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CONFIDENTIAL - BY COURIER SERVICE

15 April 1987

Dear Assistant Secretary

PSS
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Box.

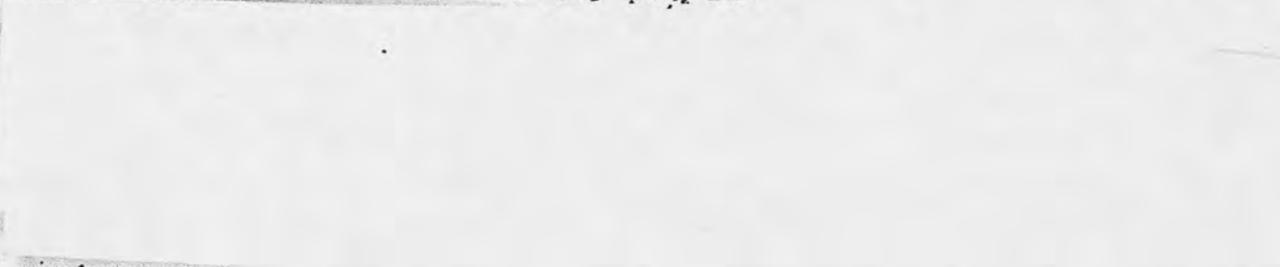
Lunch with the Rt Hon Merlyn Rees, M.P.

1. Rees thought that the IPU meetings in London last week were an important success and he wants to see those contacts developed. He believes that this exercise has done a great deal to recapture positive interest at Westminster in Anglo-Irish relations, and has at the same time further isolated the Unionists.
2. Rees believes that the Conservatives will win the next general election with a majority of perhaps 80 seats. He thinks that this will not have implications for Kinnock's leadership but that a split within the PLP is not inconceivable: the left of the Party may be uncontrollable and the new Labour M.P.s thrown up by the 40 or so seats that they may gain may add to the pressure on PLP policy that could split the Party.
3. David Owen and David Steel have no sense of the Irish question. Therefore, Alliance participation in Government while they lead the Alliance could spell danger for Dublin's policies: they would both in his view do business with the Unionists. This, however, is extremely unlikely: Rees sees the Alliance doing much less well in terms of seats than present opinion polls might lead observers who cannot easily understand in detail how polls translate into seats to conclude,

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4. If, contrary to his expectations, Labour were to form the next Government, he said (in confidence) he has been asked already to join that Government. He intends, however, in responding positively, to decline a ministerial post in the Cabinet ("I am now 66 and I've done all that") but would consider Lord Privy Seal or something like that.
5. He believes that Peter Archer would be the Secretary of State for Northern Ireland and that, although Archer is weak, vacillatory and basically not the man for the job, nevertheless he is a decent man and that counts for something. On Stuart Bell, he believes that he is uncontrollable and dangerous; and that Bell may well not be given what he most wants, a Minister of State post in a Labour administration, in Northern Ireland or elsewhere.
6. Rees then moved the conversation in another direction. He said there are certain things which he felt he would want us to know.
7. He is, he said, developing a case regarding maverick elements in both M15 and M16 which he intends to "break" when he is ready. There are issues involved which he "will not let go of". The larger part of this matter need not concern us (the Irish) but there are Irish elements which are inextricably bound up in the overall issue, both in terms of substance and of the principal people involved.
8. The issues are situated time-wise in his period as Northern Ireland Secretary (1974-September 1976) and Home Secretary (September 1976-May 1979). His present pre-occupation with them arises from the "can of worms" that is presently being prised open by figures such as Wright, (the Australian law case), Fred Holroyd and Colin Wallace. All three were, said Rees, involved in Irish matters: he assumed fully that we knew about Holroyd and Wallace, but he said that Wright too was "active on Ireland".

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9. While he was in both Ministerial posts, he said, there was a great deal going on that he was simply not told about. M16 and, subsequently, M15 were involved in activities which are now coming to the surface. There is no doubt in his mind that there were efforts to seriously discredit political figures both in Britain and Ireland and in effect to establish a right wing Government in Britain which would hammer terrorism be it IRA or loyalist. He said that there were efforts to discredit publicly and politically the reputation of Labour Party politicians and other British politicians, and also political figures in the Republic.
 10. He then said that at the centre of all this was Colin Wallace, a serving UDR member, a "hard northerner", who worked as head of registry at the British military information centre in Lisburn. He said Wallace hated Catholics and hated "the South". Ostensibly his job was to feed the media with appropriate information about Army activities in Northern Ireland. Rees said that Wallace however was "across the corridor" from the M16 people and, after them (when M16 involvement was replaced by M15) from M15 personnel.
 11. Rees said that the M16 people had been "out of control" and that, when he himself began to learn something of what was going on, M16 was pulled out and M15 put in.
 12. 
 13. He said that much of the substance of what Wallace and Holroyd want to say is based on real facts but that "their conclusions are mad". Nevertheless, he believes that they can make the conclusions look very convincing.
 14. He said that one area of allegation that is sure to surface is to do with cross-border security co-operation. He did not seem to want to develop on this, and on this, as on the rest of his conversation, I did not probe or encourage him.

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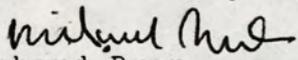
Rees clearly gave the impression that

- what is bubbling now just below the surface has wide implications and also has implications which would be of concern to the Irish authorities;
- that those matters which may arise and which would be of concern to the Irish authorities will probably surface in the context of wider matters with implications for a number of successive British Governments.

16. Rees very much developed the foregoing gratuitously and very much gave the sense of someone who is bubbling over with a personal obsession. I listened politely to him but was not in a position to respond to him.

17. Finally, his obsessive interest in the Holroyd/Wallace matter, and his anxiety to talk about it, may be illustrated by the fact that before lunch we ran into Peter Jenkins of the Independent and Rees talked to him about it. I was during their conversation approached by Lord McAlpine, the Conservative Party Treasurer, and talked to him; but I heard Jenkins making an appointment with Rees in order to develop the matter further.

Yours sincerely


Richard Ryan
Chargé d'Affaires a.i.