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cc W Haire
~~Gamble~~

David Watkins
Central Secretariat

cc. Mr David Gibson IDB

was Cuthbertson or R
W. [unclear] S

Mr Temple
Peace bond. fee
19/8
AW

US ASSISTANCE FOR NI

1. Attached please see my file note on a meeting here yesterday. Points to highlight are:
 - (a) The Northern Ireland Desk Officer at the State Department, David Schaefer, who has been most creative in this area, is moving on. We have to hope that his successor, Paul Vanson, shapes up equally well. Apparently he served in Belfast. We will have to wait and see if he takes ownership of the course that Schaefer was steering.
 - (b) If and when discussion on an assistance package reaches a political level here in Washington the process will be less under control. A wide range of opinion can be expected with attendant publicity: this might come before any firm ground had been established for the settlement which would trigger assistance.
 - (c) There is potential for confusion on the investment conference idea (I have been speaking to David Gibson on this) which is currently in the court of the Consultant (John Duffy) working for the Presbyterian Church and the ad hoc group of NI/US companies. While this proposal is not an "official" one, it can be expected to draw in politicians, including Ministers, and IDB participation would be imperative.
 - (d) "Fitting in" the Republic is an issue which raises questions on the treatment of an aid package and in any investment stimulation effort on behalf of the NI.
 - (e) Some of the suggested items in the aid package involve complicated financial matters (eg taxation concessions and loan guarantees). The picture is further complicated by other ideas which are around eg Peace Bonds, with the likelihood of more, such as trying to attract the attention of the "socially responsible" investment funds. David Schaefer floated the suggestion of a joint UK/NI/US working party to develop these issues further. We will have to see what favour that suggestion finds with the administration. If it materialises then it could be the forum to consider other ideas your trawl of Departments may yield. I would venture to suggest that David Gibson should be a member, if this is set up.

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(1) This is a rather complicated scenario at the moment but on the positive side we have a chance to be involved in the construction of any assistance package.

Mr Powell, Embassy

Ms Mciver

Donald J Alexander
Northern Ireland Bureau
10th August 1994

US ASSISTANCE TO NORTHERN IRELAND

We had a discussion on 9 August on the contents of a possible assistance package for Northern Ireland in the event of a peaceful settlement. There were present David Schaefer, Jonathan Powell, James Gray, Janet McIvor and myself. The issues discussed were those contained in the Schaefer paper and the DED list (some of which coincide). An agenda and supporting papers are attached. David Schaefer will transfer to other work in the State Department in a few days' time. He will be succeeded by Paul Vautour, who has served in Belfast and Troick.

The Schaefer paper had gone up the line and was with Nancy Soderberg (Special Assistant to the President for National Security Affairs). It seemed likely to David Schaefer that the subject matter would go to a more political forum. Jonathan was concerned that it might be hijacked by those with their own agendas such as the "economic envoy". Pitfalls could be avoided by heading through the more senior people such as Speaker Foley and Edward Kennedy. David S emphasized the interest in Ireland in the White House as the President needs Irish-American support. He felt there was sufficient scope at this stage to accommodate further discussion and new ideas.

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NOTE FOR FILE

- cc. Mr David Watkins CS
- Mr David Gibson, DED
- Mr Powell, Embassy
- Ms McIver

US ASSISTANCE TO NORTHERN IRELAND

1. We had a discussion on 9 August on the contents of a possible assistance package for Northern Ireland in the event of a political settlement. There were present David Schaefer, Jonathan Powell, James Gray, Janet McIver and myself. The items discussed were those contained in the Schaefer paper and the DED list (some of which coincide). An agenda and supporting papers are attached. David Schaefer will transfer to other work in the State Department in a fortnight's time. He will be succeeded by Paul Vanson, who has served in Belfast and Israel.

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2. We touched on the conditions which would trigger any support package. We referred to the current discussion on a framework document between the two Governments. We guessed at a possible timetable. Assuming a framework was agreed in the autumn, the political parties would then have to agree that this could take until the spring of 1995.

AN INVESTMENT CONFERENCE

3. We discussed at some length the idea of a US conference to stimulate investment in Northern Ireland (see also my note on John Duffy). David Schaefer has been close to John Duffy on this issue. The idea stems from "The Call" and the 'ad hoc' group of US/NI companies such as Shorts, DuPont and Fruit of the Loom. A comparison was made with what was done by the White House for South Africa. Presidential involvement was thought to be a possibility but not unless there is a "settlement". Endorsement by the President could be a factor in attracting potential "big player" investors to the conference. We also considered how the event could be most effective as an instrument for stimulating new investment. Clearly if an assistance package was ready at that stage it would be a major impetus. As at present envisaged a conference would be mounted with or without a "settlement". If it can celebrate a "settlement" then it could be a major affair. A lot more discussion is required on this proposal and it was agreed that John Duffy needs support from all concerned. Again the problem came up of how to keep the ROI "on side" without diluting the investment appeal of Northern Ireland. The suggestion was made that Tony O'Reilly might be persuaded to play a major part in any such conference. Sometime in May might be a good time and would avoid the complications surrounding a date close to St Patrick's Day which is being floated. (See Private Sector/Ecclesiastical Investment Initiative).

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DED LIST

4. We tabled the DED list of projects and said that further work would be done by the Northern Ireland Departments on these and other ideas. David S gave some initial reactions. He felt that the work experience in the US would be frowned upon by the US immigration (also something very similar is currently conducted under the IFUs Wider Horizons). More might be done on the scholarship side. A US/Belfast air service was certainly desirable. The problem would be to find a carrier and offer a viable route such as New York, Belfast, Glasgow. David balked at use of the word "privileged" in respect of access to information on US Government procurement needs (some work was done by IDB (Alan Hingston) and our NTB predecessors to provide NI firms with instruction on US procurement procedures). We did not discuss the "research" idea. One possibility under "research" is the granting of access to US research establishments by Northern Ireland firms.

IFI

5. We discussed additional funds for the IFI. This would probably cover some other items such as expenditure on tourism. The US had discussed with the EU and had some confidence that US funding would be matched by Europe. An increase in IFI funding would be politically difficult in Washington and would only come about in the wake of a substantial settlement. Any increase would also carry with it the need to be very precise about the purpose for which the money was intended.

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OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

6. OPIC is a self sustaining Federal Agency whose purpose is to promote economic growth in developing countries by encouraging US private investment. In the Schaefer paper there was a suggestion that OPIC would undertake a commitment of \$200 million to support US firms investing in Northern Ireland. We noted the ICCUSA initiative led by Bill Flynn (see attached note). James felt that there is already access to OPIC but "distribution" was not one of their investments. There is the possibility that OPIC might be used as the vehicle for low interest loans arising from "Peace Bonds" (Mr Hevesi and Mr Docherty's idea). We were aware, however, that if UK guarantees were required for such loans this was of no use, as they would have to be scored as public expenditure. We did not get into the possibility of converging the interest rate subsidy into a straightforward grant and forgetting the loans.

CORPORATE TAXATION CONCESSIONS

7. A considerable amount has already been written about the corporate taxation concession in the Schaefer paper and in a letter to David S from James Gray (copy attached). It is very possible that IDB might want to engage expert US consultants to look into the possibilities more closely. Some of the obvious problems were aired, eg, should concession be on new investment only? (This would minimize the training and employment package effect which had great appeal). The EU were trying to stop tax breaks. Could only US firms be involved?

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8.. We made passing reference to the programme for young political leaders which is already taking shape under NDI auspices: invitations have gone out to the political parties and a first get together is planned for the Netherlands in late September. We "passed" America House in Belfast "on the nod".

9. David S. noted that ideally they could do with an economic model of NI on which to test the effectiveness of various initiatives. There would be a desire on the part of the US to do something that would significantly improve employment prospects and that as quickly as possible. David Schaefer suggested that there were many detailed questions to consider and that he favoured setting up a joint working party with UK/NI and US representation. We agreed that this was a good idea. He would take this away for further discussion with his people. We thanked David Schaefer for all his efforts on behalf of Northern Ireland.



10/8/94

Donald J Alexander

Northern Ireland Bureau

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Attachments:

US ASSISTANCE TO NORTHERN IRELAND
AGENDA FOR MEETING ON 9 AUGUST

1. Agenda for 9 August.
2. DED List
3. Private Sector/Ecclesiastical Investment initiative.
4. OPIC: "Delegation Seeks Support for \$200 M Irish Investment" and "Bonds may tap US millions for Ulster".
5. Letter from James Gray to David Schaefer.

BJA

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Mr Power
Mr Gray
Ms Melver

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US ASSISTANCE TO NORTHERN IRELAND
AGENDA FOR MEETING ON 9 AUGUST

1. Overall approach. Likely conditions for introduction of an assistance package. Constraints in US assistance (eg "exporting US jobs").
2. Status of current papers. Likely timing.
3. Northern Ireland initial wish list and development of further initiatives.
4. Conference on Trade and Investment in Northern Ireland. If Investment Conference to be organised by the Churches and the private sector.
5. Increased US contribution to the IFI (can subsume a number of initiatives and carries automatic support for part of the Republic).
6. OPIC - support for US firms investing in Northern Ireland.
 cf. ICCUSA initiative (Bill Flynn).
 cf. Bonds (similar to Israeli Peace Bonds).
7. Corporate Taxation concessions and related employment programmes.
8. Programmes for young political leaders (cf. NDI), also proposed Young Leaders Programme (Frank Costello).
9. America House in Belfast.
10. Organisation of future work on the issues.

DJA

Copy to:
Mr Powell
Mr Gray
Ms McIver

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- scholarships in the USA for NI school leavers (see below);
- work experience in USA for long term unemployed;
- US tax incentives to persuade US companies to invest in Ireland/Northern Ireland or, alternatively, in TSN areas of Northern Ireland;
- sponsored air service Belfast/New York;
- encouragement of tourism by US citizens in Ireland;
- sponsorship of research by US Government or US companies in NI institutions;
- privileged access to/information on US Government procurement needs for NI companies;
- increased funding for IFI.

The second series of presentations would address specific issues such as, inter alia, taxation, recruiting, employment regulations, infrastructure, location, security, market, community-relations and import/export regulations. The presentations would be made by specialists in each area.

The final presentations would include ecclesiastical representatives to the Joint Call who would focus on the history and current status of fair employment in Northern Ireland and the impact they have on successful business operations. The presentation would be complemented by testimonials from the ad hoc consortium who are supporters of the Joint Call.

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PRIVATE SECTOR/ECCLESIASTICAL INVESTMENT INITIATIVE

(Preface: The following program was an EUR/NE suggestion to Jerry Powers of the Catholic Bishops Conference and John Duffy representing the Presbyterian Church U.S.A. in response to their search for ideas about where next to take the Joint Call for Fair Employment and Investment. The proposal was met with enthusiasm by them and is currently being pursued.)

Concept: An Investment Conference jointly sponsored by an ad hoc consortium of American subsidiaries in Northern Ireland and American and Irish Ecclesiastical signatories to the Joint Call for Fair Employment and Investment. The conference would emphasize a practical presentation of investment opportunities from the vantage point of other American companies currently doing business in Northern Ireland. The target attendees would be potential U.S. investors in manufacturing, services, marketing and distribution.

Timing: Hold an Investment Conference for Northern Ireland in a U.S. location, such as Washington, in the Spring of 1995 (possibly late March to take advantage of the post-March 17 heightened U.S. interest in Ireland and Northern Ireland).

Components and Structure: The conference would open with key note presentations by Northern Ireland Secretary of State Sir Patrick Mayhew and Irish Deputy Prime Minister Dick Spring. A possible brief appearance by the President or Secretary of State would be desirable.

The first series of presentations would be "testimonials" by American companies currently operating in Northern Ireland. The companies, Ford, Short Bros., Du Pont, Seagate, Fruit of the Loom, among others, would focus their remarks on perceived obstacles or disincentives to American investment in Northern Ireland such as the security situation, tax considerations, resource availability. The predicate of the presentations would be that these "blue chip" companies are their because it is profitable for them to be there.

The second series of presentations would address specific issues such as, inter alia, taxation, recruiting, employment regulations, infrastructure, location, security, market, community-relations and import/export regulations. The presentations would be made by specialists in each area.

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DISPATCH

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Bonds may tap US millions for Ulster

Economic Matters

MOVES TO establish an Ireland 'Peace Bond' in the United States have been backed by the British and Irish Governments. The establishment of a bond similar to the Israeli Peace Bond in the US could raise millions of dollars for Northern Ireland and border areas in the Irish Republic.

The bond is the idea of the Office of the New York Comptroller, Alan Hedetz, who is the

trustee of pension fund money invested on behalf of public employees. Mr Hedetz and his assistant comptrollers invest in 3,000 blue-chip companies, 29 of which have offices in Northern Ireland.

The Comptroller's office, then headed by Harris Golden, pioneered the MacBride principles, to oversee fair employment practices and the absence of sectarian discrimination in any American company in Northern Ireland in

which New York pension fund money was invested.

Mr Hedetz has visited Northern Ireland in the past month and held meetings in Dublin and Belfast. He saw the Northern Ireland Industry Minister, Tim Smith, and the Irish Prime Minister, Albert Reynolds, to discuss the Peace Bond plan.

Both governments are said to be interested in the scheme, according to one of Mr Hedetz's aides, Pat Doherty. He returned

to the US this weekend after a series of follow-up meetings.

The Comptroller's office is confident that most people with ethnic Irish ties in the US would buy into the Peace Bond programme, and that all cities and states which have backed the MacBride principles would also want to invest.

Mr Doherty said he expected the new bond to outstrip the current International Fund for Ireland, which was established inci-

dentally with the signing of the Anglo-Irish Agreement in 1985.

He said the British Government was currently having talks with the Israeli embassies in London and New York to examine how the Israeli bond worked.

He said there would be no political vetting of money from an Ireland Peace Bond. All areas suffering deprivation and unemployment would be eligible to benefit from the American money.

BUSINESS**Business Briefs****Delegation Seeks Support for \$200 Million Irish Investment**

The Ireland Chamber of Commerce in the U.S. Inc. will conduct a special day of contacts with Congressional leaders in Washington on Wednesday, June 8. ICCUSA president Patrick J. Keogh has announced.

In association with Sen. Alfonse D'Amato and Rep. Thomas Manton, both of New York, ICCUSA will host a luncheon for members of the Senate and House at the Capitol.

The ICCUSA delegation, headed by ICCUSA chairman William J. Flynn, will include Keogh, executive director Charles J. Boyle and several other leading business executives and professionals. They will be seeking support for proposed legislation to create a \$200 million loan guarantee program for business investment in Ireland that is aimed at producing job opportunities on both sides of the Atlantic.

Under terms of the legislation, which, Keogh noted, would not cost U.S. taxpayers a dime, the Overseas Private Investment Corporation, a U.S. government agency, would accept funding for distribution facilities in Ireland to be set up by American firms, through low-cost loans from approved U.S. financial sources. OPIC conducts an oversight function to insure that loan defaults are minimal.

Sen. D'Amato and Rep. Manton have to be active sponsors of the loan guarantee legislation.

"Both of these elected officials have been strong supporters of ICCUSA's efforts to develop mutually beneficial economic ties between the U.S. and Ireland," Keogh said.

The loan guarantee proposal has been a key item on ICCUSA's agenda since it was announced at the 1992 American Celtic Ball.

Philly-Shannon Service

A direct air service between Philadelphia and Shannon has been inaugurated by Sceptre Charters. The 5½ hour flight costs \$399 round-trip. The first flight took place May 18.

Those traveling from Philadelphia with Sceptre Charters will receive two meals each way, a "welcome aboard" drink, free wine and beer with dinner, free movie, complimentary headsets, and duty-free on-board shopping.

Richard Pelosi, president of Sceptre Charters, said the goal at Sceptre is to make travel from Philadelphia to Ireland as comfortable, cost effective and convenient as possible.

Last year, more than 35,000 travelers to Ireland chose Sceptre Charters. Since 1986, Sceptre Charters has used American Trans Air, the largest charter carrier in the U.S. Its fleet consists of 13 L1001s and six 757s. Sceptre Charters also offer flights to Ireland from Los Angeles, New York, Boston and Chicago.

Radisson Eyes Ireland

Radisson Hotels International will start work this month on a four-star 70-room hotel and country club at Roe Park, Limavady, Co. Antrim, its first in Ireland.

"Roe Park will be the first fully integrated hotel, golf and country club resort in Ireland to be operated by an international hotel group and will bring 80 new jobs to the area," said Hugh O'Neill, chairman of the Northern Ireland Tourist Board.

The 155-acre development, costing nearly \$12m, is expected to open in the spring of 1995. It will be the first four-star hotel in the Northwest and the first in Northern Ireland to boast its own 18-hole championship golf course. It will include the historic Roe Park House, which will be restored.

The hotel will be linked to Radisson's World Wide Reservations Center allowing reservations to be made in 125 countries. In the U.S., the toll-free reservations number is (800) 333-333.

For further information, write or call the Northern Ireland Tourist Board, 551 Fifth Avenue, Suite 701, New York, N.Y. 10176; (212) 922-0101. The number outside New York is (800) 326-0036.

W.R. Grace Growth

W.R. Grace & Co. has reported a 17 percent per share increase in the first quarter ended March 31 over the same period last year, on a sales gain of 9 percent.

Net income in the period totalled \$38.2 million, or 41 cents per share, versus \$31.7 million, or 35 cents per share, in the year ago quarter.

Sales rose to \$1,077 million, from \$986 million. "With the main phase of our restructuring program nearing completion, our first quarter results provide further evidence that Grace can sustain solid earnings growth," said J.P. Bolduc, president and chief executive officer.

At the same time, the company said its subsidiary, National Medical Care, Inc. had opened its initial China-based hemodialysis center in Guangzhou, China.

Guangzhou Manfang Hospital, the firm's partner in China, is an affiliate of Guangzhou's First Medical University and a leader in scientific research.

— Jim Fallon

Sidetracks Facelift

Sidetracks Restaurant, now closed for renovations, plans to reopen in time for Memorial Day. The popular Sunnyside spot is adding a new room to accommodate parties of 70. Reopening celebrations will include Brendan Boyer and his Royal Irish Showband on June 5 and Goats Don't Shave on June 7.

Overseas Private Investment Corporation

(For the Overseas Private Investment Corporation statement of organization, see the Code of Federal Regulations, Title 22, Chapter VII)

The Overseas Private Investment Corporation (OPIC) is a self-sustaining, Federal agency whose purpose is to promote economic growth in developing countries by encouraging U.S. private investment in those nations. The Corporation assists American investors in three principal ways: financing investment projects through direct loans and/or guarantees; insuring investment projects against a broad range of political risks; and providing a variety of investor services including investor counseling, country and regional information kits, computer-assisted project and investor matching, and investment missions. All of these programs are designed to reduce the perceived stumbling blocks and risks associated with overseas investment.

Organized as a corporation and structured to be responsive to private business, OPIC's mandate is to mobilize and facilitate the participation of U.S. private capital and skills in the economic and social development of developing countries and emerging economies. Currently, OPIC programs are available for new business enterprises or expansion in some 140 countries worldwide. OPIC encourages American overseas private investment in sound business projects, thereby improving U.S. global competitiveness, creating American jobs and increasing U.S. exports. OPIC does not support projects that will result in the loss of domestic jobs or have a negative

The Corporation offers U.S. lenders protection against both commercial and political risks by guaranteeing payment of principal and interest on loans (up to \$50 million) made to eligible private enterprises.

Its Direct Investment loans, offered to small- and medium-sized businesses, generally cover terms of from 7 to 12 years, and usually range from \$500,000 to \$6 million with varying interest rates, depending on assessment of the commercial risks of the project financed.

Programs are available only for a new facility, expansion or modernization of an

impact on the host country's environment or workers' rights.

The Corporation is governed by a 15-member Board of Directors—8 appointed from the private sector and 7 from the Federal Government.

Activities

By reducing or eliminating certain perceived political risks for investors and providing financing and assistance not otherwise available, the Corporation helps to reduce the unusual risks and problems that can make investment opportunities in the developing areas less attractive than in advanced countries. At the same time, it reduces the need for government-to-government lending programs by involving the U.S. private sector in establishing capital-generation and strengthening private-sector economies in developing countries.

The Corporation insures U.S. investors against the political risks of expropriation, inconvertibility of local currency holdings, and damage from war, revolution, insurrection, or civil strife. It also offers a special insurance policy to U.S. contractors and exporters against arbitrary drawings of letters of credit posted as bid, performance, or advance payment guarantees. Other special programs are offered for minerals exploration, oil and gas exploration, and development and leasing operations.

existing plants, or technological or service products designed to generate investment which will produce significant new benefits for host countries.

The Corporation also offers several preinvestment assistance programs. These include the Investor Information Service, an investment data clearinghouse; the Opportunity Bank, a computerized investor-project matching service; the Investment Missions Program, which provides senior U.S. business executives the opportunity to discuss investment opportunities with host country officials and businesses; and investor counseling.



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NOTE FOR THE RECORD :

MEETING BETWEEN DED OFFICIALS AND MR PAT DOHERTY, 14 JULY 1994

Following the meeting between the Comptroller of New York, Mr Hevesi, and Mr Smith, and subsequent dinner with Mr Loughran, Mr Gibson and I had a brief meeting with Mr Doherty who was staying on in Northern Ireland following the return of his Comptroller to New York.

As had briefly been discussed at the Ministerial meeting, Mr Gibson explained that the literature which Mr Doherty had previously sent had not given a very clear indication of what were the particular attractions of an "Israeli Bond" measure for Northern Ireland. The Bonds thus described do not come at a preferential rate, and since there was a requirement for Government's to underwrite, it would essentially be the same as the existing public borrowing, which both the Government's UK and the Republic of Ireland (both of which Mr Doherty said would need to be involved in such an issue) already undertook, and where they would have AAA rating.

Mr Doherty fully accepted this point, and problems that were involved. It was his understanding that in the early days of the Israeli Bonds - which interestingly are no longer being issued - there had been a lower interest rate, to make it advantageous to the State of Israel. There had been a marketing programme, targeting the Jewish community and through this and other channels there have been the raising of funds at a genuine premium. He accepted that there was a problem of State guarantees, and the fact that this would end up essentially in the PSBR. It was agreed that DED would, through the FCO, see whether they could discuss from the Israeli Government its views of the benefits of this approach, and how the system had operated in the early days of the Israeli Bond issue.

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DEPARTMENT OF ECONOMIC DEVELOPMENT

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