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Mr Burns
 Mr Atkinson - M
 Mr Thomas
 Mr Wood (18) - M
 Mr Blackwell
 From the Private Secretary
 Mr J McConnell - M
 Mr Danwell - M Mr Spence - M

10 DOWNING STREET
 LONDON SW1A 2AA

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 22 May 1990
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Dear Stephen

(3) Mr Lead
 (4) Scot S to see ✓ PD 23/4

PRIME MINISTER'S BILATERAL WITH THE NORTHERN IRELAND SECRETARY

The Prime Minister had a talk with the Northern Ireland Secretary this evening before his meeting with Unionist leaders.

The Northern Ireland Secretary said the main purpose of the meeting was to explain the position reached in relation to three "pre-conditions" set by the Unionists for negotiations about devolved government for Northern Ireland. He had agreed with the Irish Government that the outcome of such negotiations could be a decision to replace, or transcend, the Anglo-Irish Agreement with something different. The Irish had also agreed there could be a pause in the work of the Anglo-Irish Intergovernmental Council. These points ought to go a considerable way to satisfying the first two of the Unionists' pre-conditions. There was nothing we could really do about the third, namely, suspension of the Secretariat. He thought it quite possible that the Unionists leaders would decline to continue talks about political development in the absence of satisfaction on this third point. In any event, he did not intend to get into substance in the forthcoming meeting but would report the outcome to the Prime Minister and then make recommendations about the way ahead.

The Prime Minister said that the Upper Bann by-election result had been a blow. The Unionists were likely to draw the conclusion that they had nothing to fear from the Conservative Party in Northern Ireland. This would make them more difficult and demanding, and decreased the likelihood that they would ever again take the Conservative Whip. The Northern Ireland Secretary said that he would not necessarily draw such clear-cut conclusions. The Conservative organisation in Upper Bann had been very weak and they could probably present more of a challenge for the Unionists in other constituencies. Anyway, as the Prime Minister had said that afternoon in the House, there was no way we could prevent Conservatives from standing in Northern Ireland constituencies if they so wished.

Yours sincerely,

 (C. D. POWELL)

Stephen Leach, Esq.,
 Northern Ireland Office.