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18 December 1986

INTERNATIONAL FUND - QUESTION OF A JOINT APPROACH
TO THE EEC COMMISSION

Dear Robin

I am almost sure that during the visit to London of the delegation for the European Council of 4-6 December I gave you a copy of the attached noted of the discussions which you and I had with David Goodall at the Foreign Office on 26 November. In case of any doubt however I am sending a copy herewith and I am also sending a copy to Eamon O Tuathail.

Yours sincerely

Noel Dorr
Ambassador

cc ¹ Mr O Tuathail
Mr. Lyons
Mr. Scannell

Mr Robin Fogarty
Deputy Secretary
Department of Foreign Affairs
Dublin 2

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INTERNATIONAL FUND FOR NORTHERN IRELAND

DISCUSSION AT THE FOREIGN OFFICE WITH DAVID GOODALL -

26 NOVEMBER 1986

The Deputy Secretary Mr Fogarty and the undersigned had a discussion lasting about forty minutes at the Foreign Office on 26 November with David Goodall, Deputy Under Secretary of State. Timothy George, Head of the Republic of Ireland Department at the FCO accompanied Mr Goodall.

Mr Fogarty began by referring to a discussion between the Taoiseach and the President of the Commission (De Lors) in Dublin on 23 September in the course of which De Lors had shown himself well disposed towards the idea of a direct Community contribution. We now think that the two Governments should first make a "political approach" in Brussels to the Commission. If, as we assume, there is a positive response to this then that would set the Commission services in motion to work out the technical aspects of the matter.

Goodall said that he was very conscious that we on the Irish side must feel that there was an incomprehensible reluctance to pursue the matter on their side. The truth is frankly that there is a very tangled internal wrangle in Whitehall on the issue. He hoped that this would not be read in Dublin as a reluctance to back-up the Anglo-Irish Agreement. There was no agreement on their side to join in the high level approach that we had suggested. The threads were difficult to disentangle but they were basically two points at issue. The first was that the British side do not share the optimism of the Irish side about the likely response in Brussels. Now however they would have to take account of what we had said about the attitude of De Lors.

Fogarty said that De Lors attitude was that he did not exclude a favourable response. He has been saying since the Agreement that the Community would have to respond to it and he has also said this kind of thing in a speech to the European Parliament. We have also had information about a Commission Paper completed in March last which sets out various options and arguments for and against. One of these options was a direct Community contribution; another was an IMPS-type package. Of these options we thought a direct Community contribution was much the best. When we talked of this earlier with the British side a problem arose about "additionality". Now however that the International Fund had been established we felt that should not arise.

Goodall noted this. He went on to refer to the "other strand" as he called it. He said that even if there were a favourable response from the Commission to the approach we suggested there would be nervousness on the British side about giving the Commission carte blanche in regard to the options they might propose. This could create problems at a time when Community resources are "going through the roof".

At present they on the British side had not sorted out their ideas beyond that but they remain pretty sceptical. The conversation between De Lors and the Taoiseach which had been mentioned was useful but their people

would say that that is not what will happen when the matter gets to the Commission.

Fogarty said that if we were to go together to the Commission on the basis of seeking a direct contribution, this would narrow down the options.

Goodall Would this be outside the budget?

Fogarty No - it could be within the budget with a budget line based on a separate Council regulation. Alternatively, an effort could be made to scour existing budget lines to see what was available. A third possibility was a Lome-type formula where each member State is assessed in accordance with the percentage key. The present Lome arrangement (1984) is operated on a key under which the UK contributes 16.58% while the Irish contribution is 0.55%. However, the ^{present} present of some member States would be to have the contribution in the budget proper.

Goodall That would give us most difficulty.

Fogarty said that the European Parliament for some time has been generally against Lome-type financing. They believe that Lome should be financed within the Community budget.

Goodall We agree with that.

Dorr So your basic problem about the whole matter is really that you do not want to approach the Community for funds at a time when the Community budget at the present VAT ceiling is under pressure and you are urging elsewhere that Community expenditure must be kept down? Is that really it - rather than as we had thought questions about the exact mechanism?

Goodall Yes. That is it.

Dorr What about the idea of an approach which would establish the principle of a direct Community contribution now but which might not require immediate funding say until the following year?

Fogarty Yes, we had thought of something on these lines but have not discussed it with our Ministers.

Goodall That is a new thought. Perhaps that is something we could consider?

Dorr It is just an idea though we have no authority to propose it as yet. But at least it might relieve the political pressure from the US side. As you know we gave the Americans to understand that they would not be the only or virtually the only contributor. If they were their legal requirements in regard to management of the Fund would come into play.

Fogarty explained that as things stand at present the US contribution will represent more than 99% of the total.

Goodall We have taken delivery of two new factors from this discussion:

- (i) the Taoiseach's favourable discussion with De Lors in Dublin in September; and
- (ii) the possible idea of getting some kind of Agreement in principle to a direct Community contribution with funding to follow in a subsequent year.

On your side you will have noted that we are not in the market for a high-level political approach to the Commission at the moment.

Timothy George The Northern Ireland Office are wary of anything that might affect the present block grant to Northern Ireland - they don't want it to be a case of robbing Peter to pay Paul.

Dorr wondered if it might even be possible to think of combining two of the options through, for example, a Lome-type approach in the short run with a direct budgetary contribution for the following year? This might meet the problem which the Parliament is set to have in principle about Lome-type financing.

Fogarty and Goodall were a bit dubious about this.

Fogarty, referring to possible Lome-type arrangements, said it might be possible to envisage a contribution from all the other member States except the UK and Ireland.

As to the idea of a direct Community contribution from the budget he thought it would in principle always be possible to open a budgetary line and provide nominal funding and then await the increase in the VAT ceiling.

Goodall Yes, as I said this is a new idea to me and I think it is one we ought to look at. I do not have advice on it as yet.

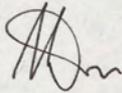
Generally this whole matter has been an up-hill struggle (internally in Whitehall). The additionality hook has created great difficulty for us internally. We have expended a lot of blood, sweat and tears to get off it and I don't think we are off it yet.

Fogarty We had thought you would get over that by way of a direct contribution to the Fund. Since it would be a contribution to an International Fund the question of additionality should not arise. There would, of course, be increased Community expenditure and an additional contribution by the UK in accordance with the key of say 16.8% of this. But the return from the funds in Northern Ireland would be greater.

If such a proposal were put it would have obvious attractions. But that does not make it easy at the moment to come forward with it as an idea. We are however very conscious of the point you have made about the American contribution.

Fogarty Possibly the Commission itself might take the initiative. Since De Lors in his discussion with the Taoiseach in September seemed quite interested in the whole thing it is possible that they may do this even without an approach from us.

Goodall Yes, I think that is not to be excluded.



Noel Dorr
Ambassador