

DJW/26/9

Mr C A Capella  
United Kingdom Permanent Representation  
to the European Communities  
Ronde-Point Robert Schuman 6  
1040 BRUSSELS

43/9 20/9  
cc MR M'Donnell  
MR Gibson S373/94  
MR Crozier  
MR W Hamilton  
MR ~~Cramble~~

21/9.  
Mrs Cathalain 15 September 1994  
Mrs Gahagan  
Mr ~~Buglin~~ ~~22/9~~  
To be filed AM  
20/9/94

0246/1/94

POTENTIAL EUROPEAN FUNDING IN RESPONSE TO THE PEACE PROCESS

1. On foot of your letter of 14 September to Peter Bell I have consulted quickly with colleagues in the relevant Northern Ireland Departments about a possible European Union package of assistance in response to the peace process.
2. Before dealing with the issues which you raised in your letter I should stress at the outset that the critical factor in all of this process is the additionality regime which HM Treasury apply to EC receipts in Northern Ireland. Before we get into any detailed discussions about a possible package of assistance with the Commission, it is important that Ministers sign up to the political and economic necessity of transparent additionality at the regional level. This will clearly require HM Treasury agreement, which could be difficult to acquire, and will depend on political leverage to ensure that it is delivered. With this in mind we will be putting a submission to our Secretary of State over the weekend, inviting him to consider possible ways forward with his colleagues.
3. Given the central importance of the additionality issue we believe that you should be cautious in any discussions which you might have with the Commission about the quantum of assistance to be sought from the European Union.

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4. Putting this critical consideration aside we would first of all agree that an increase in the EC contribution to the IFI should be welcomed. However, our overall judgement is that there should be a doubling of the Delors offer from 5 mecu to 10 mecu.
5. In addition, we would consider that an additional package [Note: we are thinking in terms of £100m over 5 years] concentrated in the areas listed below would be desirable:
- Inner urban regeneration, with special emphasis on Belfast, a key area in terms of the peace process;
  - Training, employment and rural development with the objective of improving trade and inward investment and concentrating on science, R&D, pre-school/nursery initiatives and training infrastructure; and
  - Infrastructure, particularly in tourism which is confidently expected to show significant growth in the aftermath of peace, and the roads and ports proposals mentioned in your letter.
6. In terms of instruments we believe that the main channels of assistance should be INTERREG, URBAN, EMPLOYMENT, SMES, ADAPT and LEADER. — A more lateral and perhaps, all round, more attractive idea might be a special Community Initiative dedicated to Northern Ireland and the border areas in Ireland. You might wish to explore this further with the Commission.
7. On the question of the proposed discussion at the Foreign Affairs Council in October, I will be talking to the Irish tomorrow about this. From our point of view we do not wish to rush into such a discussion with only half-baked ideas, since this in the long run this might be counter-productive. In addition, we ourselves need to consider the interaction of the proposed European Union aid, American aid, and our own



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priorities within the Northern Ireland Survey in some careful detail.

8. Some final thoughts. Firstly, we would be grateful if you could obtain indication from the Commission of what their thoughts are on this package both in terms of the likely quantum and its objectives and purposes. And secondly, if UKRep would consider this to be helpful, we could field, at short notice, a small team of experts who would be prepared to travel to Brussels for exploratory discussions with the Commission about the aid package. If you think that this would advance the current position please let me know.
9. Copies to go to Graham Archer (RID), HMA Dublin and Stephen Wittington (Cabinet Office).

[Signed DJW]

D J WATKINS  
CENTRAL SECRETARIAT

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