

GRS 1080

SECRET-ECLIPSE

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FM WASHINGTON
TO IMMEDIATE FCO
TELNO 460
OF 252330Z FEBRUARY 86
AND TO IMMEDIATE NIO(L) AND NIO(B)
INFO PRIORITY DUBLIN, UKREP BRUSSELS
INFO SAVING OTTAWA, CANBERRA, WELLINGTON

cc Mr Williams
Mr Jay

YOUR TELNO 238: ANGLO-IRISH AGREEMENT: PROPOSED US FINANCIAL ASSISTANCE SUMMARY

1. AUTHORITATIVE BUT STRICTLY PERSONAL BRIEFING ON THE US PROPOSAL, WHICH WILL GO PUBLIC WITHIN A WEEK. ASSISTANCE OF DOLLARS 250 MILLION OVER FIVE YEARS ENVISAGED: UP TO DOLLARS 100M IN CASH DETAIL

2. AT OUR REQUEST WE WERE BRIEFED ON 25 FEBRUARY ON A PERSONAL BASIS AND IN STRICT CONFIDENCE, ON THE PROPOSAL WHICH IS NOW LIKELY TO BE PUT TO CONGRESS NEXT WEEK. SINCE THE IRISH ARE RECEIVING NO SIMILAR BRIEFING (BECAUSE THE IRISH LOBBY ON THE HILL ARE IN THE ADMINISTRATION'S EYES IRRITATINGLY HYPERACTIVE), SINCE OUR SOURCE WAS UNAUTHORISED, AND SINCE THE PROPOSAL IS IN FACT STILL SUBJECT TO CHANGE (SEE PARAS 8 AND 9 BELOW) PLEASE PROTECT CAREFULLY.

3. SHULTZ ON 22 FEBRUARY FORWARDED TO THE WHITE HOUSE A DRAFT BILL QUOTE THE NORTHERN IRELAND AND IRELAND ASSISTANCE ACT 1986 UNQUOTE, WHICH, IF PASSED, WOULD AUTHORISE THE EXPENDITURE OF DOLLARS 250 MILLION OVER FIVE YEARS IN NORTHERN IRELAND AND AFFECTED AREAS OF THE REPUBLIC. THE ACCOMPANYING DRAFT PRESIDENTIAL STATEMENT, WHICH IS LOW KEY, RECALLS THE ADMINISTRATION'S WELCOME FOR THE HILLSBOROUGH AGREEMENT, THE CONGRESS' SUBSEQUENT CALLS FOR SUPPORT FOR ECONOMIC AND SOCIAL DEVELOPMENT IN NORTHERN IRELAND AND ADJACENT AREAS OF THE REPUBLIC, AND REPORTS THE PRESIDENT'S CONCLUSION THAT THE MOST EFFECTIVE AND COMPLETE U S RESPONSE WOULD BE DOLLARS 250M OF ECONOMIC ASSISTANCE.

March

4. TIMING. THE HOUSE FOREIGN AFFAIRS COMMITTEE PLAN A HEARING ON 5 MARCH, AND THE ADMINISTRATION'S INTENTION IS THAT THE STATEMENT SHOULD HAVE BEEN MADE, AND THE DRAFT LEGISLATION SENT TO THE HILL, BEFORE THEN.

5. BREAKDOWN. THE DRAFT BILL ITEMISES FUNDING IN DETAIL ONLY FOR FY86 (THE CURRENT YEAR, WHICH STARTED IN OCTOBER 85) AND FY87 (THE YEAR ON WHICH THE CONGRESSIONAL BUDGETARY COMMITTEES ARE NOW FOCUSED). IN EACH YEAR A CASH CONTRIBUTION OF DOLLARS 20M TO THE QUOTE INTERNATIONAL FUND TO BE ESTABLISHED BY THE GOVERNMENTS OF THE UNITED KINGDOM AND THE REPUBLIC UNQUOTE IS ENVISAGED. OF THE BALANCE OF DOLLARS 30M IN FY86, DOLLARS 20 IS TO COME FROM THE HOUSING GUARANTEE PROGRAMME (PARA 9(A) OF OUR TELNO 97): THE RESIDUAL DOLLARS 10M FROM ALL OR ANY OF (A) THE USAID PRIVATE SECTOR REVOLVING CREDIT FUND (WHICH SUPPORTS SMALL

\$250M.
up to \$100M
in cash

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/AND

AND MEDIUM SIZE BUSINESSES, VIA SUBSIDISED LOANS FROM INTERMEDIATE FINANCIAL INSTITUTIONS), (B) THE USAID TRADE AND DEVELOPMENT PROVISION (PARA 9(B) OF OUR TELNO 97), (C) THE OVERSEAS PRIVATE INVESTMENT CORPORATION (PARA 9(C) OF OUR TELNO 97), AND (D) THE EXIM BANK.

FOR FY 87, THE DOLLARS 30M BALANCE WOULD BE MADE UP FROM CONTRIBUTIONS FROM THE SAME ORGANISATIONS, THOUGH NOT NECESSARILY ON PRECISELY THE FY86 PATTERN.

6. OUR SOURCE CONFIRMED THAT, FOR THE THREE YEARS AFTER FY87, ON WHICH THE BILL CONTAINS NO DETAILS, THE ADMINISTRATION ENVISAGE THAT THE REMAINING BALANCE OF DOLLARS 150 M WOULD BE FOUND IN THREE EQUAL INSTALLMENTS OF DOLLARS 50M, AND THAT THERE WOULD IN EACH YEAR BE A CASH ELEMENT, PROBABLY OF DOLLARS 20M. (COMMENT. THERE IS OF COURSE NO BUDGETARY NEED FOR THE ADMINISTRATION NOW TO SEEK FUNDING FOR THE THREE OUTYEARS: THE ABSENCE OF SPECIFICITY BEYOND FY87 IS THEREFORE PROBABLY GENUINELY NON-SINISTER).

7. THE FACT THAT THE CASH ELEMENT IS OUTWEIGHED BY THE PROGRAMME CONTRIBUTIONS REFLECTS CURRENT BUDGETARY CUTBACKS, GRAMM-RUDMAN ETC. THE ADMINISTRATION HAVE IN FACT DEvised WAYS OF AVOIDING SEEKING NEW MONEY OTHER THAN THE DOLLARS 20M FOR FY87. (THE FY86 DOLLARS 20M HAS BEEN FOUND FROM WITHIN EXISTING PROGRAMMES.) APART FROM THE EXIM BANK PROGRAMME CONTRIBUTION, ALL ELEMENTS ARE USAID-RUN: NONE WOULD REQUIRE ADDITIONAL VOTED MONEY THIS YEAR SEMI-COLON AND ALL ARE THOUGHT BY THE ADMINISTRATION TO BE GRAMM-RUDMAN PROOF.

8. OBJECTIONS. THE SHULTZ PROPOSAL IS, WE UNDERSTAND, POLITICALLY WELCOME IN THE WHITE HOUSE. OFFICIALS THERE HAVE BEEN PRESSING STATE FOR SOME TIME, FOR SPEAKER O'NEILL HAS SHOWN SIGNS OF WANTING TO KEEP ALL FY87 BUDGETARY ISSUES ON ICE UNTIL HE SEES THE COLOUR OF THIS SHULTZ MONEY. BUT OMB ARE THIS WEEK OBJECTING THAT IT IS NOT ESSENTIAL TO SPECIFY NOW THE DOLLARS 20M FY87 CASH ELEMENT. DEBATE ON THIS CONTINUES BETWEEN STATE AND OMB

9. A SECOND OBJECTION MAY COME FROM O'NEILL. RUMOURS OF LOWER SHULTZ FUNDS ARE CIRCULATING AMONG THE IRISH LOBBY ON THE HILL, AND OUR SOURCES THOUGHT IT POSSIBLE THAT O'NEILL, WHILE LIKELY TO SETTLE FOR DOLLARS 250M, MIGHT WANT SOME FRONT-END LOADING, AND/OR A LARGER CASH ELEMENT, AND/OR SPECIFICITY FOR THE OUTYEARS. IF STATE LOSE TO OMB IN RESPECT OF FY87 CASH, THE PROBLEM WITH O'NEILL WILL OF COURSE BE GREATER: STATE ARE POINTING THIS OUT TO THE WHITE HOUSE, AND THEREFORE DO NOT EXPECT TO LOSE TO OMB. BUT SOME LAST MINUTE AMENDMENT TO THE BILL CANNOT YET BE EXCLUDED.
COMMENT

10. THE SCALE AND SHAPE OF THE PROPOSALS IS ALONG THE LINES ENVISAGED DURING THE BRENNAN/BLOOMFIELD/DONLON TALKS HERE IN MID-JANUARY. THE CASH ELEMENT IS CLEARLY SMALLER THAN WE HAD HOPED, BUT THIS IS HARDLY SURPRISING GIVEN THE DEFICIT-REDUCTION DRIVE. THE IRISH EMBASSY ARE CONCERNED, AND MCKERNAN SPOKE TO ME TODAY, ABOUT THE RUMOURS (OF LOWER FIGURES) WHICH THEY HAVE PICKED UP ON THE HILL. GIVEN THE PERSONAL BASIS OF OUR BRIEFING IN STATE,

WE CANNOT PUT THEM STRAIGHT: BUT WE HOPE THAT YOU WILL AGREE THAT OUR REACTION TO THE PROPOSAL, WHEN WE HEAR OF IT OFFICIALLY, SHOULD BE WELCOMING, RATHER THAN CARPING.

11. WE ARE UNLIKELY TO HEAR OFFICIALLY MUCH BEFORE THE PRESIDENTIAL STATEMENT IS ISSUED BY THE WHITE HOUSE, AND THE LEGISLATION GOES TO THE HILL. STATE HAVE GOT THEMSELVES IN A MESS ON TIMING, AND WARN NOW THAT 24 HOURS ADVANCE NOTICE IS AS MUCH AS, AND PERHAPS MORE THAN, WE AND THE IRISH ARE LIKELY TO GET. IF THERE ARE ANY REACTIONS WHICH YOU WOULD LIKE US TO FEED IN, EITHER UNOFFICIALLY AND INFORMALLY NOW, OR OFFICIALLY AND FORMALLY WHEN MCKERNAN AND I ARE SUMMONED TO HEAR THE NEWS, IT WOULD THEREFORE BE USEFUL TO HAVE THEM VERY SOON.

12. STATE HAD EARLIER PLANNED A MORE LENGTHY PERIOD OF CONSULTATION WITH US AND THE IRISH ON THE BASIS OF A DETAILED MEMORANDUM SETTING OUT THEIR PROPOSALS (PARA 13 OF OUR TELNO 97). THIS HAS FALLEN VICTIM TO O'NEILL'S TACTICS (PARTLY ENCOURAGED, I FEAR, BY THE IRISH EMBASSY). BUT OUR CONTACTS AGREE THAT THERE WILL STILL HAVE TO BE A DETAILED DISCUSSION OF MECHANICS, BOTH OVER THE FUND AND OVER THE PARTICULAR PROGRAMME VEHICLES CHOSEN. THIS WILL NOW CLEARLY FOLLOW, RATHER THAN PRECEDE, THE TABLING OF THE BILL.

13. WE ARE REMINDING STATE OF THE SENSITIVITY IN UK TERMS OF ANY LINKAGE BETWEEN THEIR FUNDING PROPOSALS AND DR FITZGERALD'S MID-MARCH VISIT HERE. THEY HAVE REPEATED THEIR UNDERTAKING (OUR TELNO 358) TO KEEP US IN TOUCH WITH THE PREPARATION OF TEXTS FOR THE ST PATRICK'S DAY DINNER HONOURING SPEAKER O'NEILL, WHICH FITZGERALD WILL ATTEND. NEITHER WE NOR OUR CONTACTS IN STATE THINK MRS HECKLER CORRECT IN SUGGESTING (DUBLIN TELNO 113) THAT UNLESS THE FUND PROPOSAL IS LINKED TO THE ST PATRICK'S DAY FESTIVITIES, IT WILL FAIL ON THE HILL. THERE IS A LINK, BUT NOT THIS ONE. IF FOR SOME REASON THE ADMINISTRATION FAILED TO TABLE THEIR BILL WELL BEFORE THE FITZGERALD VISIT, THE ISSUE MIGHT INDEED GET CAUGHT UP IN IT. BUT PROVIDED THEY HAVE DONE THE JOB NEXT WEEK, AS THEY INTEND, THERE SEEMS NO REASON TO EXPECT THE LEGISLATION TO FAIL IF NOT PACKAGED ALL IN GREEN. THE PRESSURES FROM THE IRISH LOBBY WILL BE TO AUGMENT IT, NOT SQUASH IT SEMI-COLON AND THE SOONER THE ADMINISTRATION TABLE IT, IE WELL BEFORE ST PATRICK'S DAY, THE BETTER FOR THEM, AND, IN TERMS OF PRESENTATION, FOR US. WE PROPOSE TO GO ON SAYING SO.

FCO PLEASE PASS SAVING POSTS (REPEATED AS REQUESTED)
JENKINS

LIMITED
RID
NAD
ECD(1)
SPD
MR. GOODALL
MR. RENWICK
PS
PS/PUS
PS/LADY YOUNG

COPIES TO:
SIR. R. ARMSTRONG -
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