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Department of Finance
and Personnel
16 JUL
RECEIVED
PRIVATE OFFICE

Mr Bloomfield

cc Mr Brennan
~~Dr Quigley~~
Mr Fell
Mr Chesterton (O/R)
Mr Lyon

ANGLO-IRISH NEGOTIATIONS : INTERNATIONAL FUND

Please substitute the draft minute below for the one attached to PUS's minute of 11 July to PS/Secretary of State.

SAM

S A MARSH

PS/PUS

12 July 1985

Encl

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DRAFT MINUTE FROM THE SECRETARY OF STATE TO SIR GEOFFREY HOWE

ANGLO-IRISH RELATIONS : AN INTERNATIONAL FUND

My officials have reported to me on the discussion of the fund which took place with the Irish side in Dublin on 9 July.

I entirely accept the importance of getting American endorsement of any Anglo-Irish agreement. I accept, too, that, properly handled, there could be both symbolic and real value in an injection of American money into the economies of both parts of Ireland. We certainly do not want to look a gift horse in the mouth. But I am very concerned that we should keep the possibility of American money in perspective; that we should be constantly wary of allowing it to appear in Unionist eyes that that possibility has in any way influenced the conclusion of an agreement; and that we should not agree to any new fund unless we are clear that it will be managed and used in ways which meet sound value for money criteria and make economic sense for Northern Ireland. We should not allow the Irish side to make all of the running over arrangements for a fund, three quarters of which they themselves suggest should be for Northern Ireland. From what has been reported to me, their present approach seems naive and unrealistic in a number of ways.

Nor am I altogether happy about suggestions that we should at this stage solicit other countries, including those of the EC, to contribute to a fund, or that the British and Irish Governments should contribute to it themselves. I hardly imagine that the Republic envisages three-quarters of whatever it might contribute being spent in Northern Ireland, and there is certainly no reason why part of Northern Ireland's public expenditure allocation from the Treasury should be channelled through some fund mechanism, and the proper pattern of priorities possibly distorted. As to the European Community, there already exists great good will in principle towards Northern Ireland both in the Commission and the European Parliament. We hope soon to get off the ground, with EC encouragement and support, a further comprehensive study of the local economy

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which could give practical direction to that goodwill. But, on the basis of our experience with the Urban Renewal Regulation, one cannot be very optimistic that either the Community or its member states would be willing to contemplate further distinctive financial assistance for Northern Ireland, which would be genuinely additional to funding which the United Kingdom might otherwise expect to receive through its Community Membership. I would not wish to close the door on seeking contributions from European countries but I think it might be prudent to see first whether we can devise a soundly based scheme for spending American money on worthwhile projects.

In any case, no funding, whether from American or European sources, would be of practical value in Northern Ireland unless the Chancellor were prepared to regard it as additional to the resources which Northern Ireland would otherwise receive through the Public Expenditure System.

Finally I would make the point that, while genuinely additional financial resources could no doubt be put to constructive use, the main impediment to economic improvement in Northern Ireland is a lack of confidence rather than a lack of money. We do not face a problem of "reconstruction" in a Marshall Aid sense.

I am copying this minute to the Prime Minister and Sir Robert Armstrong.

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