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FM WASHINGTON

TO IMMEDIATE FCO

TELNO 485

OF 27 2315Z FEBRUARY 86

AND TO IMMEDIATE NIO(B), NIO(L)

INFO PRIORITY DUBLIN, UKREP BRUSSELS, CG NEW YORK, BIS NEW YORK

INFO SAVING CANBERRA, OTTAWA, ATLANTA, BOSTON, CHICAGO

INFO SAVING CLEVELAND, HOUSTON, LOS ANGELES, SAN FRANCISCO

*c Mr. Jay*PROPOSED US FINANCIAL ASSISTANCE
SUMMARY

1 BRITISH AND IRISH VIEWS ON DRAFT US PROPOSAL CONVEYED JOINTLY TO THE STATE DEPARTMENT AND BY IRISH AMBASSADOR TO THE SPEAKER. TRIPARTITE TALKS PROPOSED FOR THURSDAY 6 MARCH. DRAFT BILL NOT YET TRANSMITTED TO CONGRESS, BUT THE NEWS IS OUT.

DETAIL

- 2 HAVING COMPARED NOTES ON OUR INSTRUCTIONS, THE IRISH AMBASSADOR AND I CALLED ON WENICK ON THE AFTERNOON OF 27 FEBRUARY. BOTH WE AND THE IRISH EMBASSY ALSO HAD A NUMBER OF CONTACTS DURING THE DAY WITH THE HILL.
- 3 MACKERNAN TOLD WENICK THAT HE HAD RECEIVED INSTRUCTIONS TO CONVEY TO THE STATE DEPARTMENT PRELIMINARY IRISH VIEWS ON THE US PROPOSALS PASSED TO US YESTERDAY (MY TELNO 472). THE IRISH GOVERNMENT APPRECIATED THE US OFFER, DOLLARS 250 MILLION WOULD BE A SIGNIFICANT BOOST TO THE ANGLO-IRISH AGREEMENT. THE ADMINISTRATION'S RESOURCE ALLOCATION DIFFICULTIES WERE WELL UNDERSTOOD, BUT THE IRISH HOPED THAT THE CASH ELEMENT IN THE PACKAGE MIGHT BE INCREASED, IN PARTICULAR IN FISCAL YEARS 1986 AND 1987. AS FOR THE HOUSING GUARANTY ELEMENT, NEITHER THE BRITISH NOR THE IRISH GOVERNMENTS REGARDED HOUSING NEEDS AS A HIGH PRIORITY AT THIS STAGE, AND IN ANY CASE LONDON AND DUBLIN DOUBTED WHETHER THE PROGRAMME SUGGESTED WOULD BE PARTICULARLY SUITABLE. THERE WOULD BE DIFFICULTIES IN ABSORBING DOLLARS 20 MILLION IN THE CURRENT AND NEXT FISCAL YEARS. THE PRIVATE SECTOR REVOLVING CREDIT FUND LOOKED AN ATTRACTIVE ELEMENT, ASSUMING IT WAS ON THE LINES OF THE VENTURE CAPITAL FUND PROPOSED BY THE TWO GOVERNMENTS. MACKERNAN SAID, HOWEVER, THAT PROGRAMMES INVOLVING OPIC AND FEASIBILITY STUDIES DID NOT SEEM RELEVANT AS THE AVAILABILITY OF LOANS WAS NOT ITSELF A PROBLEM IN IRELAND. MORE INFORMATION WAS NEEDED ON EXIM BANK LOANS BEFORE COMMENTS COULD BE GIVEN.
4. MACKERNAN WENT ON TO SAY THAT THE IRISH GOVERNMENT WERE PREPARED TO SEND REPRESENTATIVES FOR TALKS IN WASHINGTON AS SOON AS POSSIBLE BUT UNDERSTOOD THERE WERE TIMING PROBLEMS FOR THE BRITISH SIDE. HE CONCLUDED BY SAYING THAT THE PACKAGE WAS WELCOME, BUT THE BALANCE WAS QUOTE RATHER AWKWARD UNQUOTE SEMI-COLON AND THAT THE IRISH LOOKED FORWARD TO EARLY TECHNICAL DISCUSSIONS.

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5. I EXPLAINED THAT MY INSTRUCTIONS WERE LESS DETAILED THAN THE IRISH AMBASSADOR'S. WHILE WE TOO APPRECIATED THE US OFFER, WE WOULD NEED TO LOOK CAREFULLY AT THE DIFFERENT ELEMENTS IN THE PURCHASE SEE WHETHER THEY WERE RELEVANT TO THE SITUATION ON THE GROUND IN NORTHERN IRELAND

AND WHETHER THE PROPOSED FUNDING COULD BE ABSORBED IN THE TIME-SCALE ENVISAGED. THIS APPLIED PARTICULARLY TO HOUSING.

AS FOR CONSULTATIONS, UK REPRESENTATIVES

WANTED TO COME TO WASHINGTON AS SOON AS POSSIBLE IN ORDER TO DISCUSS THE PACKAGE BEFORE IT WAS SET IN CONCRETE. BUT IN VIEW OF THE PLANNED INDUSTRIAL ACTION IN NORTHERN IRELAND, THE END OF NEXT WEEK WOULD BE THE EARLIEST A UK TEAM COULD BE HERE.

6. WENICK NOTED THE DISAPPOINTMENT EXPRESSED BY THE IRISH AMBASSADOR. HE SAID THAT SHULTZ HAD PERSONALLY TAKEN A MAJOR ROLE IN HAMMERING OUT THE FINAL PROPORTIONS OF THE US PACKAGE AND THAT, FROM THE ADMINISTRATION'S STAND-POINT, THERE WAS SIMPLY NO MORE CASH AVAILABLE. ON THE OTHER HAND, THIS COULD OF COURSE BE ADJUSTED ON THE HILL, ALTHOUGH HIS OWN SOUNDINGS INDICATED THAT EVEN THOSE CONGRESSMEN AND SENATORS WITH AN INTEREST IN IRISH AFFAIRS WERE EXTREMELY CONSCIOUS OF GRAMM-RUDMAN PRESSURES. WENICK WENT ON TO SAY THAT THE PROPORTIONS WERE NOT INTENDED TO BE ABSOLUTELY FIXED, THAT DISBURSEMENT OF FUNDS FOR HOUSING COULD BE HANDLED FLEXIBLY, AND THAT THE DRAFT BILL MENTIONED THE GLOBAL TOTAL OF DOLLARS 250 MILLION, BUT CONTAINED NO OTHER SPECIFIC FIGURES.

7. WENICK SAID THAT HE WOULD HAVE PREFERRED 4 MARCH FOR TRIPARTITE TALKS IN WASHINGTON BUT, IN VIEW OF BRITISH DIFFICULTIES, INSTEAD SUGGESTED THURSDAY 6 MARCH. HE ATTACHED IMPORTANCE TO THE DISCUSSIONS TAKING PLACE NEXT WEEK. HE THOUGHT THAT WILKINSON (DEPUTY ASSISTANT SECRETARY FOR EUROPEAN AFFAIRS) WOULD LEAD ON THE US SIDE. HE HANDED OVER A LIST OF QUESTIONS TO BE TACKLED (SEE MIFT).

8. IN DISCUSSION, THE FOLLOWING POINTS EMERGED:

(A) THE SPEAKER HAD TELEPHONED MACKERNAN EARLIER IN THE DAY, EXPRESSED HIS CONCERN AT THE SHAPE OF THE EXPECTED ADMINISTRATION PROPOSAL, AND ASKED FOR AN IRISH GOVERNMENT VIEW. MACKERNAN, ALTHOUGH WELCOMING THE GLOBAL FIGURE INVOLVED, HAD EXPRESSED DISAPPOINTMENT ABOUT THE PROPORTIONS AND IN PARTICULAR HAD MENTIONED OUR DOUBTS ABOUT THE HOUSING ELEMENT. (MACKERNAN HAD BRIEFED US IN ADVANCE ON THIS CONVERSATION AND HAD ALSO MENTIONED THAT, AS WE KNEW FROM OUR OWN SOURCES, THE SPEAKER FELT PERSONALLY LET DOWN BY THE LEVEL OF CASH FUNDING IN THE PROPOSAL AND HAD MADE CLEAR HIS DISAPPOINTMENT TO SHULTZ. MACKERNAN HAD SUGGESTED DOLLARS 40M A YEAR IN CASH AS A REASONABLE TARGET).

(B) THE DRAFT BILL WAS STILL WITH THE WHITE HOUSE. SOMMER (DIRECTOR FOR WESTERN EUROPE, NSC) SEPARATELY TOLD US THIS AFTERNOON THAT THE OMB HAD NOW AGREED TO DOLLARS 20 MILLION IN FT87 (PARAGRAPH 8 OF MY TELNO 460), BUT A CORRESPONDING REDUCTION WILL HAVE TO BE FOUND FROM ELSEWHERE IN THE STATE DEPARTMENT BUDGET.

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(C) MACKERNAN HAD DISCUSSED WITH CONGRESSMAN GILMAN (RANKING REPUBLICAN MEMBER, EUROPE SUB-COMMITTEE, HOUSE FOREIGN AFFAIRS COMMITTEE) EARLIER IN THE DAY THE CONDITIONS WHICH THE BIAGGI GROUP WERE TRYING TO IMPOSE ON THE AID PACKAGE. MACKERNAN HAD EXPLAINED THE UNDESIRABILITY OF THE MACBRIDE PRINCIPLES AND HAD SAID THAT IT MIGHT BE POSSIBLE TO INCLUDE A PREAMBULAR REFERENCE IN THE AUTHORIZING BILL TO THE TWO GOVERNMENTS' ADHERENCE TO THE PRINCIPLES OF EQUAL OPPORTUNITY AND NON-DISCRIMINATION IN EMPLOYMENT. IT MIGHT ALSO BE POSSIBLE TO INCLUDE A GENERAL REFERENCE TO RESPECT FOR QUOTE HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS UNQUOTE.

9 ALTHOUGH THE BILL HAS NOT BEEN FORMALLY TRANSMITTED TO CONGRESS, LEAKS ARE BEGINNING TO APPEAR. MY SECOND WFT CONTAINS THE TEXT OF THE PRESENT VERSION OF THE DRAFT BILL OBTAINED FROM A CONGRESSIONAL SOURCE. IT IS SUBJECT TO CHANGE IN THE WHITE HOUSE. THE CASH ELEMENT WOULD BE PROVIDED UNDER THE ECONOMIC SUPPORT FUND.

10 WE HAVE ALSO CONTINUED TO PROBE IRISH, STATE DEPARTMENT AND CONGRESSIONAL THINKING ON TIMING. THE TIMETABLE IS STILL FAR FROM CLEAR, BUT THE HEARING ON 5 MARCH LOOKS FIXED. DESPITE STATE DEPARTMENT RESERVATIONS AND AMBASSADOR HECKLER'S COMMENTS AT DITCHLEY (DUBLIN TELNO 131, NOT TO ALL), WE CONTINUE TO DETECT SIGNS THAT THE SPEAKER AND OTHERS MAY BE WORKING TO CONNECT PASSAGE OF THE LEGISLATION TO THE FITZGERALD VISIT AND ST PATRICK'S DAY. THE IRISH EMBASSY ARE CERTAINLY NOT DIRECTLY EXPRESSING RESERVATIONS ABOUT THIS POSSIBILITY.

11 THE IRISH AMBASSADOR AND WENICK HAD NO DIFFICULTY WITH THE PROPOSED PRESS LINE IN YOUR TELNO 367. WE ARE ALREADY DRAWING ON IT, MAKING CLEAR THAT THE ADMINISTRATION PROPOSAL HAS NOT YET BEEN FORMALLY TRANSMITTED TO CONGRESS.

COMMENT

12 THERE WAS A CLEAR DIFFERENCE OF EMPHASIS IN THE INSTRUCTIONS SENT TO THE IRISH AMBASSADOR AND THOSE SENT TO ME. IN PARTICULAR, MACKERNAN WAS SPECIFICALLY INSTRUCTED TO MAKE CLEAR TO THE SPEAKER SHARED BRITISH AND IRISH DISAPPOINTMENT AT THE CASH ELEMENT IN THE ADMINISTRATION'S DRAFT PROPOSAL. ALTHOUGH IT WAS FORTUNATE THAT THE SPEAKER TOOK THE INITIATIVE IN CONTACTING HIM, REPORTS OF BRITISH AND IRISH CONCERN MAY LEAK FROM THE HILL AS A RESULT. THE NEED TO AVOID SEEMING TO PLAY THE ADMINISTRATION AND CONGRESS OFF AGAINST EACH OTHER IN THE COMING WEEKS IS, IN MY VIEW, OF GREAT IMPORTANCE AND I HOPE THAT ADEQUATE ACCOUNT WILL BE TAKEN OF IT IN FUTURE DISCUSSIONS BETWEEN LONDON AND DUBLIN.

13 THE MAIN OPERATIONAL REQUIREMENT NOW IS TO RESPOND URGENTLY TO THE STATE DEPARTMENT'S PROPOSAL FOR TALKS ON 6 MARCH. MY STRONG RECOMMENDATION IS THAT WE SHOULD ACCEPT. I NATURALLY HOPE THAT BRENNAN AND/OR BLOOMFIELD WILL BE AVAILABLE, BUT IF FOR SOME REASON THEY ARE NOT, I HOPE THAT A UK TEAM OF HOUSING, FINANCE AND OTHER TECHNICAL EXPERTS WILL NEVERTHELESS BE ABLE TO COME OUT. IN ADDITION TO INSTRUCTIONS ON TIMING, WE SHALL NEED TO HAVE COMMENTS ON THE LIST OF SUBJECTS SUGGESTED BY THE STATE DEPARTMENT AND ANY ADDITIONAL ITEMS OF OUR OWN. FINALLY, I THINK THAT IT MIGHT BE SENSIBLE TO TAKE FURTHER ACTION IN DUBLIN OVER THE ST PATRICK'S

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DAY/FITZGERALD VISIT TIMING. THE ADMINISTRATION ARE UNLIKELY BY THEMSELVES TO SEE THE SPEAKER OFF SEMI-COLON A DIRECT IRISH INTERVENTION HERE MAY BE NECESSARY.

14 PLEASE ADVANCE TO BRENNAN AND BELL (NIO (L)), BLOOMFIELD (NIO(B)), GOODALL AND CLARK (FCO).

JENKINS

FCO PASS SAVING CANBERRA AND OTTAWA

(REPEATED AS REQUESTED)

ORWBAN 1407

LIMITED

RID

NAD

ECD(I)

SPD

PS

PS LADY YOUNG

PS/PUS

MR GOODALL

MR RENWICK

COPIES TO:

SIR R. ARMSTRONG } CAB
MR MALLABY } OFF.

MR BRENNAN }
MR BELL } NIO(L)
MR CHESTERTON }
MR BLOOMFIELD NIO(B)

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