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13 OCTOBER 1994

TO HQ FROM WASHINGTON
FOR G CORR FROM M COLLINS

(PLEASE COPY MR. BRENDAN SCANNELL)

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*DST, 7 July
1995
A/Sec Okunum
A/Sec Foley
Dr. Margaret
Secretariat
Campbell/RSAR
Embassy London*

RE: US ECONOMIC PEACE DIVIDEND PACKAGE

1. I met this afternoon with Ms Kathy Stephens of the National Security Council who agreed to share with me some of the internal White House thinking on the economic "peace dividend" package with they are currently considering. The proposals which she shared with me are of a draft nature and could still be the subject of modification as they are considered at a higher level within the White House. In terms of the timing of any Presidential announcement, there was some earlier expectation that this could take place within the next week. However, the latest thinking seems to suggest that the end of the month is a more realistic timescale. One idea is that an announcement might be made in connection with a visit to the White House by "influential Irish-Americans".
2. The starting point for the US Administration is, as it has always been, that the British Government and the EU should be the primary source of funds for Northern Ireland's development needs. The IFI is seen as "the best way of channelling the bulk of any new US Government efforts" given the trust and reputation that the Fund has established for itself on a cross-community basis in Northern Ireland.

IFI

3. Among the options which the White House, at least at this level, are prepared to recommend is to seek an increase in US

funding for the IFI from Fiscal Year 1996 to match that of the EU, thus, amounting to some US \$24m. Stephens said that she had doubts, based on contacts with the Hill, whether the Congress would be agreeable to a higher increase than this.

(Comment: The White House has some ideas about IFI monies which have already been "obligated" by USAID amounting to some US\$40 and which have not been drawn down by the Fund. These might, perhaps, be brought more quickly on stream. However, in real terms, the suggestion at the moment seems to be a matching of the EU financing. I said that while we appreciated how difficult it was to come up with substantial increased funding, particularly in view of the other demands on the Administration, it was very important in the context of any imminent statement to try and ensure the "maximum" announcement, at least in so far as fiscal year 1996 was concerned. It was also preferable not to generate confusion in the public minds regarding "obligated funds". In short, the essential comparison would be the amount sought by the Administration for fiscal year 1996 compared to fiscal year 1995. Stephens said that she appreciated this. I also drew her attention to the fact that the EU announcement envisages a follow up study which was important.)

4. Additional proposals include:

- reinforcing IFI efforts to increase other donor commitments including from private industry.
- A matching grant programme under which the IFI could leverage up to twice the amount in private donations for a "flagship programme" such as the proposed Springvale campus.
- A loan guarantee programme that would target small business development in an effort to increase bi-communal activities. The White House suggests that "potentially these programmes could leverage an additional 30 to 50 million dollars in private funds".

(Comment: The White House recognises that there may be opposition in the IFI to the concept of "set aside requirements" which some of the foregoing may involve).

Trade and Investment Conference

5. Following contact from US Observer Jim Lyons after the IFI Board's recent meeting, the White House paper noted that the IFI Board was prepared "to open a trade and investment conference as early in 1995 as possible". The White House envisages that this conference will involve "some or all" of the party leaders in Northern Ireland as well as representatives of the two Governments. The conference might be followed by a trade and investment mission to Northern Ireland and the Republic led by Commerce Secretary Ron Brown with Irish-American and other business participation. The current recommendation appears to be for the IFI itself to "organize and sponsor" the conference in Washington with a participation by the President or the Vice President envisaged.

(Comment: I mentioned that I wasn't a hundred percent sure whether the IFI had committed itself to actually organizing the conference in Washington and wondered how this might be done. Stephens was unsure about this. I mentioned that the IFI did not have any local staff and that this would be quite a massive undertaking. She said that it would clearly be necessary to invite in appropriate private expertise, presumably funded by the IFI, to handle the arrangements.)

OPIC

6. The White House welcome the Gilman initiative on the Hill involving a feasibility study by OPIC regarding the prospects of an equity guaranteed fund of US \$60m. They envisaged that upon completion of this OPIC study (which they were planning on asking OPIC to undertake in any event), the Administration would be prepared, "depending on the results", to establish the equity fund.

(Comment: Stephens mentioned that while the OPIC study was currently underway, OPIC itself was "hot and cold" on the prospects of its involvement).

TAXATION

7. The Administration has looked at the question of taxation and seems to have concluded that Northern Ireland, "as part of the UK and the EU", is already "in most regards, in a highly favourable trade and taxation position vis-a-vis the United States". The White House suggests that the US Treasury "would strongly oppose any move to grant unique tax breaks to encourage business in Northern Ireland on the grounds of maintaining the integrity of

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our own tax treaty system".

OTHER IDEAS

8. Several other ideas are suggested through which the US and its Government agencies might begin or expand their contacts in Northern Ireland including:
- establishing collaboration among "technology innovation centers" that have already been set up in Northern Ireland and the U.S.
 - ensuring Northern Ireland participation in the new US Information Agency "conflict resolution" exchange and training projects. This might involve the funding of a university in the United States (US\$60,000 to US\$100,000) to study conflict resolution in Northern Ireland.
 - continuing activity by the National Democratic Institute etc.
 - presenting the study (which has been agreed by Congress at a cost of US\$ 11m) on the further evaluation of the Starstreak Missile for possible acquisition by the US Army in the context of the Administration's desire to promote economic revitalization in Northern Ireland.