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Testimony for Assistant Secretary Ridgway on USG
Assistance for the Anglo-Irish Agreement on Northern Ireland

Senate Foreign Relations Committee, April 10, 1986

Good morning, Mr. Chairman, Members of the Committee. Administrator McPherson has discussed the broad outlook for our foreign assistance programs in a Gramm-Rudman-Hollings environment. I propose to discuss why, at this juncture, the Administration is proposing a program of assistance to Northern Ireland or Ireland, as well as to address specific concerns that have been raised about the Administration's proposal.

Americans have long been deeply concerned about the tragic situation in Northern Ireland. In recent years we have seen the people of that region suffering from a seemingly unbreakable chain of violence and economic deprivation, in great measure due to decades of mistrust, fear and even outright hatred, between members of the Nationalist and Unionist traditions.

The Reagan Administration has taken the same position with respect to this situation as have previous Administrations, that it is not for the United States to chart a course for the people of Northern Ireland. This U.S. Government position does not reflect any lack of concern about Northern Ireland, but rather our belief that those most directly involved--not the United States--should decide questions affecting the future of the people in Northern Ireland.

The Agreement of November 15, 1985 between the British and Irish Governments is truly a credit to the courage and

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determination of both Governments to overcome negative legacies of history in that region. In the United Kingdom, parliamentary endorsement by a vote of 473 to 47 showed overwhelming support by most Tory backbenchers, and the Labor and Alliance parties. The relatively close November 21 Dail vote of 87 to 75 disguises the extent of popular support for the Irish Government's action--then over 50%, and according to recent polls taken in the Republic, now up to a solid 69% support. Our latest information about support for the Agreement in Northern Ireland suggests that it is increasing and that now 46% of the population there supports the Agreement, up from about 35% immediately following its signing in December. This figure does not adequately reflect the continuing differences in support between the two traditions; however, virtually all of the Catholic minority committed to non-violence supports the Agreement as well as about 20% of Unionists.

Opposition by a segment of the Unionist community continues. In the weeks immediately following the entry into force of the Agreement, this opposition was directed overwhelmingly at the British Government and at the Agreement itself through essentially nonviolent measures, including court challenges to its constitutionality, and resignation of all 15 Unionists from their Westminster seats to force a bi-election as a referendum by the people of Northern Ireland on the Agreement. That bi-election held January 23, resulted in a loss by Unionists of one seat to the Nationalists.

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More important, a lower than hoped for level of Unionist participation and solid Nationalist vote against Sinn Fein, the political wing of the Provisional Irish Republican Army, seemed to indicate that many in Northern Ireland were inclined to give the Agreement a chance. Following a Unionist-organized Northern Ireland-wide strike March 3, many Unionists, including some political and business leaders, decried the attendant violence and foreswore participation in any future strike.

Incidents of Unionist violence have recently been directed even at the police force, and extremists on both sides are characterizing possible U.S. aid as "bribe" money and interference in Northern Ireland affairs. We understand that these actions reflect fear and uncertainty about the new approach to the conduct of government in Northern Ireland which the Agreement has brought about. But we believe that both Governments remain committed to demonstrating in practical ways that the Agreement is not to be feared, but rather will provide all in Northern Ireland with short-term as well as long-term benefits.

While we recognize that the road ahead to genuine, longlasting peace in Northern Ireland remains difficult, this Agreement deserves full recognition and support as a meaningful step toward strengthening the shared interests of both traditions in Northern Ireland for a better future there.

President Reagan and many Congressional leaders hailed the Agreement as providing a "framework for peace" and "an

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important step toward reconciliation." They also signaled their commitment to the idea of providing tangible U.S. assistance as a concrete demonstration of the value we attach to the Agreement, and our hope for a beginning of the end of the cycle of violence and despair in Northern Ireland. This idea of tangible U.S. assistance was first expressed by President Carter, who in August 1977 said: "In the event of a settlement, the U.S. Government would be prepared to join with others to see how additional job-creating investment could be encouraged, to the benefit of all the people of Northern Ireland." Last November 15 President Reagan offered to seek to provide tangible assistance, and in the weeks following entry into force of the Agreement, we began discussions with the two Governments on this question.

The Administration believes that assistance by the United States can be helpful in giving substance to this message not only for the people in the affected region, but also for the international community. We believe that the two Governments' commitment to the spirit and letter of the formal Agreement their Prime Ministers signed last November 15 is unwavering, but that the success of the task they have set for themselves is directly related to their ability to effect improvement in the daily lives of the people in the region.

We have, therefore, designed our proposed program of assistance carefully to respond to real needs in that part of the world. Our proposed cash contribution to the British and

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Irish Governments' planned International Fund is designed to provide seed money to this vehicle which those Governments have decided will serve as their primary new joint mechanism to promote economic and social development in the region. We understand that the Fund will be established in the coming weeks, although it will probably take a while longer before it is fully operational.

The British and Irish Governments are in the process of identifying appropriate projects for consideration by the Fund. Emphasis will be given to the stimulation of private sector investment, for which one vehicle under discussion is venture capital arrangements which could maximize the use of the money contributed to the Fund. The two governments have already decided that 75% of the Fund's activities will be directed to Northern Ireland, the remaining 25% to areas of the Republic of Ireland most seriously affected by the instability of recent years.

It is important to note that the Fund as an entity will operate independently of the two Governments and that final decision-making authority on Fund activities will rest with its administering Board, which will be composed of not less than six nominees appointed jointly by both governments. Given the objectives of the Agreement and the Fund itself, the nominees will necessarily have to enjoy the confidence of the two Governments and of both traditions in Northern Ireland. Donor countries may participate in board meetings as observers. We

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would intend to accept such a role for the United States and are also prepared to provide economic development expertise available in the U.S. Government, which may be relevant to the Fund's developmental efforts.

We expect that the Fund will make available to the donors on a regular basis detailed reports on its activities and accomplishments in the context of the Agreement. We expect to discuss these reports with the Congress, both informally and in the course of presenting formally our budget testimony on future U.S. contributions over the five-year cycle of our proposed program. We are confident that the independent nature of the Fund and its management operation will ensure adherence to the objectives spelled out in the Agreement and specifically with respect to promotion of human rights, equal employment opportunity and reconciliation. We do not believe that Presidential certification or annual Presidential reports in this regard are necessary. We also believe that they would erode the necessary expression of confidence in the Fund which our contribution is intended to foster in the first instance.

The Irish and British Governments have invited other countries with close human and historical ties to Ireland and the United Kingdom to contribute to the Fund. We do not have yet any firm indications of what specific other countries will contribute, or at what levels of assistance. We understand that the British and Irish Governments are discussing this question with the European Community and with Canada and

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Australia. We also understand that possible EC assistance will take the form of increased spending through existing mechanisms rather than a cash contribution to the Fund, and that possible contributions from Canada and Australia would be to the Fund itself.

Some have questioned why the United States should provide specific developmental assistance to this effort when the annual per capita income, for example, in Northern Ireland is approximately \$6,400, hardly a level one normally thinks of in traditional developmental situations. It is important to note that over the last 15 years or so an increasing percentage of this income has been provided by government support efforts. Public spending in Northern Ireland now accounts for roughly 77% of the area's Gross Domestic Product and contributes to approximately 45% of all Northern Ireland employment. This year the British Government plans to spend about 4 and a half million pounds, or roughly \$4,000 per person, in Northern Ireland through governmental institutions there. Of this about 1.6 billion pounds constitutes net cash infusion into that economy. A Northern Ireland citizen receives roughly 50% more from the public purse than citizens in other parts of the United Kingdom.

The European Community has also allocated about \$680 million in assistance for Northern Ireland through its regional, social and agricultural Funds and the Belfast Urban Renewal Program, of which about half has been dedicated to

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training, particularly industrial training, programs for those under age 25. Northern Ireland has also received \$190 million in direct loans from the European Investment Bank. It is expected that Northern Ireland will continue to receive these major aid flows from the three Funds and from loans over the next few years.

Despite these efforts, the total number of jobs in Northern Ireland has declined by 10% in the last five years alone, standing now at about the same level as 20 years ago. Overall unemployment in Northern Ireland stands at about 22%. There are many pockets of unemployment where the number of unemployed reaches 50% or higher, particularly where Catholic minority unemployment has been the fate of three successive generations. In the Republic of Ireland, the unemployment rate is about 17%. We do not have available income, unemployment and government spending figures for the specific areas within Ireland to be targetted for Fund activities, but expect that projects in the Republic will be selected by the Fund management on the basis of needs comparable to those in Northern Ireland.

These statistics are grim, and experts have concluded that economic revitalization to expand private sector employment over the long term is the key to attacking an important cause of the historic instability in the region. This is a primary objective of the proposed Fund. It has also been a key point in the designing of our assistance proposal. It specifically

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explains why we also have proposed to make available existing U.S. Government-financed mechanisms to provide to the private sector incentives and guarantees which can function alongside the cash resources of the Fund to help achieve the same objectives.

We are hopeful that the American private sector will join the Administration and the Congress' effort to be supportive of the British and Irish Governments' initiative in Northern Ireland. For many years, it has been expressed U.S. policy to encourage U.S. foreign investment in Ireland and Northern Ireland. In the Republic, circumstances have combined successfully--over \$4 billion is currently invested, and over 300 U.S. companies now have functioning enterprises there.

The situation in Northern Ireland is quite different. Total U.S. investment there now stands at around \$1 billion, spread out among about 25 companies, primarily in the manufacturing sector. We count over a dozen U.S. company closures in Northern Ireland over the last five years, primarily related to European market conditions or world-wide positioning--reasons on the whole unrelated to Northern Ireland itself. However, we are aware of only three new American businesses going to Northern Ireland during this same period. In view of very generous incentives offered to attract investment to Northern Ireland--up to 50% grants on new facilities in corresponding relation to the level of unemployment--we believe that findings by the region's

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Industrial Development Board several years ago regarding the perception of violence as an inhibiting factor in foreign business circles have significant validity.

In practice, however, American companies have not been the target of violence in Northern Ireland. In fact, they have enjoyed conditions of operational security better than many other overseas locations. American business personnel have never been targets of sectarian violence, and, in terms of personal security, recent statistics show they enjoy greater freedom from the threat of non-political crime than in comparable population centers elsewhere in the United Kingdom and Ireland. Many multinational American corporations with established operations in, and knowledge of Northern Ireland, have in the past few years undertaken significant expansion of existing facilities--over a hundred million dollars. Nonetheless, recently, image problems have meant that Northern Ireland has not been able to successfully attract much needed new investment from blue chip companies. Incentives have often gone to high-risk operations, some of which have subsequently suffered highly public failures.

The economic stagnation of the region we are talking about here therefore cannot be cured by quick or simple infusions of cash alone. Economic revitalization and stability involve a long-term process to which both our proposed cash contribution and existing program mechanisms can contribute equally.

Tailoring existing programs and mechanisms for a specific

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situation necessarily requires some effort, and possibly realignment, of existing or pre-conceived assistance efforts and approaches. It is natural for the British and Irish Governments to prefer simpler, all-cash assistance from the United States. Nonetheless, these existing mechanisms we are proposing can provide inherently prompt and independent economic stimulus, and are not necessarily contingent on activities or contributions of others as is our proposed cash contribution to the Fund, whose final size and diversity will ultimately affect its effectiveness. These programs can contribute to setting in motion a process to stimulate private sector activity and commitment through investment, trade promotion, and guarantee programs.

Moreover, as my colleague has indicated, in the context of present severe U.S. budget stringencies, we believe our responsibilities to the American taxpayer require that we maximize the results from each dollar spent. To the extent possible, we should not detract from other foreign assistance priorities when existing non-Economic Support Funds mechanisms and programs can do the job. We do not believe that the Administration's mixed program proposal constitutes less of a commitment to the British and Irish Governments' objectives than could be attributed to a larger cash contribution. We do believe it is a responsible approach to the real needs in the region in the context of present economic realities in the United States.

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I would like to address the question of restrictions and conditions on U.S. assistance for this Agreement. The Administration does not believe that measures imposing special requirements as proposed by the House should be attached to this assistance proposal. We do not believe there should be U.S. Government involvement in day-to-day management of the Fund. We would anticipate that it would be highly impractical to provide a meaningful audit of U.S. Government cash in the Fund, since we expect that monies in the Fund from various contributors would be fungible.

The Administration's bill authorizes assistance "notwithstanding any provision of law." The purpose of this provision is to enable the provision of assistance without regard to administrative requirements which might hamper the use of the assistance. It was not intended, nor do we believe, that the language avoids substantive restrictions (such as the prohibition on the use of Economic Support Funds for military or police purposes) contained in the Foreign Assistance Act. We would be glad to work with Committee staff to develop language acceptable to all concerned. To reiterate, paraphrase or otherwise address these issues in legislation, as the House bill would do, for this particular assistance proposal would seem redundant. It would also detract from the confidence the United States wishes to demonstrate in supporting the Agreement and the two Governments' efforts to implement it, and from the role, supportive of those efforts, which the United States intends to continue to play in the future.

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With respect to suggestions that have been made to require adherence to the so-called McBride Principles by entities benefitting directly from U.S. assistance for the Agreement, we would add other objections as well. Essentially, these Principles would require companies to take specific actions to increase the representation of Catholics in the Northern Ireland workforce. Fundamentally, the McBride Principles, which supporters allege contribute to the goal of equitable treatment of the two traditions in Northern Ireland, in fact have the potential to exacerbate seriously the present economic difficulties in Northern Ireland, thereby making their adoption a hollow victory indeed for the unemployed looking for jobs.

Northern Ireland has had a long history of employment discrimination, and many vestiges of this remain today. The burden of discrimination has fallen in great measure, but not exclusively, on Catholics because of the siting of many industrial plants in areas hostile to Catholics. The impact of this inequity has worsened with the significant economic recession in Northern Ireland in recent years.

Discrimination is prohibited by law in the United Kingdom, and the 1976 Fair Employment Act specifically guarantees equal opportunity protection in Northern Ireland, including the obligation of employers not to practice discrimination in hiring and to exert reasonable efforts to prevent harassment in and about the workplace. In instances where religious discrimination is alleged, plaintiffs have access to a full range of protection under British law.

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Pursuant to the Fair Employment Act, a Fair Employment Agency was established to promote equality of opportunity in Northern Ireland. That agency sponsors a voluntary Fair Employment Code, which, incidentally, has been signed by practically all U.S. companies in Northern Ireland.

We understand that some U.S. companies in Northern Ireland have concluded that adoption of certain of the McBride Principles would seemingly place their operations in contravention of law in Northern Ireland by promoting reverse discrimination. The Securities and Exchange Commission staff has recently reviewed this question and has found that the questionable legality of some of the Principles gives sufficient reason for corporations to exclude stockholder resolutions advancing these Principles as corporate policy from normally mandatory consideration at annual stockholder meetings. Furthermore, as the Board of Directors of General Motors stated last year, if the intent of the McBride Principles is not to require such preferential treatment, then the McBride Principles offer no advantage over fair employment legislation which now exists in Northern Ireland. In this context, efforts to promote these Principles in the United States seem to have been misguided at best. One result has been inevitably to increase unease U.S. companies may feel about the practicality of doing business in Northern Ireland as more such companies have been faced with proposed stockholder resolutions and state legislation which would require adoption

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of the Principles or in some cases divestiture. It seems reasonable to assume that the net effect of this effort is to curb employment prospects there for those that need jobs the most - the Catholics.

High-level Government officials in the United Kingdom and Ireland have clearly indicated similar concerns. The leaders of the predominant Catholic political party in Northern Ireland itself, as well as of the Catholic Church there and the Fair Employment Agency, have all voiced parallel views.

In considering a U.S. Government assistance program primarily directed at Northern Ireland, these concerns relating to the Principles, voiced to date in a private sector context, would be even more applicable. We want the Agreement to work. We want to contribute to its success. We want our assistance to be acceptable. We think it would be a major mistake to jeopardize these important U.S. objectives by including these Principles in any legislation providing for assistance for this Agreement.

I am prepared to answer any questions you may have on our proposed program of assistance for the Agreement.