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NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

Prime Minister

(2)

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

Handwritten initials

No additional expenditure. All European

Dear Geoffroy.

money to go to reduce P.I.R. limit N.I. overspend. already

ADDITIONALITY AND THE USE OF COMMUNITY FUNDS

Your minute of 17 June to the Prime Minister sets out the way in which you propose to treat money coming from Brussels to regions under the Article 235 arrangements. I accept that the proper course, endorsed by the Prime Minister in her Private Secretary's note of 20 June, is to reduce expenditure, the PSBR and interest rates, not least because Northern Ireland would benefit as much as any other part of the UK from lower interest rates. I have already made this point to Conservative back-benchers and others who have raised this matter with me.

I am clear however that public references by the Commission and others to additional Community expenditure in Northern Ireland as part of the UK budget contribution settlement have already aroused expectations. There would be bitter disappointment amongst all shades of opinion if Community money allocated specifically for urban renewal, for example, did not lead to additional expenditure for this purpose. Indeed I go as far as to say that in such a situation the Government's position would be politically untenable, and the political initiative which we are about to launch would not be helped. Conversely, I would welcome practical Community support for Northern Ireland at a time when we are trying to revive political life there. Extra funds for urban renewal in Belfast would be welcomed by all parties in Northern Ireland. It is general knowledge that the problems of Belfast have led the Commission to choose it for one of the initial experiments in the Integrated Operations approach.

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My reference to the need for extra resources is not to be treated as a firm bid for any particular sum, but rather as a warning marker that the strict application of the line you propose on additionality could land the Government in serious political difficulties in Northern Ireland. I shall certainly wish to propose some additional extra expenditure for the period 1981-82 and 1982-83 when we come to discuss public expenditure programmes for 1981/82 onwards later this month. My officials will be in touch with yours about this.

I note Michael Heseltine's views on the passing-on of receipts from the Community. I certainly agree that the pros and cons should be fully considered before taking a decision and I would like to be involved in discussions. Politically I would prefer that we could pass on.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet, Norman Fowler and Sir Robert Armstrong.

Yours ever

William Fisher

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