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SECRETARY OF STATE
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Jonathan Aitken

EUROPEAN UNION: SPECIAL ASSISTANCE FOR NORTHERN IRELAND

The Prime Minister sent messages on 2 September to Jacques Delors and Helmut Kohl referring to the UK's intention to develop proposals for additional EU assistance to Northern Ireland. I understand that this has been tabled for discussion at the Foreign Affairs Council of 4/5 September and that M Delors is due to make a statement to the European Parliament on 27 September.

The Commission in its statement of 21 September confirmed that the EU is disposed to do something concrete to acknowledge and underpin the peace process in Northern Ireland. In particular, it confirmed that the Commission intends to increase the EU contribution to the IFI from 15 to 20 mecu pa over the next 3 years. But it also indicated that the EU is prepared to go beyond this, and to develop an appropriate package of measures in a second stage of assistance.

You will readily appreciate that these developments raise the usual PE treatment of EC receipts dilemma in a most acute form. It would be politically indefensible, and

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damaging to the peace and political development processes, if we were to display a lack of enthusiasm for new offers of assistance. But, doubtless in common with colleagues, I am experiencing the greatest difficulty in finding the PE cover required to accommodate existing Structural Fund allocations to NI. This is already distorting my priorities to an uncomfortable degree, and will only be manageable by top-slicing my Block at the expense of other important programmes.

Application of the conventional approach to special new EU assistance would, in my view, simply be a non-starter in these circumstances. Our benefactors in the European Union, the NI community and its political representatives will expect to see direct and transparent benefits arising from the extra assistance. If its arrival were accompanied by matching reductions in other NI programmes, we would immediately be engulfed in a welter of recrimination and would lose the political as well as the expenditure benefits. Apart from adding significantly to my problems in managing and presenting a very difficult Survey in the new circumstances in Northern Ireland, it would damage the UK's standing in the EU, which is already suspicious of our compliance with the additionality requirements.

It is particularly relevant that the Prime Minister has already indicated the Government's approach to new EU assistance. When he met Alderman Hugh Smyth, the Lord Mayor of Belfast, on 16 September, he referred directly to the possibility of Northern Ireland attracting investment from many sources, including the European Community. He also said that this would be in addition to the resources which

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HMG would provide. This explicit commitment underlines the vital necessity of our being able to say that new EU assistance in support of the emerging peace is fully additional, with none of the equivocations that the conventional PE treatment require. Weasel words would immediately create suspicions which would dissipate the political benefits of the special assistance to the peace process.

I propose, therefore, that the unique circumstances of the special assistance be recognised by the NI Block being increased by the full amount of the additional IFI and special package allocations. The arrangements agreed with HM Treasury for dealing with existing planned EU receipts would be unchanged.

I appreciate that this implies an allocation from within the New Control Total, and for that reason we should seek to constrain the EU packages to manageable levels, consistent with the wider political imperatives. This is not, of course, entirely within our control, and the Irish Government will undoubtedly lobby for substantial amounts to be allocated by the EU. However I thought that I should:

- (a) raise the issue of principle with you now; and
- (b) indicate that it will probably be necessary to ask for, say, a further increase in the IFI contribution (over and above the 15 mecu already proposed) and a separate programme of, say, £100m over 5 years if we are to make a credible response to the EU. The Reserve line in the Community Initiatives budget may be a suitable source.

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We have been trying to establish a clearer picture of EU intentions through UKREP, and officials will continue to examine the issues in detail as the picture clarifies. But I very much hope you would be able to agree to the principle that the NI Block should receive extra resources in full in respect of these special packages of assistance, subject to agreement on the quantum as it emerges from our dealings with the EU and I am afraid I need an answer urgently. If this principle is not established, then we will be placed in a very difficult position and the political consequences could be deeply damaging.

I should say that my officials have kept yours in close touch with developments, and your officials have been fully involved in interdepartmental discussions.

A copy of this letter goes to the Prime Minister, Douglas Hurd, Michael Heseltine, Sir John Kerr and Sir Robin Butler.

James Frawley
Secretary of State

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