

Thanks

22/24/94
19/9

5387/94 J16 S. 2



5373/94

BY FAX

British Embassy
Washington

15 September 1994

3100 Massachusetts Ave. N.W.
Washington D.C. 20038-3600

Telephone (202)
Facsimile (202)

Jonathan Stephens
SIL
NIO (L)

cc Secretary
~~M. G. ...~~

mt

Mr. Callahan 19/94 a Haire
Mrs. Goffey
Mr. Sullivan
To see if possible
20/9
N. T. ...
Possibly an embargo de ...
M. 9

Dear Jonathan,

DAVID FELL'S VISIT: ECONOMIC ASSISTANCE FOR NORTHERN IRELAND

1. I reported the political aspects of David Fell's visit last night. This letter records discussion of economic assistance. David Fell saw Speaker Foley, Nancy Soderberg (NSC), State Department, Senator Leahy, Jim Lyons (U.S. observer on the IFI), Congressional staffers and the Catholic and Presbyterian churches.

2. David made a strong pitch for our shopping list to all those he saw. Northern Ireland's main requirement was new investment. We welcomed the idea of a U.S government sponsored conference on investment in Northern Ireland and a delegation of U.S businessmen lead by Commerce Secretary Ron Brown. We would also welcome anything that could be done through OPIC. He understood an equity fund was under consideration. This could be extremely helpful if the details were worked out. Another possibility would be tax concessions for U.S. companies investing in Northern Ireland. One possibility would be to let U.S. companies write off any new capital investment in Northern Ireland against their U.S. tax. The IFI could certainly use more money to do more of the same. If the Americans were looking for a flagship project to show that progress could be made quickly they might want to consider the Springvale campus of the University of Ulster. Funding could be provided either directly or through the IFI. It might become the American University in West Belfast. It would be important to ensure Unionist support for the scheme. Finally David put in a plug for the Shorts Starstreak missile.

Surely not!
Bernie comes
to mind!
(Mr. Adams can
do in the first
lowy bank ...)



3. It was clear that U.S. thinking has not advanced much. They were extremely grateful for our non-paper and David's explanation. We have scored points by getting in so fast. The Irish Ambassador said ruefully that they had not yet put their ideas together. He hoped to have a paper by the weekend. He thought help for infrastructure might be their main proposal. Speaker Foley later told us he thought this an unpromising line. Congress usually found indirect aid more difficult than direct. Congressmen would start arguing that roads in Northern Ireland and the Republic were better than New York (comment: true). The main U.S. message was that expectations had been raised far too high by press leaks. David assured then we were far more realistic than others on this. All David's interlocutors said that anything we could do to demonstrate that we had approached others for assistance, including the EU and the Japanese, would strengthen their hand here.

4. Everyone appeared sold on the idea of an investment conference, although the U.S. government has clearly not thought through the details. The Catholic and Presbyterian churches have backed off the idea of any participation on their part, although they are willing to help. The IAB had warned them of the difficulties of organising any such conference successfully.

5. While David was visiting, Congressman Gilman managed to slip an amendment into the report on the reauthorization bill for OPIC (which has to be reauthorized by the end of the month) making the Republic of Ireland and Northern Ireland eligible for all OPIC assistance and urging it to establish a \$60 million equity fund. This would guarantee lower rates of interest for investment in Northern Ireland, close to Treasury rates, if private sector finance can be raised. Similar schemes have worked well in Gaza and Poland. I attach the papers on it. This is still at an early stage. It needs to go to the floor of the House, the Senate and then to Conference. Even if it is passed it will not be binding. And Congress has not appropriated the extra \$60 million. Nonetheless it might help to push OPIC in the direction of establishing an equity fund using private capital furnished by Irish-Americans and States who had supported MacBride (basically the Hevesi idea as amended by David Gibson). Senator D'Amato and Congressman Manton are pursuing a rival idea for a \$200 million guarantee for U.S. distribution facilities in Ireland.

6. Soderberg reacted to our proposal on tax cautiously. The U.S. Treasury said the best course would be for the U.K. to reduce its corporation tax in Northern Ireland to the rate in the Republic. David explained the difficulties with that. Soderberg agreed to consider our alternative. The State Department and others, including Speaker Foley, were more enthusiastic.

7. Senator Kennedy is looking for a way to add an additional \$10 million for the IFI this year by attaching an amendment to an appropriations bill. This will not be easy as all the appropriations bills have passed both houses and are in conference, but we will help him if we can. Jim Lyons' strategy is to come up with a flagship proposal quickly that

Thanks



has an immediate impact in Northern Ireland and generates publicity in the U.S., thereby helping to persuade Congress to increase funding for the IFI next year.

8. David managed to get Jim Lyons and a number of others interested in the Springvale campus as a flagship. We have followed up with the further details sent by David Watkins. Clearly the Americans cannot shoulder the full \$150 million, but may be prepared to take on some of the project. Speaker Foley showed some interest.

9. Starstreak is already in the Department of Defence authorisation for this year. The Americans were attracted by the idea of presenting anything they do next year in the context of support for Northern Ireland. We will follow up with more details.

10. The proposal on 25,000 green cards was used to poke gentle fun at us. David was able to explain that what we really wanted was help in re-training the long term unemployed including former terrorists. The U.S. might be able to help with training and job experience here. The Americans suggested there might be something we could do already under the job training schemes introduced by Secretary Reich. Don Alexander will follow this up.

11. The next step is for the State Department and NSC to prepare a paper over the weekend. The deliberations will take some time. Soderberg said the Americans would want to consult Hume, the Unionists and (!) Adams. Lyons would play a big role. David Fell suggested he should see David Watkins when he is in Northern Ireland the week after next. The State Department urged us to feed ideas in to Tim Deal in the U.S. Embassy in London. David offered to send over our experts. Soderberg said they were not quite ready yet, but we might think of doing so in a couple of weeks.

12. MacBride was not raised at any of the meetings until we raised it with the Catholic Conference. John Carr argues we should declare victory and leave the field in the new context. It was no longer the centre of attention for most Irish-Americans. The Catholic Conference was keen to participate in consultations about the review of the Fair Employment law. They are contemplating a further visit by the four church leaders.

Yas smg
Jon R

Jonathan Powell

CC: PS/Mr Fell, NIO(B)
David Watkins, Central Secretariat, NIO (B)
David Gibson, DED, NIO (B)
Graham Archer, RID, FCO

Thanks

2022252035- 2022252035- 202 398 4255: # 6



PS
Mr Greenstock
Mr Westmacott
Ms Mitchison
Mr Alexander

Ben Gilman

20th District, New York

ORANGE • ROCKLAND • SULLIVAN • WESTCHESTER

1125 Bayview House Office Building, Washington, D.C. 20515-2500

FOR RELEASE: Tuesday, September 13, 1994
CONTACTS: Jerry Lipson 202-333-3748 or
Andy Zarotskie 202-333-3770

GILMAN SUPPORTS TO CREATE U.S.-BACKED INVESTMENT FUND
FOR IRELAND ADVANCES IN FOREIGN AFFAIRS COMMITTEE

WASHINGTON -- The House Foreign Affairs Committee today approved an amendment by Congressman Benjamin A. Gilman (20th-NY) to make Ireland eligible for investments that would be guaranteed by the Overseas Private Investment Corporation (OPIC).

Gilman, Ranking Republican on the committee, proposed the amendment, as part of an effort to establish an Irish investment fund, to legislation to reauthorize the agency, which expires on September 30th.

OPIC was established to provide risk insurance, loans and guarantees for U.S. investors in developing countries. However, Congress has authorized exceptions, such as higher-income Caribbean countries.

Unlike the International Fund for Ireland, for which \$15.6 million has been appropriated for FY 1995, Gilman noted, a fund guaranteed by OPIC would cost the taxpayer nothing.

Gilman joined with Rep. Sam Caiden (2nd-Conn.), chairman of the Economic Policy subcommittee in proposing to add Ireland to the list of countries eligible for OPIC programs.

Gilman said economic development has been "one of the major underlying obstacles to peace" in Ireland and that the U.S. "can

11-15-94 : 12:24 :
Xerox Telecopier 7021 : 9-15-94 : 12:25 :

2022252035-

202 398 4255:# 6

2022252035-

202 398 4255:# 8

ews from

★ ★ ★ Congressman Ben Gilman

20th District, New York ★ ★ ★

ORANGE • ROCKLAND • SULLIVAN • WESTCHESTER

2188 Rayburn House Office Building, Washington, D.C. 20515-3220

FOR RELEASE: Tuesday, September 13, 1994
CONTACTS: Jerry Lipson 202-225-5748 or
Andy Zarutskie 202-225-3776

GILMAN EFFORT TO CREATE U.S.-BACKED INVESTMENT FUND
FOR IRELAND ADVANCES IN FOREIGN AFFAIRS COMMITTEE

WASHINGTON -- The House Foreign Affairs Committee today approved an amendment by Congressman Benjamin A. Gilman (20th-NY) to make Ireland eligible for investments that would be guaranteed by the Overseas Private Investment Corporation (OPIC).

Gilman, Ranking Republican on the committee, proposed the amendment, as part of an effort to establish an Irish investment fund, to legislation to reauthorize the agency, which expires on September 30th.

OPIC was established to provide risk insurance, loans and guarantees for U.S. investors in developing countries. However, Congress has authorized exceptions, such as higher-income Caribbean countries.

Unlike the International Fund for Ireland, for which \$19.6 million has been appropriated for FY 1995, Gilman noted, a fund guaranteed by OPIC would cost the taxpayer nothing.

Gilman joined with Rep. Sam Gejdenson (2nd-Conn.), chairman of the Economic Policy subcommittee in proposing to add Ireland to the list of countries eligible for OPIC programs.

Gilman said economic development has been "one of the major underlying obstacles to peace" in Ireland and that the U.S. "can

BRITISH EMB-WASH +++ DED NETHERLEIGH 006/012

202 398 4255

12:34 10/15/94

Thanks

2022252035~

202 898 4255: # 5

play an important role in encouraging economic growth by creating an investment fund that could bring new foreign investment into all of Ireland."

September 13, 1994

"Shared economic growth in the North of Ireland can help foster a mutual feeling of security" among both Catholics and Protestants, Gilman said, adding that this "must be achieved before we can realistically see any permanent peace" in the region.

-0-

Markup of H. R. 4935

"The Jobs Through Trade Expansion Act of 1994"

PRINTED ON PAPER MADE WITH RECYCLED FIBERS.

For the first time in 25 years we have a real opportunity for peace in Northern Ireland.

The U.S. has an obligation to assist that peace process. In fact, Vice President Al Gore on his recent visit to Ireland, said the U.S. gave the highest foreign policy priority to the current peace effort in Northern Ireland. The Vice President further indicated that this Administration stands ready, along with the American people, to support the current efforts for peace.

September 13, 1994

**Full Committee Statement of
Congressman Benjamin A. Gilman for the
Markup of H. R. 4950
"The Jobs through Trade Expansion Act of 1994"**

**For the first time in 25 years we have a real opportunity
for peace in Northern Ireland.**

**The U.S. has an obligation to assist that peace process.
In fact, Vice President Al Gore on his recent visit to Ireland,
said the U.S. gave the highest foreign policy priority to the
current peace effort in Northern Ireland. The Vice President
further indicated that this Administration stands ready, along
with the American people, to support the current efforts for
peace.**

Thanks

Xerox Telecopier 7021 : 9-15-94 : 12:23 ;

2022252035-
2022252035-

202 898 4255:# 5
202 898 4255:# 4

Anyone who has followed the situation in the North of Ireland clearly knows that one of the major underlying obstacles to peace is economic development. Along with fair and equal treatment of the minority of the labor force in employment opportunities, these are two critical economic issues that must be addressed.

Shared economic growth in the North of Ireland can help foster a mutual feeling of security by both these diverse traditions, and can help foster peace. Economic growth can and must be achieved before we can realistically see any permanent peace take long-term hold in the North of Ireland.

Thanks

Xerox Telecopier 7021 : 9-15-94 : 12:23 :

2022252035-

202 898 4255:# 5

2022252035-

202 898 4255:# 5

We must help create a sense of shared economic unity and common purpose to develop a lasting peace. This must come in a climate of economic growth, and economic sharing that addresses serious unemployment in one tradition, and overcomes fear of the future in another.

The Overseas Private Investment Corporation (OPIC) can play that important role in this process by creating an Irish investment fund that could bring new foreign investment into all of Ireland.

Based on the successful models of OPIC-supported funds in Africa, Israel, and Poland, a modest government guaranteed equity fund of up to \$60 million starting

Thanks

sometime in FY '95 could leverage up to several hundred million dollars of new foreign investment and provide a tangible symbol of U.S. support for the cease fire and embryonic peace process in Northern Ireland.

Unlike the International Fund for Ireland, this fund would require no annual appropriation. At no cost to the American taxpayer, it could make an important contribution to peace by promoting a prosperous and stable economy throughout Ireland.

I urge that your Administration take the initiative in creating this \$60 million OPIC equity fund to help foster peace in the North of Ireland, and I offer an amendment, along with Mr. Gjedsen, to help make that possible here

today.

I understand report language will set forth the need for the \$60 million fund and I ask Mr. Gjedensen that we assure that the report will be available for our consideration of OPIC next year in the foreign aid bill reauthorization.