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Department of Finance
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10 JAN 1981
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- cc: PS/SOS (B&L)
- PS/Dr Boyson (B&L)
- PS/Mr Scott (B&L)
- PS/PUS (B&L)
- Dr Quigley
- Mr Fell
- Mr McAllister
- Mr Mayne
- Mr Chesterton
- Mr Elliott
- Mr Spence
- Mr Bell

Mr Brennan

INTERNATIONAL FUND : VISIT OF HOUSE "STAFFER"

1. As proposed in his minute of 20 December, Mr Bloomfield met Mrs Toni Verstandig, a staff member attached to the US House Foreign Affairs Committee today. Mrs Verstandig was accompanied by Mr Hillel Weinberg, a staff member assigned to Congressman Gillman and Mr Sam Bartlett, US Consul General at Belfast. Dr Quigley and Mr Mayne were also present.
2. Mr Bloomfield set the scene for possible US aid for Northern Ireland in terms of the wider perspective of problems and priorities in the Province; the historical over-reliance on a narrow industrial base, the impact of political unrest, the recession and public expenditure decisions which had helped contribute to a situation where there was a large public sector and a correspondingly weak private sector. While LEDU had been successful in encouraging small businesses, the need was for inward investment by larger companies to initiate a benign movement to stimulate the economy and which would produce beneficial spin-off effects for smaller indigenous enterprises.
3. Mrs Verstandig expressed a particular interest in the impact of Enterprise Zones and their role in job creation and the recruitment of the minority community. It was explained that the harbour area of Belfast was particularly attractive as an Enterprise Zone being an area accessible to both communities. Enterprise Zones had the advantage of directing industrial activities to areas of high unemployment.
4. The priorities for the Province were detailed. The first priority was to reduce the high level of unemployment. Corporation Tax Relief Grant had not matched the

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attractive low tax rates in ROI but the main problem in encouraging inward investment was not the lack of money for inducements. A second priority was to stimulate private sector activity through, for example, research, higher education and improved management skills. In the wider social and environmental field, the physical infrastructure of the Province was good. While the rate of unfitness in the housing stock was high in comparison with GB, there were encouraging signs of progress. Although a high priority was given to the housing programme, the latter was being cut back to accommodate the needs of other programmes. Funding had been boosted by sales of public sector stock and from the EC but both sources were now faltering and unless reinforced, the housing programme would slip back.

5. The type of projects the British and Irish sides had in mind were those producing practical benefits and which would otherwise not be implemented due to lack of funds. It was important to direct funds on the basis of objective need. Although uncertainties remained over the wider international response to provide aid, for example by the EC, it was obviously important that "donors" helped determine how the aid was distributed.
6. Mrs Verstandig stressed that any US contributions must not supplant government spending nor reduce existing efforts to assist the Province. Mr Bloomfield agreed that the "donors" needed to be assured that the assistance was truly additional - the *raison d'etre* of support was to enable something more to be achieved in Northern Ireland. Mrs Verstandig certainly did not wish US contributions to be seen as part of the US Foreign Aid programme. Rather, the goal was to expand the industrial base and to energize the economy against the background of recent political moves. Mrs Verstandig explained that there were difficulties ahead in that a considerable proportion of foreign aid funds had already been earmarked and every quarter commencing in March there would be a 10% cut in the foreign aid account. It was important, however, to move ahead swiftly in the favourable political background to give effect to the resolutions by Congress and the Administration. The total US contribution was uncertain but likely to be somewhere between \$220m and \$500m contributed over 5 years with a ratio NI/ROI of 3:1.
7. During discussion on the role of the Trustees, Mr Bloomfield explained that it was envisaged that the British and Irish governments would appoint independent non-government individuals probably with an industrial background, but certainly people of integrity who would command the respect of both communities. The Chairman could conceivably come from other than Britain or Ireland. The two governments could act as a sifting mechanism considering the practical details of projects but the independent Trustees would be the final decision makers, donors could contribute to a joint bank account and an authorised officer of the Fund would release money for projects on the approval of Trustees.
8. The British and Irish sides had broadly agreed the categories of projects to be assisted which the "donors" would hopefully find acceptable, and illustrative examples of these could be given when the measures were being considered by Congress. Mr Bartlett however pointed to the desire of Congress to know exactly where the money was going, although Mr Bloomfield underlined the difficulties of being more specific on this in advance of the appointment of Trustees.

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9. Dr Quigley said that concern regarding accountability could be met through establishing terms of reference for the Trustees, the custodians of the integrity of the projects, through reports and by formal audits by internationally prestigious private accountants. Officials would act as a sifting mechanism examining detailed proposals. Mr Bartlett was concerned that Trustees would be in a very difficult position when the inevitable scrutiny of projects on a sectarian basis began.
10. Mr Bloomfield envisaged that part of the Fund could be used as venture capital, both in the initial stages of starting new businesses and in product development and marketing. Dr Quigley gave examples of opportunities in software, bio-technology, genetic development, information technology and medical electronics, all products with an international market where Northern Ireland had particular skills to offer.
11. The importance of discussing both financial and economic assistance was stressed. Other possible economic assistance included US defence procurement which could benefit, for example, Short Bros. On the possibility of tax breaks to facilitate American investment, Mrs Verstandig and Mr Weinberg said that this was a contentious and difficult area in the US.
12. The meeting concluded on the note that it was fundamentally important to promote continuing private sector investment in Northern Ireland. There was a feeling that the Province had not been sharing the advantages of inward investment. This was not due to lack of cash incentives, nor to efforts to encourage investment. American aid and active support for the Province would provide the all-important final psychological "push" for overseas investment in Northern Ireland.

Cynthia Doake

C D DOAKE
PS/Mr Bloomfield

9 January 1986

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