

cst.ul/letters/6ja27.9

CONFIDENTIAL - POLICY

9/115 PNEU 3-10-94

25/15WH 6/10/94  
148/12MB 7/10/94  
473/34/94

Paula  
Peace Dividend file  
17/10/94



Addressed 17/10  
to note + file with  
"Peace Dividend"  
papers  
CONFIDENTIAL  
Jm

Treasury

5000  
5456

DESK IMMEDIATE

Street, London SW1P 3AG

- TS/S OF S (L+8)
- TS/SR S Wheeler (L, B+DFP)
- TS/M ANTON (L, B+DEN)
- [REDACTED] (DAMI+DFSS)
- TS/MR SMITH (L, DED+DOE)
- TS/PUS (L+8)
- TS/MR Fell
- MR THOMAS
- MR Bell
- MR Williams
- MR GIBSON
- MR QUINN
- MR MCNEILL
- MR Maccabe
- MR Stephens
- MR Maxwell
- MRS BROWN, DOE
- MR HENITT, DCP
- MR HAMILTON, DED
- HMA, Dublin

The Rt Hon Sir Patrick Mayhew QC MP  
Secretary of State for Northern Ireland  
Northern Ireland Office  
Whitehall  
London  
SW1A 3AZ

URGENT 28<sup>th</sup> September 1994

1. In Hamilton 4/11/94
2. In Gibby
3. In Brigg 7/10 - re IFI issues
4. In [unclear] 10/10

To see + return pre - a most

EUROPEAN UNION: SPECIAL ASSISTANCE FOR NORTHERN IRELAND

Thank you for your letter of 23 September.

peculiar letter / illustration of the  
generally odd HM approach.

2. I recognise the need for the UK to respond appropriately to the Commission initiative. Your letter also acknowledges, however, the public expenditure constraints. I know that you are already aware how important it is that we continue to maintain tight control of public spending. You mention the extent to which existing Structural Fund allocations to Northern Ireland risk distorting your priorities. We cannot afford to allow our national public expenditure priorities to be distorted in what you acknowledge is a very difficult Survey, not just in Northern Ireland but across-the-board.

3. Nonetheless, in recognition of the political pressures you face, I am prepared to agree to extend for a further three years the existing special arrangements for EC contributions to the International Fund for Ireland. Those arrangements were first agreed by the Prime Minister, when he was Chief Secretary, in 1988

6.10

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and renewed for a further three years in 1991. I am also willing to agree to remove the existing £10 million limit. The effect will be to exempt you from the need to find offsetting savings from your Block for half of the EC contribution to the IFI going to Northern Ireland.

4. I am prepared to extend this concession on the same wholly exceptional basis on which it was first agreed, and only in the light of the unique circumstances surrounding the peace process in Northern Ireland.

5. I have considered very carefully whether it really is essential, and whether I can afford, to go further and exempt all or part of any extra EU assistance under a second-stage package from the normal rules on non-additionality. This is significantly more difficult for me. I understand that the Commission is looking at the scope to refocus existing planned assistance to Northern Ireland on reconciliation as a contribution towards a second-stage package. There can clearly be no question of additionality in relation to already-budgeted funds.

6. I should reluctantly be prepared, on the same wholly exceptional basis as in relation to the IFI, to consider some exemption from non-additionality for new money within that package.

7. You are not asking me to sign up to a specific figure now. I welcome your recognition of the need to constrain the package to manageable levels. I could not agree to sign a blank cheque. Nor would EDX colleagues allow me to do so. That is particularly so whilst it remains very unclear specifically how any additional money would be spent. There is no objective justification simply for more of the same spending under the existing Single Programme. Your letter acknowledges that this spending already distorts your own real priorities. Officials have recognised, on the other hand, that entirely new initiatives risk being seen as ill-thought out or of dubious priority.

8. I also wonder whether it is not premature to rush to the conclusion that £100 million of new money over five years is the minimum credible package. The Commission has not proposed that, or any other specific, amount. The UK must not try to talk-up a more limited proposal from the Commission, if that is what emerges. I hope that you would also seek to put a brake on any over-ambitious proposals from the Republic.

9. It will be essential that Treasury officials continue to be kept fully involved in developments.

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10. I am sending copies of this letter to the Prime Minister, Douglas Hurd, Michael Heseltine, and to Sir John Kerr and Sir Robin Butler.

*Yours ever*

*Jonathan Aitken*

JONATHAN AITKEN

*Patrick*

... I recognise the need for the UK to respond appropriately to the Commission initiative. Your letter also acknowledges, however, the public expenditure constraints. I know that you are already aware how important it is that we continue to maintain tight control of public spending. You mention the extent to which relaxing Structural Fund allocations to Northern Ireland risk disturbing your priorities. It cannot afford to allow our national public expenditure priorities to be distorted in what you acknowledge is a very difficult survey. ...

... Nonetheless, in recognition of the political pressures you face, I am prepared to agree to extend for a further three years the existing special arrangements for its contribution to the International Fund for Ireland. These arrangements were first agreed by the Prime Minister, when he was Chief Secretary, in 1988