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northern IRELAND

Mr J Owen MBE
HM Consulate General
Federal Reserve Plaza
600 Atlantic Avenue, 25th Floor
Boston, MA 02210

19 November, 1992

Dear JOR

I have been away from my office for a few days and have therefore not had the opportunity to comment on your note of some of the points raised by Frank Costello with you on 9 November.

At face value Joe Kennedy's proposal to sponsor a bill to give investment tax credits to companies who plan to invest or expand in NI seems helpful. Of course such a proposal is likely to attract some opposition; furthermore we know of one other similar type of well motivated proposal which might emerge. For these reasons alone, and of course to show that we are receptive to soundly inspired economic development initiatives I think that we in Washington should try to get closer to Kennedy's thinking. I will follow up how we should do this initially with Jonathan Powell.

I have taken the liberty of copying this correspondence to David Fell and Gerry Loughran in Belfast. I know that they will respect the confidentiality of your source. They will also be interested in the references to QUB and MacBride.

Yours

Danny

Danny McNeill

cc. J. Powell

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cc. G. Loughran



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10 November 1992

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Mr Jonathan Powell
British Embassy
Washington

Dear Jonathan,

LUNCH WITH FRANK COSTELLO

1. I am writing to confirm some of the points which I mentioned to you on the telephone yesterday, resulting from my lunch with Frank Costello, Chief of Staff to Congressman Joe Kennedy on 9 November.

CONGRESSMAN JOE KENNEDY

2. Frank Costello said that Joe Kennedy has built up considerable credit with President-elect Clinton, as well as with the Democratic establishment. Kennedy restricted his campaigning to Massachusetts. As a result he is looked upon as being responsible for achieving the highest percentage of votes for Clinton than any other State including Arkansas.

3. While we were at lunch Frank was called away to the telephone. When he returned he said that Joe Kennedy had telephoned from Florida where he is taking a two-week holiday, to say that he is no longer bidding for membership of the House Ways and Means Committee as he now expects to get the Chair of one of the House Banking Sub-Committees.

4. In response to my question about today's full-page article in the Boston Herald speculating that Joe Kennedy might run for Governor in 1994, Frank Costello said that he did not rule this out. But that he would not decide until the end of 1993 or

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beginning of 1994. He added that the reason the article had got so much prominence was because he had promised Ken Chandler, the Managing Editor, that Joe Kennedy would try and get the Herald an interview with Bill Clinton!

CLINTON'S IRISH LETTER

5. Frank Costello claims that the second page of the Clinton letter to Bruce Morrison was drafted by Brendan Scannell, of the Irish Embassy in Washington. He explained that he had been told by Leonard Doyle, New York correspondent of The Independent, that Brendan Scannell is the second cousin of Niall O'Dowd of the Irish Voice. In addition that either Scannell or O'Dowd - or indeed both - are friendly with Nancy Soderberg, one of Clinton's Foreign Policy Advisers. Frank added that he thought that O'Dowd also had an input into the letter.

MAYOR FLYNN

6. On 7 November the Boston Globe carried an interview with Flynn in which he said that even if he was offered a position by Clinton he would not accept it, and that his place was in Boston. Frank said that the Mayor had decided to make this announcement to kill increasing press focus on the amount of time which he has spent out of Boston campaigning for Bill Clinton while Boston is being neglected. He therefore decided to state publicly that his campaigning for Clinton was not for personal gain but for the good of the City - he has built up credit with Clinton which will help the City in the long term. Frank Costello thought that it was unlikely however that Flynn would have been offered a senior position by Clinton. Flynn had therefore decided to get in first before Clinton started announcing the new job-holders.

QUEENS UNIVERSITY - EMPLOYMENT PRACTICES

7. When I last saw Frank Costello he said that Joe Kennedy was running out of patience with Queens University. The University has already been fined more than once for breaking Fair Employment Legislation. It is time they put their house in order. I handed him some information provided by Danny McNeill covering the appointment by Queens of independent auditors. Frank said that he would look at these but he was under instructions from Joe Kennedy to try and identify all US

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sources of funding for Queens University. Unless the University changes its policy, Joe Kennedy plans to get these sources of funding cut off.

MACBRIDE

8. Frank Costello said that he thought we were wasting our time and money on lobbying against the MacBride Principles in the US. We were hitting our heads against a brick wall. He added that we had already accepted and included in the Fair Employment Legislation many of the main MacBride Principles. In his view we should say publicly that we accept the MacBride Principles, we had codified some of them in legislation, but that some were impracticable, eg protection from home to office. He thought that if we did so we would deflate the MacBride balloon in the US.

ADVICE TO THE BUSH CAMPAIGN

9. He asked me to pass back that the Clinton team were "bitter" about the fact that the Bush campaign had received advice from Conservative Party Political Advisers. He did not know the names but he thought that one was an ex-aide of Lord Owen. He later telephoned me to say that the Irish Echo would be carrying a story on this next week.

SPECIAL ENVOY

10. Frank Costello said that on 1 November the Sunday Times published an article by Patrick Farly dated New York, which said that "while the Special Envoy could be a high profile figure such as Jimmy Carter it could equally be a low ranking Consulate official". Leonard Doyle telephoned him from New York to ask if he knew the background to the story. Frank told him that he did not. However Frank went on to tell me that he had discussed with Joe Kennedy the idea that one way of tackling the Special Envoy question, which neither the British nor Irish Governments supported, was to appoint someone to the Consulate-General in Belfast with the specific task of promoting a US/NI economic agenda including promoting trade links between cities in Northern Ireland and the US on the lines of Boston/Derry. While at the same time keeping a watching brief on political developments, Talks process, etc. He had told Joe Kennedy that he would be interested in taking on the job. He thought that this could be how Patrick Farly picked up the

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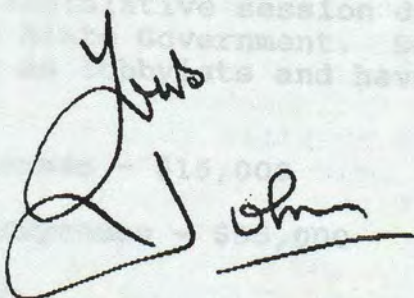
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story. But if such a job was created Frank doubts whether the Irish Government would welcome his appointment to the slot. In view of Scannell's links with Nancy Soderberg, he thinks that the Irish could put pressure on Clinton not to appoint him.

11. Frank went on to say that he is working with Mike Powell in Joe Kennedy's office on a proposal that investment tax credits should be given to companies planning to invest in Northern Ireland and also to companies already there who propose to expand their operations and create jobs. In answer to my question, as to how this would fit in with MacBride, he said that the MacBride Principles had only been accepted at State level whereas this would be a Federal programme and MacBride Principles had not been accepted at a Federal level. The legislation was aimed at showing the Irish-American lobby that Clinton was taking some positive action with regard to economic development and job creation in Northern Ireland. A political appointee working in the Consulate-General in Belfast could also be responsible for overseeing the working of the legislation.

12. A low level appointment in the US Consulate-General in Belfast would certainly be preferable to a high-powered US Special Envoy. I can think of worse people than Frank Costello to do the job. His views on many issues are more moderate than they were. His visit to Belfast in July helped. He has good experience in economic development, is Co-Chairman of Boston Ireland Ventures, is close to Joe Kennedy, and would be endorsed by Mayor Flynn. I would be interested in your preliminary reaction to the Costello idea.

13. I leave it to you to decide whether to give this letter wider circulation.



John Owen

c.c. Mr Danny McNeill, NIB Washington