

Mr Hamilton
Mr Allen
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NOTE OF A MEETING TO DISCUSS A POSSIBLE EC INITIATIVE IN SUPPORT OF THE ANGLO IRISH AGREEMENT HELD IN THE TREASURY ON THURSDAY 9 JANUARY 1986

Present: Mr W Norton
 Mr C Crabbie
 Miss J Simpson HMT
 Miss C Evans

Mr R Spence
 Mr P Small DFP NI
Mr R Millar

Mr N Cowling NIO

Mr Norton invited NI officials to outline the background to Mr Spence's mufax of 7 January to Currie of UKREP. Treasury noted that this was simply NI's preliminary thinking but felt that the letter implied a breach of the Government's non additionality doctrine. Any such departure would have to be agreed specifically by Ministers, until they had been consulted officials had to work within the existing rules.

2. Mr Small explained that NI were obliged to respond to a request to brief UKREP on the scope for the EC to make a gesture of support for the Anglo Irish agreement. The Commission was anxious to take some kind of initiative and at a meeting in the Cabinet Office the previous week (involving UKREP and HMT) it was agreed that HMG should take steps to forestall a potentially unhelpful scheme inspired in Brussels. In the time available DFP had not yet formulated ideas for schemes which might be supported. Their main objective would be to discuss the funding implications of any initiative against the background of Government non additionality policy and the operation of the Fontainbleau agreement.

3. NI's principal objective was to ensure that any special EC measure in support of the Anglo Irish agreement led to a real increase in resources for Northern Ireland. If it did not ie. if the EC measure replaced a scheme within present expenditure plans NI Ministers would be placed in a very difficult position in responding to claims that the EC aid was simply being used to reduce UK public expenditure. EC receipts were the subject

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of substantial public interest in NI and the controversy generated by applying non additionality to the prospective initiative would be damaging to the Government's attempts to encourage support for the AI agreement. Moreover if the initiative fell within the allocated budget it would reduce the UK's Fontainbleau abatement so that 2/3 of the cost of the measure in effect would be funded by the UK Government. Thus an initiative which was subject to the non-additionality rule and fell within the scope of Fontainbleau would not be helpful to NI. The NI objective in briefing UKREP was to ensure that this point was understood and to fend off any proposal for an initiative within existing structures before this became firm and difficult to resist.

4. Mr Crabbie said that HMT could not agree to NI's proposed briefing line based on the objective of additionality. In the special circumstances of the Anglo Irish agreement Ministers might agree to treat an initiative as a special case but in advance of this officials should not adopt a line which implied such agreement. Mr Norton suggested that the NI team would be on firmer ground in exploring the scope for exemption from the abatement arrangements rather than from the additionality rules. The allocated budget issue was however highly complex - it would be useful to involve David Bostock in these discussions. There was no objection to NI seeking information *about* the Commission's proposals but the discussion should be without any commitment that in the end the UK could accept them.

5. Mr Small said that NI fully recognised the need for Ministerial agreement to an exemption from non additionality and felt that the case for this would be stronger if there was no loss of abatement. However they needed to have a firmer idea of the sums which might be on offer and the kind of schemes which might be supported before seeking Ministerial agreement. NI *officials* were very conscious of the dangers involved in discussing non additionality and would not propose to raise this outside UKREP.

6. Mr Spence pointed out that any initiative related to the AI agreement would be directed at the whole of Ireland. Pressure for additionality would be increased if it was clear that the ROI receipts were being used to fund extra expenditure.

POSSIBLE AID TO BRITISH TELECOM (NI)

7. Mr Small explained that the BT proposal discussed with the Treasury before Christmas should be considered separately since it predated the Anglo Irish agreement. DFP were assessing the intrinsic merits of the project and the scope for offset within the NI block. It was hoped to consult Ministers within the next few weeks.

CONCLUSION

8. It was agreed that NI discussion in Brussels should be conducted within the constraints of agreed Government policy on additionality of EC receipts. The aim should be to consult Ministers through the established interdepartmental machinery as soon as possible.

HM Treasury
January 17 1986

Circulation: those present
Mr Bostock (UKREP)

Mr Swall

P.R.

MUFAX

UKREP

For the attention of Mr J Currie

Mr Swall
Mr Hamilton
*Mr Allen*NORTHERN IRELAND AND THE EC

1 We will be meeting in Brussels on Friday with colleagues from NIO and DFP to brief you on how NI might take advantage of the Commission's willingness to consider further assistance for the Province especially in the context of the Anglo-Irish Agreement. (John Goulden's letter of 24 December to Stephen Wall refers). I am grateful for the arrangements you are making for us to meet members of the British Cabinets.

2 I must stress that what follows is the initial thinking of NI officials. We have not yet sought the views of NIO Ministers nor entered into any discussion with Whitehall Departments; however by the time we meet you later in the week we will have had a further meeting amongst NI Departments and an informal preliminary discussion with HM Treasury.

3 We recognise and welcome the willingness of the Commission to consider an active and generous role by the Community in the international efforts to support the Anglo-Irish Agreement.

4 However, it is crucial to the success of any new measures that they result, and are seen to result, in a net increase in the public expenditure available for allocation in NI in line with local priorities and needs, or in some other form of real economic benefit in NI. While, in the broader UK context, measures which help the UK to derive maximum benefit from membership of the Community would be welcome, this would not necessarily be seen as providing special help to NI. An air of unreality is therefore bound to pervade any discussions about further aid from the Commission to Northern Ireland unless and until the constraints on the use of such aid to boost economic activity or improve social conditions without detriment to other programmes in NI are removed. Hence the importance of the discussions with Whitehall to which I refer above.

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5 Indeed, it is the view of officials that an initiative by the Commission which did not result in additional help to NI could, in fact, be counter-productive. It would undermine confidence in NI in the community itself and would add to the difficulties of Ministers in defending the value of the Anglo-Irish Agreement.

6 I am sorry if this appears to be a somewhat negative introduction, but we believe that it is essential that this fundamental issue is clear from the start. The crucial point is that any contribution from the Community will have to lead demonstrably to real additional money for Northern Ireland. It is not always easy to determine what does or does not constitute truly additional resources for NI. Indeed the interaction of the rules governing non-additionality policy with the arrangements governing the Northern Ireland public expenditure 'Block' make this a very specialist field. Accordingly, our team will include DFP colleagues who will brief you fully on this point during Friday's discussions.

7 We assume that there is unlikely to be enthusiasm for an extension of the Urban Renewal Regulation, either in London or Brussels, but the concept embodied in the Regulation - ie funds additional to the UK reflected in funds passed on to NI for additional expenditure - is in Northern Ireland terms highly attractive. We are in any event seeking to build up a shopping list of possible measures which might merit further examination. The provisional list includes some ideas which can probably be ruled out of court quickly and others which will fall for the arguments outlined above. We will be in a better position to talk about the possibilities later in the week when we visit Brussels.

N. R. Spence
for

R B SPENCE

7 January 1986

cc Mr Jay Cabinet Office
Mr Norton HMT
Mr Crabbie HMT
Mr Winkett DTI
Mr Clark RID/FCO
Mr Wall ECDI/FCO
Mr Plowman DOE
Mr Snedden Scottish Off.
Mr Bollington Welsh Off.
Mr McCarthy DOT
Mr Lyttle DFP
Mr Cowling NIO