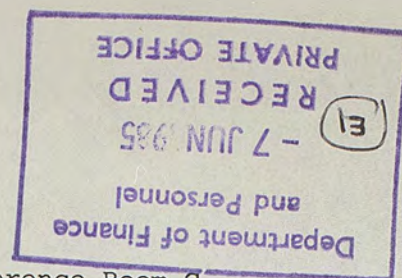


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Minutes of meeting held in the Cabinet Office, Conference Room C,
on 3 June 1985 at 16.00

Present:

Mr C L G Mallaby	Cabinet Office (Chairman)
Mr A J E Brennan	Northern Ireland Office
Mr K P Bloomfield	" " "
Dr G Quigley	" " "
Mr D Fell	" " "
Mr D Chesterton	" " "
Mr A D S Goodall	Foreign and Commonwealth Office
Mr G E Clark	" " "
Mr D R C Christopher	Cabinet Office

ANGLO-IRISH RELATIONS: NORTHERN IRELAND: INTERNATIONAL FUND

The meeting considered the suggestion that an International Fund should be established in the context of an Anglo-Irish agreement regarding Northern Ireland. The meeting had before it an Irish "non-paper" given on 15 May to the British delegation in the Anglo-Irish talks and the letter from the Chief Secretary, Treasury to the Secretary of State for Northern Ireland dated 22 May.

2. It was noted that the idea of a Fund had originated in the opinion of both the United Kingdom and Irish sides that it would be desirable to obtain tangible United States support for any agreement that might be reached between them concerning Northern Ireland. Such support would not only increase the flow of funds and investment into Northern Ireland; it should also divert some of the private US financial support for the IRA towards legitimate and constructive purposes. The UK should seek to ensure that as much as possible of any Fund was channelled into Northern Ireland. Mr Lillis for the Irish side had informally suggested that 75% of the money should be for Northern Ireland and 25% for the South. The Irish should be encouraged to make this explicit.

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Sources and Size

3. The meeting discussed the possibility of tapping the following sources of funds: the US Government, European Governments, the European Community, Canada, Australia and Japan, as well as private donations especially from the United States. In discussion it was agreed that the main source of funds would be the US Government. There was scepticism about seeking Community funds. A Community study on the Northern Ireland economy was currently being undertaken and the Belfast Integrated Operations project had only recently been completed. The purpose of the study would in part be to decide on the allocation of existing Community resources for Northern Ireland. To apply for more might only confuse matters. Moreover Community funds raised the problem of additionality referred to in the letter from the Chief Secretary. It was generally felt that it would be inappropriate to solicit European Governments for contributions although it was noted that the Irish believed that the FRG Government might be willing to contribute. On the other hand an approach to the Canadian Government might be worthwhile in view of the links of many Canadians with the Protestant community in Northern Ireland. Appeals to Australia and Japan should not be excluded but these countries would not be important targets.

4. Regarding private donations it was agreed that these should be channelled separately from government funds and that the best approach might be to build on the existing Ireland Fund. The Ireland Fund, though small (disbursements of £2½ million since 1976), had the right credentials and already enjoyed considerable support. It might benefit from public endorsement by the UK and Irish Governments. Private donations could also be expected from some other countries besides the US, particularly from the churches in the Federal Republic of Germany.

5. Apart from the Government contributions to the International Fund and private contributions to the Ireland Fund, it was agreed

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that there should be a third element to the appeal, namely action by foreign Governments, especially the US Government, to strengthen the Northern Ireland economy by administrative means. This might include such steps as providing tax incentives for investment in Northern Ireland and according firms in Northern Ireland favourable conditions for bidding for public sector contracts.

6. A US official was reported as saying informally that, in the event of an agreement, the US contribution to a Fund for Northern Ireland was unlikely to be less than their \$200 million contribution to the Cyprus Fund. Regarding the size of the Fund it was important to discover what the US Government had in mind. It was certain that the US would have no interest in a Fund that was not additional to existing UK Government expenditure in Northern Ireland. Indeed a Fund could not be established unless the money was additional. The Northern Ireland Office would consider whether to advise their Secretary of State to write on this aspect a reply to the Chief Secretary's letter of 22 May.

Organisation and Management

7. While the optimum arrangement would be for funds to be passed to Her Majesty's Government to pursue its own priorities in Northern Ireland, it was accepted that account would have to be taken of views expressed by whatever Board oversaw the Fund on the allocation of resources in Northern Ireland. Membership of the Board would need to include representatives of the British, Irish and US Governments. The US Consul General in Belfast could be relied on to make a positive contribution in due course. It was desirable that final decisions on expenditure in Northern Ireland should be reserved for the British authorities; the role of the Board should be advisory on the choice of projects and certainly should not embrace the administration of projects. Three over-riding principles might be that projects in Northern Ireland should (1) contribute to social and economic development (2) be in

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accordance with HMG's economic priorities in Northern Ireland and (3) meet the normal investment criteria. Other principles which should be taken into account should be their contribution to creation of lasting jobs and to improvement of infrastructure. There would certainly be pressure for projects of mutual benefit to both parts of Ireland. Given the scarcity of suitable projects in the immediate border areas, a fairly broad approach to this aspect would be needed. The terms of reference to the Fund might include language such as "high priority would be given to projects agreed by the two Governments to be of mutual benefit". These might include projects in the fields of high technology, infrastructure (the Dublin/Belfast road), communications or the establishment of research institutions with facilities in both North and South.

9. It was agreed that the period of three to four years suggested by the Irish for expenditure of funds was too short. Various alternative formulae were suggested: the Board might have three years to decide how to spend the money: the money might be spent within "a minimum of four years": alternatively a more ambitious target might be set - say \$50 million a year for ten years.

Next steps

10. Mr Goodall would be visiting Washington on 27 June for talks with the Americans on other matters. He would seek Ministerial authority to outline in confidence to US officials the British thinking on an Anglo-Irish agreement. This would provide an opportunity to sound them out about the idea of a Fund and to suggest more detailed talks through the British Embassy, with Northern Ireland Office participation as necessary. A brief for his talks with the Americans should be prepared by the Northern Ireland Office on the basis of the minutes of the meeting. The brief could also be drawn on during the next meeting of the Anglo-Irish talks. A meeting

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of the Irish and British experts might thereafter be desirable. The Northern Ireland Office would consult their Ministers as appropriate and the question of a Fund should be covered at an appropriate stage in a report to Ministers more widely.

Cabinet Office

5 June 1985

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