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NOTE OF A MEETING TO DISCUSS A POSSIBLE EC INITIATIVE IN SUPPORT OF THE ANGLO IRISH AGREEMENT HELD IN THE TREASURY ON FRIDAY 24 JANUARY 1986

Present	MR W NORTON	TREASURY
	MR C CRABBIE	
	MISS C EVANS	
	MISS J SIMPSON	
	MR R SPENCE	DFP NI
	MR P SMALL	
	MR N COWLING	NIO

Mr Norton thanked Mr Small for his letter of the previous day and said that the meeting had been held at the request of the Cabinet Office to prepare the ground for a reference to Ministers on the proposed EC measure in support of the Anglo-Irish agreement. He reminded the meeting that Treasury could give no encouragement on the subject of exemption from non additionality since Treasury Ministers had not yet been consulted. However Treasury could discuss what additionality might mean in practice so that the full implications were addressed in the advice to Ministers.

2. Mr Small said that the timescale envisaged by NI was as follows: NI team would be in Brussels for further exploratory discussions next week, the following week they would submit a paper to EQO or EQS and aim to consult Ministers as soon as possible thereafter. NI would not be in a position to consult Ministers about detailed proposals for the use of EC aid, the objective would be to get their agreement to a line of negotiation to be used in Brussels, or alternatively to tactics for disengagement. NI felt that if Ministers were unable to agree to full additionality for NI the alternative would be to disengage since any compromise would be counter productive.

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3. Mr Spence outlined NI officials' thinking about the scope of EC aid and the boundaries with the International Fund which would be supported mainly by the US (although there were rumours of support from Canada and Australia as well). Officials saw advantage in trying to direct the International Fund at economic projects and EC monies at social schemes although they recognised that some overlap was unavoidable. For both funds there would be a split of 75% NI, 25% ROI. A social reconstruction package funded by the EC might have the following 3 elements:-

- (a) projects to regenerate areas of multiple deprivation
- (b) voluntary sector type projects which would enable people in deprived areas to contribute to regeneration in their own communities;
- (c) Projects aimed to
 - (i) help the 2 communities in NI to come together in joint activities
 - (ii) promote better mutual understanding in both parts of Ireland.

4. Mr Norton suggested that if Ministers agreed to additionality there would be merit in presenting the EC programme as a new PES line outside the NI block. This would promote NI Minister's and the Commission's objective of transparent additionality. Mr Small felt that there might be problems if for example the EC proposed to fund 80% of the cost of programme schemes and required the UK to demonstrate additionality in respect of its own contribution but agreed to consider the proposal. It was recognised that the NI Agriculture programme provided a precedent for a split between in block and outside block programmes.

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5. There was some discussion about the sums of money which might be involved. No reliable estimates were available but the numbers might be in the range of £30-100 million per year. Miss Simpson said that pressures on the budget were such that the Commission would have considerable difficulty in funding such a measure. It was already likely that an increase in the VAT rate contribution would be needed but it would be awkward if the UK were responsible for a large package which pushed the budget over the ceiling. The alternative was to fund the package from outside the budget by means of ad hoc contributions from member states but to encourage this would be contrary to the UK line on the importance of budget discipline. It was agreed that if the Commission proposed funding outside the budget NI should oppose this.

6. Mr Crabbie suggested that it would be important to find out whether the Commission envisaged the NI programme falling within the structural funds and whether there would be offsetting reductions in other parts of those funds.

7. Miss Simpson asked why NI were anxious for 100% additionality as opposed to 81% ie net of the 19% UK contribution which would appear more logical. Mr Small explained that the Commission would not be satisfied with less than 100% additionality - DFP had had serious difficulties in concealing the fact that only 77% of the urban renewal regulation monies went to NI.

8. Mr Small said that NI officials would need a clear steer from Ministers on the line they should take on the implications of the proposal for the UK's abatement under the Fontainbleau mechanism. Mr Bostock had warned them off the idea of seeking funds outside the allocated budget. It was agreed that the prospect of additionality for the NI block would be easier to defend if the cost to the UK was 19% than if the UK contribution was 73% which would be the practical effect if the programme was subject to Fontainbleau abatement rules.

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9. Mr Crabbie asked for clarification of how NI ministers would intend to present such an EC special programme against the background of hostility to the Anglo Irish agreement in the Province. Mr Spence explained that one of the arguments put forward by NI Ministers at the time of signing the Agreement was that it might lead to tangible foreign aid for the Province. The proposed EC programme, alongside the International Fund, was an example of such aid and it would therefore be very embarrassing if the Government did not accept it. Comparisons with ROI were important: the indications were that EC funds would be fully additional in the Republic (which was a net beneficiary of the EC). Mr Cowling pointed out that acceptance of a 5-7 year programme would be an important indication of the Government's long term commitment to the Agreement.

10. The meeting noted that discussions on both the International Fund and EC support would need to move quickly since there would be pressure to report progress at the February meeting of the Intergovernmental Conference and an announcement on American support was likely on St Patrick's day to coincide with the retirement of Mr Tip O'Neil, the Speaker of the House of Representatives. It was agreed that NI would clear the draft paper for EQ with Treasury as soon as possible.

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those present

Mr Bostock - UKREP

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