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FROM: P N BELL, AUS(L)
20 September 1994

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PS/Mr Fell

cc PS/Secretary of State (L&B)
PS/Sir John Wheeler (L&B, DFP) m *
PS/Michael Ancram (L&B, DENI) m *
PS/Mr Smith (L, DED&DOE) m *
PS/Baroness Denton (L, DANID&DHSS) m *
PS/PUS (L&B)
Mr Legge
Mr Thomas (L&B)
Mr Semple, DFP - ROSE PARK HSE m *
Mr Quinn, DFP - ROSE PARK HSE m *
Mr Watkins
Mr Williams
Mr Wood (L&B)
Mr Brooker
Mrs Brown
Mr Dodds
Mr Maccabe
Mr Stephens
Mr Beeton
Mr Caine
Mr Archer, RID
HMA, Dublin
Mr Capella, UKRep.

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Secretary
cc Mr. Gibson
Mr. M'Donnell
Mr. Lythall
Mr. Donnelly

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Mr. [Signature]
Mr. [Signature]

EU ASSISTANCE FOR NORTHERN IRELAND

Events move on. Following your remarks at yesterday's Ministerial meeting and our later conversations, I have been in contact throughout the day with -UKRep. It seems that the European Commission will now announce tomorrow, Wednesday, its already avowed intention to increase the annual funding of the International Fund for Ireland by 5 mecu per annum over each of the next five years. You told me that Mr McCarter, the Chairman of the International Fund, had been invited to Brussels to be present at the announcement of the good news. This is a development which our Press Offices can wholeheartedly welcome.

2. This issue is, however, distinct from the separate UK initiative, on which I reported to the Secretary of State both last night and this morning, to secure a separate and additional Community Initiative directed at Northern Ireland (and free of the

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political downside that could be associated with an over large contribution to the IFI and the corresponding influence it would give the Republic in the economic affairs of Northern Ireland). Sir J Kerr has put our case, on lines blessed by our collective meeting in the Cabinet Office yesterday morning, and I hope to be able to circulate the outcome later today. If there is as we hope a package of support measures, over and above the extra support for the IFI, it still seems likely that this will be announced by President Delors when he appears before the European Parliament next week.

3. It is worth noting that UKRep, ever mindful of our concerns, are seeking to set the announcement of the addition 5 mecu in the context of other forms of EU contribution to economic development etc, 'within Northern Ireland'.

NORTHERN IRELAND BONDS

(Signed PNB)

P N BELL
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I replied to you my letter to OPIC of 9 September and subsequently mentioned
I replied to you at the VCE on 12 September.

As for the latter, this idea was put to us by Alan Hayes, New York City
Comptroller, when he visited us in July. The Comptroller's post is an
absolutely new and very important, but more particularly his predecessor, have not
a leading role in the Marshall campaign in the US. But simply, our response
to that campaign is that it is difficult to not addressing the role of
investment in helping to reduce imbalances in employment in Northern Ireland.
We are, therefore, anxious to give as positive a response as possible to the
Hayes's proposal which is intended to support industrial investment in
Northern Ireland by US companies. As such, the idea is, of course, of
considerable interest in its own right.

Mr Hayes's proposal is that a Northern Ireland Bond should be issued at an
interest rate below current interest rates for subscription by those who are
willing to forego interest for the opportunity to help toward investment and
job creation in Northern Ireland. The money would be invested in companies
between certainly US companies investing in Northern Ireland and which will
our package of assistance more attractive. This would, of course, be
beneficial to our broad investment drive but has a major drawback. Lenders
would expect a guarantee of repayment.

Our initial reaction was to wonder that UK Government guarantee of repayment
would lead to HM Treasury repaying the bond money as public sector borrowing.

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