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FROM: **BILL JEFFREY**  
**POLITICAL DIRECTOR**  
**18 DECEMBER 1998**

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MR WARNER  
MR FERGUSON, FCO  
DAME VERONICA SUTHERLAND,  
DUBLIN

*Notes*  
*on*  
*23/12*

PS/SECRETARY OF STATE

**YESTERDAY'S AND THIS MORNING'S EVENTS  
AT PARLIAMENT BUILDINGS**

I am not aware of every twist and turn of the events which led to this morning's agreement. David Hill is producing a note of the most significant meeting, and there will no doubt be letters from No10 recording the main conversations to which they were party. But much of the business was conducted in small meetings and through shuttle diplomacy, and it may be worth recording my recollection of it, while it is reasonably fresh in my mind.

2. The overnight position on which we started was as follows. The Prime Minister had spoken to the Taoiseach on Wednesday evening. Ahern had made it clear that he could agree to the suggestion that the establishment of an implementation body on EU programmes be deferred only if a firm date for the

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introduction of such a body was set. The Prime Minister had put this to David Trimble, who had sucked his teeth, but had not ruled it out altogether, and had said that he would need to consult his colleagues. I agreed with John Holmes on Wednesday evening that Trimble was unlikely to be willing or able to agree to any approach to EU programmes which guaranteed the creation of the body, eg through the passage of prior legislation, and that we should try to put together a text which squared that circle.

3. Early yesterday morning, David Hill and I met Irish officials. We showed them an EU programmes text, the key sentence of which was on lines suggested by John Holmes, that there was agreement that it was likely that a body to implement the post-1999 EU Initiatives would be appropriate, and that it was envisaged that this should be introduced by June 2000. The Irish obviously regarded this as too thin, and offered a text of their own, which in effect created a firm political commitment to introduce a body as soon as the new Initiatives were implemented.

4. In the event, this was overtaken by a discussion between the Taoiseach and David Trimble (on the latter's return to Northern Ireland around 10.00am) in which Trimble, following an earlier one-to-one exchange with Reg Empey, had said that there was no way he could accept the idea of a deferred body on EU programmes. It would amount to a commitment to a seventh body, and could not be agreed with his Assembly party. Instead, Trimble reverted to his suggestion of a publicly owned company to implement overseas tourism promotion.

5. Jonathan Powell then spoke to Trimble in mid-morning, and encouraged him to think again. It would be possible to draft text in such a way as to deflect the accusation that the UUP had, in effect, conceded a seventh body. I would provide him with a possible form of words.

6. After a meeting between Trimble and Mallon which does not seem to have led to significant progress, Mr Murphy, David Hill and I met Trimble and Empey later in the morning. Trimble started by saying that he could not understand why

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the Irish were unwilling to accept his idea of a tourism company. It delivered the essence of what they and the SDLP wanted. Mr Murphy asked why he thought it would be easier to sell to his Assembly colleagues than a deferred EU programmes body. Trimble said that, because it build on an existing body (Overseas Tourism and Marketing Initiative) it would be possible for him to say that it constituted co-operation of the kind mentioned in paragraph 9(i) of the Strand 2 part of the agreement. It would not be a new implementation body, and it would be important that the SDLP and others did not claim it as such. Prompted by me, he read our EU programmes text, the key passage of which was to the effect that there was agreement that it was "likely to be to mutual advantage" to form a body on these lines, and that the two administrations would co-operate in drawing up and agreeing possible functions. Trimble and Empey rejected this out of hand. It effectively created a commitment which they were unwilling to make, and was completely unacceptable. After some further discussion, we agreed that we would explore further with the Irish their reasons for being opposed to Trimble's compromise proposal on tourism promotion, and get back to him.

7. In the light of this, and of a discussion which Jonathan Powell had had in the meantime with John Taylor, who was also immovable on EU programmes, we concluded that there was no prospect of getting the UUP to accept the EU programmes idea. It might be better to press the Irish on tourism. Some members of the Irish team were known to think that it was, in any event, the best way through, but Teahon and Gallagher had so far been strongly opposed. Teahon had told me on the previous day that it was politically very difficult for them, not only because it would involve letting Mallon down, but because it involved a form of privatisation to which the Dublin government were opposed. Despite these earlier misgivings, Dermot Gallagher was, however, now much more receptive, and seemed to have come round to the view that the tourism option was the least bad outcome from the Irish standpoint. After a brief discussion, both sides worked on text designed to give Trimble the cover he sought, while meeting the SDLP's concerns by including a reference to the strategic policy under which the company

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would operate being set by the two administrations through the North/South Ministerial Council.

8. I reported the position to Jonathan Powell. He consulted the Prime Minister, who agreed that the tourism proposal now seemed the best runner. The Prime Minister spoke to the Taoiseach early in the afternoon. Ahern was either not up with the plot, or had been briefed only by Paddy Teahon, who had always been the most sceptical of Irish officials about the tourism wheeze, and had not been involved in our key conversation with Gallagher and others. He (the Taoiseach) told the Prime Minister that he remained strongly opposed to a private tourism promotion company. He would prefer to drop the EU programmes body altogether, and adopt stronger language than had so far been contemplated on subsequent North/South developments beyond the first round. This seemed, for a while, to hold out the prospect of a deal, but when we spoke to Teahon shortly afterwards it became clear that, having been debriefed by the Taoiseach after his conversation with the Prime Minister, he had a much more robust impression of what Ahern had in mind on text for the future. He was looking at language to the effect that it was agreed that within the next two years some of the areas currently identified for co-operation would be translated into implementation bodies. I said that I did not see anything as strong as this being remotely saleable to the Unionists, and checked with Jonathan Powell that it was, in any event, well beyond anything the Taoiseach had actually said to the Prime Minister.

9. In our next meeting with the Irish, it became clear that they too had checked back, and had, in the meantime, concluded that it would, after all, be better to swallow Trimble's tourism option, and that the real choice was between that and a relatively weak form of words about the future. They made this case to the Taoiseach who accepted it. In exchange for agreement on a tourism company, he would, however, expect all the other aspects of the deal, including text on Departments and on agreed implementation bodies, to fall into place without difficulty.

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10. Despite earlier efforts by Jonathan Powell to discourage him, Trimble had by this time gone off to Bannbridge to participate in the visit by Andrew McKay. Jonathan Powell tracked him down on his mobile, and explained that it seemed possible that the Irish would after all be ready to consider a private tourism company, and the condition about other aspects of the deal falling into place easily. Jonathan urged him, on the Prime Minister's behalf, to accept this offer, and not to raise too many drafting difficulties on the text.

11. By this time, between 3.00pm and 4.00pm, Mallon had gone home in ill humour, to prepare for his admission to hospital this morning, but the Irish had agreed with him that, if progress could be made, they could consult him at home later in the day, and that he was in principle ready to reach agreement if the terms were right.

12. While some of the events described above were taking place, Mr Murphy met the SDLP, and briefed Sinn Fein and the Women's Coalition. He and I then had a further meeting with Trimble, after Trimble's return from Bannbridge shortly after 4.00pm. We handed over the proposed Irish text on tourism, having been told by Paddy Teahon that it had been cleared in terms with the Taoiseach, and that they would not welcome changes by us to make it more Unionist friendly. Trimble and Empey worked through the text while we were there. Their main concern was that it envisaged Ministers, through the North/South Ministerial Council and in consultation with the company's board, agreeing the overall strategic objectives of the company and its support and financial accountability arrangements. Trimble said that this was wrong in law. A private company could only be directed by its directors. I said that I thought that what was envisaged was that the strategic policy under which the company would operate would be agreed by Ministers, through discussion in the NSMC and embodied in the company's articles of association or the contract under which it would operate. Trimble said that he thought this would be all right, but was unhappy with the draft as it stood. We also asked whether, if tourism could be agreed, we could assume that everything else could be settled easily. Trimble said that his people had assured him that agreement should not be

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too difficult to reach on Departments (see below!). He had little quibble with the Irish compromise text an areas of co-operation. On the implementation bodies text, he had a few points, mainly on EU programmes (which he explained to us), but the whole thing should be capable of being worked through in a half hour meeting. We suggested that the best approach might be an early meeting with the Irish, at which Trimble said he would be happy for us to be present.

13. Before that meeting, the Prime Minister spoke to Trimble to encourage him to do a deal, in a conversation with Jonathan Powell has recorded.

14. This meeting took place at about 5.45pm, and David Hill is recording it separately. Dermot Gallagher left after the first ten minutes or so to travel to Markethill, to take Mallon through the outstanding issues on the basis of text which would be faxed to him for the purpose. The meeting was businesslike, with Trimble evidently keen to settle, on one or two occasions over-ruling points of difficulty raised by Empey and Taylor, who was by this time on the scene. They offered alternative tourism text, to which the Irish offered, and Trimble accepted, a number of amendments. The text on co-operation areas was agreed easily. After a slightly longer discussion, the "Downing Street" text on implementation bodies was also agreed. At the end of the meeting, there was a brief and somewhat inconclusive discussion of Departments. Trimble seemed ready to leave things on the basis that there was agreement that there would be 10 Departments, with discussions continuing on the precise functions of each. But Taylor argued that it would be safer to tie everything down. Afterwards, Paddy Teahon told me that he thought it possible that Mallon would have difficulties if the Departments were not settled in detail. Since the crucial outstanding issue was the functions of the central strategic budget unit, it would be helpful if a paper could be offered to Trimble and the SDLP on this point. If an agreement could be reached, it was likely that Mallon could be persuaded to accept most of the UUP proposals on the Departments themselves.

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15. Tony McCusker, David Hill and, latterly, John Semple set to producing a text on what was in due course agreed as the Economic Policy Unit. In the meantime, I briefed Martin McGuinness on the emerging deal.

16. Shortly after 7.00pm, Trimble took the emerging deal on North/South to a meeting of his Assembly colleagues, who had convened during the afternoon and to whom he had been giving hourly updates. Dermot Gallagher took Seamus Mallon through the text, in a discussion at his home, which Dermot subsequently told me had initially been sticky, but which had improved after a telephone call from the Taoiseach.

17. By mid to late evening, it became clear that the North/South aspects were substantially agreed. Mallon had signalled his concurrence and the meeting of UUP Assembly members, which had adjourned pending further consultations on Departments, was said to have gone well. Mr Murphy and John Semple had a series of meetings with Trimble and his colleagues and with the SDLP, about successive drafts of a paper on the Economic Policy Unit. In parallel, Mallon and Trimble had authorised discussions between UUP and SDLP nominees (with McGrady and Durkin leading for the SDLP) on the other departmental issues. We learned that Durkin was making very heavy weather of these discussions, and Mr Murphy and I called on him, McGrady and Farren around 10 o'clock. We encouraged him not to allow the best to be the enemy of the good, a message which was reinforced by Dermot Gallagher. It ought to be enough to settle the titles of the new Departments, and not get bogged down in details of their functions. Durkin took the force of this, but argued that this might be the SDLP's only opportunity to settle details which would be important in the longer run. Relatively little time had so far been allowed for discussions of departmental structures.

18. At one point, around 10.30pm, there was a suggestion from the UUP ranks (possibly Taylor) that, in view of the ground that still had to be covered on the Departments, Assembly members could be sent home and discussions resumed in the morning. I spoke to John Holmes, and, with his agreement and Mr Murphy's

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encouragement, told David Lavery to get a message to Trimble (who was by then back with his Assembly members) that the Prime Minister was extremely anxious to settle that night, and would be very disappointed if the discussions were not conclusive. Jonathan Powell subsequently rang Trimble personally to reinforce this message.

19. By shortly after 1 o'clock, the description of the functions of the Economic Policy Unit and most of the detail on Departments had been agreed. A single, apparently minor issue, of the kind which traditionally surfaces at the last moment and was in this case to occupy the next two and half hours, was the question of whether responsibility for tourism should rest with the Enterprise, Trade and Investment Department (as the UUP favoured), or with Culture, Arts and Leisure Department (as the SDLP favoured). There was some high politics in this, because the SDLP were fearful that a UUP Minister in charge of the Enterprise, Trade and Investment Department would be able to go slow on two significant areas of North/South development (Trade and Tourism), while the UUP did not want tourism in a Department which could well end up with a Sinn Fein Minister. From the SDLP standpoint, the presenting argument was that the Culture Department was too light as currently constituted, and the Enterprise, Trade and Investment Department too weighty.

20. Trimble came to see me about 1.20am and said that he was completely unwilling to move on this, and it was essential that we told the SDLP that they would have to settle. I discussed the matter with Teahon, and we developed the suggestion that honour could be satisfied on both sides if tourism was placed in the Environmental Protection and Natural Resources Department, which already contained some related matters such as Inland Waterways and Wildlife Protection. Trimble turned this down flat. He offered instead to meet the SDLP concern about the Culture Department being light by adding Language, Heritage and perhaps the Public Record Office. The SDLP refused this at around 2.30am. Paddy Teahon then offered the suggestion that assurance could be given to both sides if there was a political understanding that there would be a junior Minister responsible for tourism



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of whichever of the two main parties did not take the Enterprise, Trade and Investment portfolio. I put this idea to Trimble. He seemed for a moment interested, but said that he had not had it in mind to appoint more than two junior Ministers at the centre and there would be difficulties about the basis for appointment.

21. At about 3.00am, the SDLP formally proposed to Trimble a variant of this, under which it would be understood that both the Finance and the Enterprise, Trade and Investment Departments would have junior Ministers (on the assumption that one would go to the UUP and the other to the SDLP) with the junior Ministers from a different party from their chiefs. After consulting his colleagues, Trimble turned this down also.

22. About 3.30am Trimble told me that he had one other proposal which he hoped would break the deadlock. This was to remove responsibility for Health and Safety from the Enterprise, Trade and Investment Department, in addition to the changes to the Culture Department which he had already proposed. If the SDLP did not accept this, it meant that they were not serious. He would speak to McGrady in a few minutes, and if they could not do a deal on this basis suggest to him that the two of them give a low key press conference explaining that much progress had been made, but that there was one issue which was proving a sticking point on which it would be necessary to resume the following morning. He would ensure that there was a soft landing. I said that I was sure that, with agreement so close, Ministers would be extremely disappointed if it was not possible to push on and settle the matter that night. I was reluctant to do so at that time of night, but would feel bound to consult the Prime Minister if there was any question of withdrawing at that stage. I then had an urgent discussion with Gallagher and Teahon, who agreed that it would be ludicrous to fail on this point and extremely dangerous to hold things over until today. They agreed to persuade the SDLP not to die in the ditch on the matter, and after a brief discussion, McGrady came back with a more limited proposal, under which Inland Waterways and Inland Fisheries would be transferred to the Culture Department.

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23. Trimble took this proposal to his Assembly members (who had been waiting throughout, with occasional updates from senior colleagues), and with a slight modification - essentially the withdrawal of his earlier offer on Heritage - the deal was done at about 3.50am.

24. Lavery and Larkin had throughout been consulting on a draft statement which would accompany the agreed documents, on which we and the Irish had had an opportunity to comment. At about 4.00am Trimble and McGrady took a press conference, at the beginning of which Trimble read out most of the statement and announced that agreement had been reached.

*(Signed)*

**BILL JEFFREY**