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cc Private; PMG; Rel Dev; Mr. Taylor; Mr. Dalton; Mr. Abbott; Counsellor A1; P.S. Donnelan

7 January 1999

Mr. Dermot Gallagher
Second Secretary
Anglo-Irish Division
Department of Foreign Affairs

SH. DSA Taoiseach 8-1-99

Dear Secretary,

Conversation with Jonathan Powell, Chief of Staff to the Prime Minister

Jonathan Powell, whom I have known for a number of years, suggested we meet for lunch today. The two main issues on his mind were decommissioning and Drumcree. I summarise our discussion below.

Decommissioning and the Good Friday Agreement

I found Powell relatively sanguine about the prospects for political progress. His reading of events before Christmas is that Trimble wanted an agreement all along. Downing Street found that whenever there was a risk of a complete breakdown in negotiations, the UUP backed off its positions.

Powell insisted that the issue now is decommissioning. The British reading is that the IRA meeting at the end of 1998 gave the leadership some room for manoeuvre. Trimble needs decommissioning. The issue is when the Republican movement can deliver. All that is needed is a "gesture". There seems to be no other way forward.

I drew attention to Seamus Mallon's reading of the Agreement. But accepting as an hypothesis that a start to decommissioning and the establishment of the

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institutions are directly linked, I pointed to the likely fears on the Republican side that any "gesture" will be considered insufficient and that the Unionists will retain a veto on the establishment of the Executive.

Powell said that these fears are genuine and that a "choreography" could be devised to reassure the IRA. We could work towards a position in which the establishment of the Executive will be triggered by the Secretary of State. It might be possible for the "gesture" to happen after the establishment of the Executive, but in the light of assurances to which Trimble could refer in public.

Powell said that he has been approached by Unionists over the interview in Poblacht. I responded that the interview should be understood in a political sense, as a demand for inclusiveness and for moving towards Sinn Fein participation in the Executive.

A further round table and the meeting of the Assembly of 18 January

We discussed (a) prospects for a round table meeting to ratify the North-South agreement and (b) procedural issues relating to the meeting of the Assembly on 18 January. Powell admitted that he was not briefed in detail on the options for 18 January. He was aware of our interest in a round table and was confident that the Prime Minister would try to encourage David Trimble to accept it.

Drumcree

In the course of a lengthy discussion on Drumcree, Powell indicated that a solution should be sought in the basis of the following elements:

* an end to heavy intimidation of the residents, although Harold Gracey's caravan should stay at the church

* agreement by the residents that the 1998 march should be completed in some form

* agreement by the residents that there should be a march in July 1999 and for a further period of five or ten years

* restrictions on the 1999 and subsequent marches; it could be stipulated, for

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example, that only local Orangemen should take part and that, say, half would go to Drumcree and half to another church, leaving about five hundred participants in the march

- the establishment of a civic forum and of new forms of economic assistance for Portadown

- a face to face meeting between the two sides to agree the deal.

Powell indicated that his only interest is in securing an agreement between the two sides. As to what the agreement might be, he "couldn't give a toss", as long as Gracey and others are seen to pay some price for violence against the RUC. That price would take the form of formal restrictions on the shape of future parades. Powell suggested (I avoided signalling a response) that the Irish government's position should be the same.

Powell expressed the belief that at the meeting before Christmas, the residents were on the verge of accepting two marches in 1999, both the completion of 1998 and the traditional march under certain restrictions. Powell also believes that the residents have virtually conceded that a set number of future marches can be guaranteed.

I gently queries these conclusions. Powell reverted quite strongly to what he sees as the understanding on a five to ten year guarantee. He was less certain about the scenario for two marches this year.

Powell suggested that the negotiating position of the residents is weakening. Now that contacts have taken place, the Parades Commission may find against the residents this year. How would MacCionnaith look if a parade took place and there was no civic forum and no new money? Powell also suggested that if Sinn Fein intend to resolve the impasse on decommissioning they may want to resolve Drumcree as well. Finally, Powell argued that if the goal of the residents was to "break the cycle" and test RUC resolve, they have already achieved these goals. It was Powell's assessment at the Nutts Corner meeting that MacCionnaith was anxious to postpone agreement until the New Year and for that reason did not reveal at the time the full extent of his flexibility.

I drew attention to this week's editorials in the Belfast Telegraph, to the evidence that the Portadown Orangemen are not receiving strong support from outside the area, and to the obvious interest of the business community in an early

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accommodation. Powell did not disagree with these observations. He added, however, that he is less hopeful of the negotiating stance of the Orange Order than of that of the residents. David Trimble has indicated to Powell that William McCrae intends to stand in the constituency. McCrae and his supporters may have an interest in a continuing confrontation.

As to procedure, Powell said that he has written to the Northern Ireland Office suggesting that Minister of State Adam Ingram resume his mediation efforts next week, as of Monday. Downing Street is tentatively setting the end of February as a target date for an agreement. The way to proceed will be to take extensive soundings and then float an agreed package with each of the two sides. For the residents, the best channel might be Peter Quinn and ourselves. For the Orange Order, Powell would hope to make use of Denis Watson, William Bingham, and Jeffrey Donaldson. The experience at Nutts Corner suggests that the Orange Order do not function well in a formal negotiating structure.

An option in the concluding phase would be for the DUP Mayor of Portadown to convene a meeting of local representatives, who as it happens include MacCionnaith and Trimble. There may also be a personal role for Tony Blair. It is clear that in the right circumstances people like Watson are ready for a face-to-face meeting with MacCionnaith.

I asked Powell about ideas for a commission on cultural traditions. Powell said that the idea comes from David McNarry, an Orange hardliner who in the British view needs to be approached with care. McNarry has sought to imply (Powell said) that the idea for such a commission comes from Downing Street. This is not true. Powell does not see any use for McNarry's proposal.

Powell confirmed that despite Mr. Trimble's recent statement, the British government supports the work of the Parades Commission and is not willing to "trade" the Commission for political reasons.

In the light of my prior conversations with Eamonn McKee and yourself, I suggested to Powell that it might be useful for London and Dublin to get together in the near future to define more closely the likely outcome of the round of consultations on which Minister Ingram is about to embark. Powell replied that he would be very happy to meet us (he mentioned Mr. McKee in particular) in Downing Street to discuss these matters in detail. Alternatively, we could arrange a meeting in the North with David Watkins and Stephen Leach. Or we could do both.

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John Holmes' replacement

Powell said that John Holmes will be replaced within a few days by John Sawers, who has been serving in the British Embassy in Washington. Technically, the new Principal Private Secretary will be the Treasury official Jeremy Heywood, and John Sawers will be the Foreign Office Private Secretary. But Sawers will sit with Powell in the Prime Minister's outer office and will take over all of John Holmes's functions except that the Treasury man Heywood will now have a role in preparing meetings of the G7.

The state of British politics

Powell initiated a discussion on the state of British politics. The following are the main points that Powell made:

- the events of end-1998 have damaged the Labour government to a greater extent than opinion polling so far suggests

- Mandelson had to go. Were it not for "bombing Iraq" (as Powell put it), it is likely that Mandelson would have been asked to resign on 17th December and would not have stayed on until the 23rd

- on Iraq, Powell was dismayed at the media reaction and at "troubled feelings" within the Labour Party. The "general public" do not seem to have objected as the media have done. Britain is not opposed to offering "light at the end of the tunnel" to Iraq on sanctions. But it is not clear that even then Saddam Hussein would get rid of his weapons of mass destruction (**comment**: I took this as an indication that the sanctions policy is led by the United States)

- Powell broadened the discussion to cover the general issue of when it might be right to use force. His personal standpoint is that the two most important factors in international politics at the outset of the twenty-first century are the agreement in Rome on an international criminal court - seen against the background of the Pinochet decision ("although things could change there"), and the willingness of the United State to use force. How can the containment of states like North Korea be credible unless it is clear that the Americans will act? But the US cannot be beholden to China and Russia and France. If so, neither Milosevic nor Saddam would believe there was

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a threat. (I expressed misgivings about the Americans acting alone and mentioned the value of a political approach in the Middle East.)

- Powell said that conditions in the world economy will produce a downturn in Britain in 1999. Jobs will be lost. Labour will need to persuade the public that it has done better than any other government would have done in similar circumstances

- from March on there will be a significant intensification on the debate on the Euro

- Labour will not do well in the elections set for this year: it will lose many seats in the local elections in May, it will lose further seats in the European elections because of the switch to PR, it will do less well than expected in Wales, and things will be "tight" in Scotland

- nothing dramatic will happen in the relationship with the Lib Dems for the time being, although a Labour-Lib Dem discussion on the CFSP of the Lib Dems will begin next week. Ashdown is under pressure to step down as leader. Charles Kennedy is the front runner to succeed. (Powell implied, I thought, that in due course the Blair government hopes to impart momentum again to the Labour-Lib Dem agenda.)

- on the defence issue in the European Union, things will move slowly and Britain will not be looking for treaty changes in the near future. The immediate focus is on the NATO summit in March

- Powell said that David Hannay would be an excellent deputy to "Mr. CFSP". If, however, it appears that a political figure will be chosen, the British may intervene at a late stage with a political candidate of their own for Mr. CFSP. Recent media speculation about Chris Patten did not come from an official source (the implication was that Patten is unlikely to be the nominee)

- ultimately, the fate of the Labour government may depend on whether the voters detect palpable improvements in schools and hospitals. In this respect the flu epidemic is an unexpected blow. It may turn out that education reform will come to rank alongside subjects like Ireland and Iraq as a major issue for the Labour government over the coming months.

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Prime Minister and the Taoiseach

Powell underlined the importance attached by the Prime Minister to his relationship with the Taoiseach. It is a relationship of trust that historians will recognise as having being crucial to the success of the peace process.

Yours sincerely,

Philip McDonagh

Philip McDonagh
Counsellor

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