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 Mr Barry - M  
 Mr Burns  
 Mr Chesterton  
 Mr Innes - M  
 Mr Gilliland - M  
 Mr Bell  
 Mr Kirk  
 Mr Blackwell - M  
 Mr McConnell - M  
 Mr S Hewitt - M

*2 Mr Spence*

(15)

SECRETARY OF STATE'S MEETING WITH MR LILLIS ON 11 FEBRUARY

The Secretary of State met Mr Lillis by arrangement in London on 11 February. The main purpose was to discuss our intentions in relation to Sinn Fein, but other matters were mentioned as well.

Sinn Fein

2. The Secretary of State emphasised that he wished to consult Mr Lillis on a private rather than official basis. He briefly described the lead-up to our intention to publish a consultative document canvassing options in relation to Sinn Fein. While no decision on specific ways of tackling the problem had yet been taken, he nonetheless recognised that there was a genuine problem over Sinn Fein and that on pragmatic grounds there was merit now in making a move which might encourage Unionists on district councils to return to normal business. No action was planned during the election period in the Republic but we intended to publish a consultative document in the week following the election.

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3. In response Mr Lillis pointed out that the Secretary of State and Mr Barry had agreed at the first meeting of the IC that this was a matter to be discussed in that forum, although Mr Lillis did not make anything further of this point. His government did sympathise with the Unionists in sitting on councils with Sinn Fein representatives and the SDLP undoubtedly sympathised also. But his main point was to stress the importance of both governments moving in the same direction in handling Sinn Fein. In response to our proposal to publish a consultative document, Mr Lillis recommended that we await the outcome of the general election before deciding on timing. If, for example, this resulted in a hung-Dail and both the major parties were forced to seek support from others, then publication of a consultative document - which was widely taken in the Republic as a clear signal of HMG's intentions - might affect the Dail vote for a new Taoiseach following the general election. On the substance of our proposal he expressed surprise that it should apply only to district council and not Westminster elections; and also commented that a declaration against violence could not be ruled out in elections in the Republic.

4. The Secretary of State saw the case for concerted action against Sinn Fein and its associates if the security situation in particular were to deteriorate markedly, but he did not think that we were at that position at present. He would therefore bear Mr Lillis' recommendations in mind but foresaw difficulties in following those on timing.

5. I have now re-submitted Mr Chesterton's submission of 22 January on this matter for final decision on the matters raised.

## Other Points

6. Other points of note raised during the discussion was as follows:

- Mr Lillis reported the story circulating yesterday about his donation to the Garda Pension Fund. (The details are, I think, well known and need no rehearsal here.) The DFA line was likely simply to report the facts. In response

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the Secretary of State said that he would investigate how an interception might have occurred in the Northern Ireland post office system. I should be grateful if you in conjunction with LOB and other colleagues as necessary, would provide a report on the arrangements for delivery of open mail to Maryfield and what action we might take, first, to identify what may have happened in this case and, secondly, to ensure as far as possible that there is no recurrence.

- The Secretary of State said that the Newsletter report of that morning which had focussed on three-judge courts as an element in the SACHR report had not reflected any intention to embarrass the Government in the Republic at a sensitive time. He was anxious to ensure that statements from NIO Ministers at the present time respected the sensitivities in the Republic during the election period.
- Mr Lillis expressed the view that Sinn Fein would win no seats in the forthcoming election. The Secretary of State agreed with him that, should this prove to be the case, both Governments should adopt the line that the failure of Sinn Fein to win seats stemmed from the success of the Agreement in meeting nationalist aspirations.

DJW  
D J WATKINS  
Private Secretary  
12 February 1987