaliation for Dougan's killing. If this turns out to be true, we would have to keep the UDP out, possibly for a long time. Mo is sceptical. But a body has been found tonight in a farmhouse -circumstances entirely unclear.



JOHN HOLMES

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