

4/10 Mrs Dewlin
Mrs McAuley
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From: J A Dew
British Embassy, Dublin
Date: 20 September 1995

Mr Lamont, RID - B

cc: PS/Secretary of State - B PS/Michael Ancram - B
PS/Sir J Wheeler - B PS/PUS - B
PS/Sir David Fell - B Mr Thomas - B
Mr Legge - B Mr Bell - B
Mr Watkins - B Mr Steele - B
Mr Leach - B Mr Williams - B
Mr Wood - B Mr Brooker - B
Mr Maccabe - B Mr Perry - B
Mr Stephens - B Mr Currie - B
Ms Checksfield - B
Mr Westmacott, BE Washington (By Fax)
Mr Innes, BIS New York (By Fax)

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1. cc by [unclear]
2. hr [unclear]

Can I look to you to offer credit comment on it?

WILL PEACE BONDS FALL ON IRELAND? WILL CLINTON COME? *20.2*

1. One of the speakers at the Sunday Business Post Conference on developing cross-border business I attended in County Cavan earlier today was Alan Hevesi, Comptroller of New York City.
2. He introduced himself as the manager of US \$55bn of pension fund assets and on the board of a group of funds with combined assets of \$1 trillion. He was promoting Irish Peace Bonds, which he hoped US (and other) investors would buy to support economic and political development. His idea was that the British, Irish and US governments and the EU would each put up US\$25m each over a five year period, and provide guarantees of a further \$25m each. On this basis money could be "leveraged" to bring in significant amounts of capital to Ireland (he spoke of hundreds of millions of dollars: something similar for Israel had brought in \$1 billion). Institutional investors, naturally risk averse, would be attracted by the guarantees. Many of the 40m Irish-Americans should be interested for sentimental reasons in buying bonds which gave a lower than market rate of interest.
3. He insisted that if the peace process broke down or stalemated the scheme would not even start: potential investors who had a fiduciary responsibility to their shareholders would not keep their money "on hold", but move it elsewhere.
4. This brought him on to decommissioning. For the peace process to work, HMG had the right to expect all paramilitaries to make some "powerful gesture". That had happened with the "very courageous" ceasefires. To add "additional pre-conditions" which were not in the Joint Declaration or the Frameworks created the impression that some parties had an

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interest in slowing the process down. This might not be true, but that was the impression; there was a risk that insistence on decommissioning could end the peace process.

5. He insisted that the prospect of US investment which he had sketched would be "less real" if people did not quickly sit down around the table and start making the sort of agreements they had made elsewhere (eg the Middle East, South Africa). His message was to find a way out, "do not say to the US President that this process is not working; he won't come, or at best he will risk being humiliated at the start of his Presidential campaign".

6. This made a strong impact on the 250 or so businessmen present. I had a reasonably friendly private conversation with Hevesi afterwards, deploying the usual arguments about the need to get on with the Twin Track approach and bring all parties to the table. While ready enough to listen, it was clear that his mind was largely made up ("If people need confidence, surely 13 months of ceasefire speaks for itself"). He repeated that there was a real risk that Clinton would not come. He is seeing Peter Robinson and John Taylor in Belfast tomorrow, which should expand his outlook. 4

Comment

7. I do not know how close, if at all, Hevesi is to the White House, nor how far his Irish Peace Bonds might run. But if things do come apart, he looks like adding a powerful voice to the chorus which will blame the Brits. Could we turn some of his anxiety into pressure on Sinn Fein? Do you, or others, know anything more about the Irish Peace Bonds (and in particular can you confirm our impression that the Israeli precedent was not as successful as he claimed)? X

(Signed)

J A Dew

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