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**PRIME MINISTER'S SPEECH AT THE LORD MAYOR'S BANQUET: 15
NOVEMBER**

Thank you for your letter of 9 November.

I enclose, as requested, a draft passage for inclusion in the Prime Minister's speech. (15 November is, incidentally, the eight anniversary of the signing of the Anglo-Irish Agreement.)

As you say, the Northern Ireland parties are not, collectively, ready for roundtable Talks. Mr Hume professes that the SDLP are ready to participate now but the other parties take the view that it would be a mistake to return to roundtable Talks unless it is clear that they stand a reasonable chance of success. They are also looking for greater clarity on the Irish Government's willingness to amend Articles 2 and 3, and none will be prepared to sit down with Mr Hume under the shadow of his talks with Gerry Adams, currently suspended but not brought to an end. Instead, all the parties (other than the DUP) are prepared to continue with Michael Ancram's bilateral discussions which have made considerable progress since they began in September.

For the immediate future, activity will therefore focus on two fronts.

First, we will be looking at ways of carrying forward the constructive bilateral dialogue with the UUP, SDLP, and Alliance. It is clear that the UDUP will not join in any form of discussions about talks at present, but we will keep the door open to them by offering further dialogue on their own 'Breaking the Logjam' paper.

Michael Ancram is completing his round of exploratory discussions with the parties today with a meeting with the UUP. Once we know the outcome of that, we shall decide whether we can move to more direct negotiation with the parties. The aim would be, through bilateral negotiations, to move the parties closer to common positions and to the stage where they are ready for the multi-lateral talks which, in our judgement, remain the essential final step towards an overall settlement. But this process will be delicate. The Irish Government (and therefore the SDLP) will be wary that we might be developing a separate process away from the three-stranded approach.

All the parties have said that knowing the positions of the two Governments - and in particular the Irish Government's position on Articles 2 and 3 and on North/South institutions - is critical to further progress.

The second focus of activity is therefore with the Irish Government.

The Prime Minister's joint statement with the Taoiseach reaffirmed the two Governments' joint commitment to the Talks process and added urgency to the search for a basis for new Talks. From our point of view it was particularly significant in that the Irish Government agreed to intensify their discussions with us on a framework document, relevant to constitutional issues, which, if it could be agreed, might provide the foundation for a joint statement which would ease the parties back into Talks.

Despite the Irish Government's ostensible commitment to greater urgency this has still not been apparent in our subsequent dealings with them. We gave them a draft framework document on 24 September. Although the official level Liaison Group met subsequently on three occasions, the Irish side have not yet given specific comments or their promised alternative draft. There are some signs that it is linked in their minds with progress on the Taoiseach's "peace process", with which he had said publicly he is "obsessed".

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Moreover, at the Fianna Fail Conference last weekend, and in subsequent interviews, the Taoiseach has started to draw a distinction between the search for the peace and the need for new Talks. At the Conference he said that:

"Peace cannot wait for a political settlement. It is needed now..... While our first priority is to establish peace, which I see as a distinct but separate process, I also believe the Talks process must be resumed immediately".

These statements, which have every appearance of being intended to give comfort to Mr Hume, have caused consternation in the unionist community and rekindled suspicions that, despite the Prime Minister's and Taoiseach's joint rejection of the Hume/Adams talks, the two Governments are leaving the door open to Sinn Fein. This again complicates our efforts to bring about new Talks but to proceed without the Irish Government would bring about the collapse of the whole process.

A copy goes to John Sawers and Melanie Leach.

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