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5242/94 of 2/9.  
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12/9

*Peace Dividend File*

MM/24/9

FROM: M T H MAXWELL  
AS CENT SEC  
DATE: 8 SEPTEMBER 1994

cc PS/Mr Fell - B  
Mr Gibson  
Mr Bell - B  
Mr Quinn  
Mr Dodds - B  
Mrs Kenny

*Mr Bell*

*Mr Gamble*

*Mr Cullinane 16/9*  
*Mr [unclear] 16/9*  
*Mr [unclear] 16/9*  
*Mr [unclear] 16/9*  
*Mr [unclear] 16/9*

MR WATKINS - B

US ECONOMIC ASSISTANCE FOR NORTHERN IRELAND

1. As requested I attach a draft submission for Mr Fell to send to the Secretary of State about a proposed package of US economic assistance for Northern Ireland.
2. My own judgement is that the sooner our "experts" meet the US "experts" on this subject the better.

*M T H Maxwell*

M T H MAXWELL  
CENTRAL SECRETARIAT

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DRAFT

HCS/ /94

FROM: DAVID FELL

DATE: SEPTEMBER 1994

- cc PS/Sir John Wheeler (DFP,B&L) - B
- PS/Michael Ancram (DENI,B&L) - B
- PS/Mr Smith (DOE,DED&L) - B
- PS/Baroness Denton (DANI,DHSS&L) - B
- PS/PUS (B&L) - B
- Mr Legge - B
- Mr Thomas - B
- NI Permanent Secretaries
- Mr Bell - B
- Mr Watkins - B
- Mr Williams - B
- Mr Quinn, DFP
- Mr Gibson, DED
- Mr Wood (B&L) - B
- Mrs Brown - B
- Mr Stephens - B
- Mr Dodds - B
- Mr Maxwell - B
- Mr Powell, Washington
- Mr Alexander, NIB
- Dr June Milligan, UKRep, Brussels
- Mr Archer, RID, FCO - B
- HMA, Dublin - B

PS/SECRETARY OF STATE (B&L) - B

US ECONOMIC ASSISTANCE FOR NORTHERN IRELAND

1. Since the announcement of the IRA ceasefire on 31 August 1994 there has been considerable press speculation, both locally and in the US media, about imminent US and European Union packages of economic aid to underpin the peace process. The most favoured speculation is that the proposed US package consists of an increase in contributions to the International Fund for Ireland (IFI) from \$20 million to \$60 million for the next two years, and \$200 million in investment credits to US firms based in Northern Ireland. Reports have speculated that President Clinton is planning to bring this forward quickly, and that a committee of the (IFI) might look at ways of encouraging US investment in Northern Ireland.

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2. On the evening of Friday 2 September officials from the British Embassy, Washington, held a meeting with Ms Nancy Soderberg of the National Security Commission and Foreign Policy Adviser to the President; Ms Soderberg is likely to be the driving force behind any economic aid package to Northern Ireland. At that meeting Ms Soderberg handed over a non-paper setting out a list of possible initiatives which the Americans might take: a copy of the paper is attached at Annex A. This paper had already been discussed by senior American officials, and the general consensus emerging was:

- a. the proposed conference on investment (Annex A Para 1) looked promising, but the Americans were not happy to leave it to the churches. Nor were they supportive of the idea to hold it in the US. The preferred option would be to hold it in Northern Ireland under joint US/EU sponsorship later in the Autumn. The President could send a message, and the US Commerce Secretary could lead a delegation of US businessmen to Northern Ireland. We have been asked for our reaction (which I assume will be positive);
- b. notwithstanding press speculation the feeling is that it may be difficult to increase the contribution to the IFI, although the President is reported by Mr Spring to be committed to it. In any event the earliest this could be done would be in next year's appropriations bill. The Irish have suggested that a committee of the IFI be established to think of new ways of attracting investment to Northern Ireland: this is not an idea that is particularly attractive to us. The Americans also want to look at ways in which the IFI might be restructured to spend money more quickly in areas of need. Officials will look at this idea in more detail;
- c. on tax, the US Treasury is adamantly opposed to the idea of tax breaks for US companies investing in Northern Ireland, although they have suggested that if the UK



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Treasury could offer a tax incentive for US companies investing in Northern Ireland it might be possible to persuade them to co-operate. I doubt whether HM Treasury would agree to this;

d. the Americans would like to think of some way in which they could help re-train former paramilitaries from, eg South Armagh or the Shankill, with training programmes in the US, and have asked whether we have any ideas on this. We will pursue this idea further with the Training and Employment Agency.

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3. At the meeting British Embassy officials also handed over our own ideas in the form of the attached non-paper (Annex B) which the Americans subsequently handed to the Irish. The Americans were impressed with the list of proposals, and would seem to be receptive to the idea of a team of experts from Northern Ireland being sent out to the US to work out the details.
4. The next step in this process will be a meeting of officials to be held on Monday 12 September, chaired by Mr Bell, to determine our strategy in relation to the outline proposals which are now on the table. Mr Bell will put a further submission to the Secretary of State on foot of that meeting. In the meantime, I will myself be in Washington on 13/14 September, and have arranged to meet Nancy Soderberg. I will report back to the Secretary of State on the outcome of that meeting.
5. The Secretary of State is invited to note:
  - a. the proposals for an economic aid package which the Americans are proposing (Annex A);
  - b. our own proposals contained in the non-paper attached at Annex B;



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c. that a meeting of officials is taking place on 12 September to determine our strategy on a US economic aid package; and

d. that I will be meeting Nancy Soderberg on 14 September, and will be reporting back to the Secretary of State on the outcome of that meeting.

DAVID FELL



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ANNEX A

US PROPOSALS

1. Convene a Presidential Conference on Trade and Investment in Northern Ireland and the Republic of Ireland. The President would speak to the Conference along with Cabinet level officials from Ireland and the UK.
  - The Catholic Bishops Conference and Presbyterian Church USA are in the process of organising a conference for Spring 1995.
  - As an alternative to an immediate conference, the President could throw his support behind the above conference.
2. Commerce Secretary Brown could lead a delegation of US corporate investors to Northern Ireland to encourage investment and trade.
  - Emphasis of visit would be on creating jobs both in Northern Ireland's economically depressed areas as well as the US.
3. Increase the annual US contribution to the International Fund for Ireland (IFI).
  - Annual contribution is \$19.6 million. Any increase from State's budget would likely involve a decrease in other crucial programmes - Turkey and Andean Counter-narcotics.
4. Alternatively, or in addition, launch an effort to "re-invent" IFI streamlining its administration and re-targeting its efforts to take account of the new circumstances.
  - One key objective would be to increase fund disbursement so the positive effect of monies already programmed can be

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seen on the ground quickly.

- Establish a mechanism whereby private US citizens, corporate foundations and NGOs/charities can contribute to the IFI.

- Consider increasing the cross-border elements of IFI, in consultation with the UK and the Irish Republic.

5. Encourage Overseas Private Investment Corporation to increase funds available to support firms investing in Northern Ireland.

6. Propose to Congress a loan guarantee programme for Northern Ireland and the Republic that would include guarantees for investments by governmental entities and private foundations in infrastructure development, housing, and the construction of health and medical facilities (ie clinics).

7. Propose legislation providing US tax exemption over a five-year period for US subsidiary companies operating in Northern Ireland which participate in a career opportunities programme for persons from economically disadvantaged areas.

- While the corporate tax rate for Northern Ireland is higher than the Republic, and a US exemption would mean less than it does to companies investing in the Republic, it would bring Northern Ireland in line with the present exemptions for investment in the Republic.

8. Under USIA auspices, open an "America House" in Belfast and promote programmes designed to bring the communities together.

9. Dramatically increase the funding for Northern Ireland in the various USIA-administered International Visitor Programmes.

10. Re-focus the targets for the \$2.5 million increase in the National Endowment for Democracy (NED) budget that already has been set aside for the NDI.

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ANNEX B

Non Paper 2 September 1994

**ECONOMIC ASSISTANCE: WHAT NORTHERN IRELAND NEEDS**

**INWARD INVESTMENT**

**US Tax Concessions**

- 1. In the experience of the Industrial Development Board, taxation is a key determinant for US corporations investing overseas. A US tax concession on repatriated profits for US firms willing to train long-term unemployed from disadvantaged areas would be welcome.

**An Investment Conference**

- 2. An investment Conference involving major US corporations could be beneficial. A clear signal from the President that the Administration wanted to see increased investment in Northern Ireland would be significant.

**BELFAST AND LONDONDERRY INITIATIVES**

- 3. The British Government is working towards partnership arrangements - involving the public, private and community sectors - in Belfast and Londonderry. US assistance targeted on these partnerships and the Action Teams which lead them would make an immediate impact on the tackling of local problems. It is crucial that the parts of Belfast and Londonderry which bore the brunt of the terrorism (to) see quickly a tangible change on the ground.

- 4. Additional resources for the Integrated Education Trust Fund

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IFI FUNDING

- 4. An increase in the International Fund for Ireland funding would be welcomed. Ways could be found to expedite the rate of spending.

UNEMPLOYMENT

Long-term Unemployed

- 5. The British Government is giving consideration to a launch of a major programme of work to provide community-based jobs for thousands of the long-term unemployed, including a significant training element (community work programme). This would start with experiments in the most disadvantaged areas as soon as possible. We would wish to explore with the American Government, (if Ministers accept our proposals,) how they might help accelerate, extend or advise on the programme.

Green Cards

- 6. An allocation of 25,000 green cards specifically for Northern Ireland residents living in disadvantaged areas would help to tackle the long-term unemployment problem.

EDUCATION

Springvale Campus

- 7. There is a proposal to establish a new University Campus at Springvale, stretching between North and West Belfast, spanning both Catholic and Protestant areas. This would be designed not only to meet higher education needs but also to have a regenerative impact on the surrounding depressed areas - in both cases drawing in and benefiting both sides of the community. As yet no funding has been found for this project.

Integrated Education Trust Fund

- 8. Additional resources for the Integrated Education Trust Fund

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would enable it to support a faster growth rate of new independent schools. New integrated schools rely on the Trust Fund for their initial capital and its existing funds are almost completely committed.

BUSINESS EDUCATION

- 9. An expansion of the existing Business Education initiative which provides business training in the United States for graduates would have a major impact on the Northern Ireland economy.

INFRASTRUCTURE

Road and Rail Connections

- 10. We have the capacity to bring forward quickly substantial capital projects to include upgrading rail connections and road works which would provide jobs; improve infrastructure; make certain depressed areas more attractive to investors and tourists; and improve North/South trade links. US assistance would be welcome.

Housing

- 11. Certain areas continue to suffer from an acute housing need which, because of public expenditure constraints, it is hard to meet. Extra resources for housing, channelled through the voluntary sector, would be welcome. We would also be keen to find new ways of encouraging private sector housing for inner city areas.

Sponsored Air Service Between US and Northern Ireland

- 12. Temporary financial support to stimulate increased direct air services from the US to Northern Ireland would provide a welcome boost for tourism.



