



BRITISH EMBASSY

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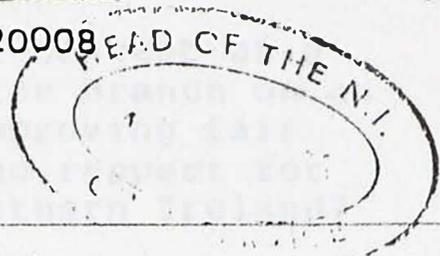
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Mr Fell

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C D O Barrie Esq
RID
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Your reference

Our reference

Date 10 March 1986

Dear David

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my stuff
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in substance*

ANGLO-IRISH AGREEMENT: PROPOSED US ASSISTANCE

1. The State Department and AID promised at the 6 - 7 March talks to let us have some more written material on the various non-cash programmes to pass back to departments in London and Belfast. We shall of course pass it on when it arrives. The members of the UK team were given copies of the 1984 annual report of the Office of Housing and Urban programmes (AID) and a brochure on the Trade and Development programme. Do of course let me know if any further copies are required.

2. I now enclose (for you only - please distribute as necessary) some more material provided by our delegation to the World Bank:

- / a) the 1986 Congressional presentation on the Trade and Development programme;
- / b) a 1983 report on OPIC;
- / c) a 1984 report on the Bureau for Private Enterprise.

3. I also attach for the record a copy of the State Department's answers to questions raised at the hearing before the Europe Subcommittee of the House Foreign Affairs Committee on 5 March. The formulations look fine from our point of view. I thought that their answer on the MacBride Principles was particularly helpful.

Yours Nigel

N E Sheinwald

- cc: (with enc)
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Q. What is the Administration's position on the concept of a requirement for certification by the Executive Branch on an annual basis that the Fund contributes to improving fair employment opportunities, reconciliation, and respect for human rights and fundamental freedoms in Northern Ireland?

A. -- The Administration would not object to a general statement of principle about such goals in these areas but does not believe such a reporting or certification requirement is necessary or desirable

-- Our proposal envisions a five-year program. Administration officials therefore would in any case be discussing developments in Northern Ireland with the Congress on a regular basis in connection with requests for authorizing legislative action

-- The Administration already submits annually Human Rights Reports which address these basic concerns

-- Moreover, fostering a constructive atmosphere is important in this matter, and we do not think it useful to encumber the current process of reconciliation by imposing requirements for detailed public, qualitative judgments from the U.S. Government about voluntary cooperative actions of an entity set up by the British and Irish Governments. This would detract from the objectives of furthering a positive atmosphere in which we can work for a better future for the people of Northern Ireland

Q. Would the Administration object to inclusion of the McBride Principles in legislation for USG support for the Anglo-Irish Agreement on Northern Ireland?

A. -- Yes. Discrimination is prohibited by law in the United Kingdom, and the 1976 Fair Employment Act specifically guarantees equal employment opportunity protection in Northern Ireland. These laws impose substantially the same fair employment obligations on U.S. firms operating in Northern Ireland as U.S. firms are subject to in the United States itself.

Furthermore, we understand that legal experts who have studied these Principles have concluded that certain of the Principles would put business operations in contravention of law in Northern Ireland by promoting reverse discrimination

-- Control of the Fund (to which a U.S. cash contribution is proposed) will be vested in an independent Board of Directors, equally balanced in composition by nominees of the United Kingdom and the Republic of Ireland. We believe that this structure will guarantee that concerns about fair employment opportunities in activities related to the Fund will be met in a satisfactory manner

-- Elements of our program, other than the cash contribution to the Fund, will be subject to U.S. Government control on an on-going basis. We will

thereful be able to ensure more directly their consistency with principles and goals agreed to by the British and Irish Governments in their Agreement of November 15, 1985, including fair employment opportunity goals

- The Administration's assistance program is designed to provide seed money to the Fund as well as to stimulate economic revitalization of Northern Ireland and affected areas of the Republic by providing challenges and incentives to the private sector on a track parallel to but independent of the Fund. Imposition of the McBride Principles, some of which are of questionable legality and others of certain redundancy if looked at with the objective of improving fair employment opportunities in Northern Ireland, can only detract from our objective to help the people of Northern Ireland

Q. Would the Administration object to an explicit requirement that no funds be used for military, security, or intelligence purposes?

A. -- No, we would not object to an explicit requirement that no funds be used for military, security, or intelligence purposes

-- We do not believe in any event that the Administration bill would have allowed such uses since the purposes of the bill were specifically defined as being for economic and development purposes; any other uses would have clearly been outside the scope of the bill as drafted

Q. What is the budget impact of our funding proposal for Northern Ireland.

A. -- First, let me emphasize that the only "new" outlays associated with the proposal will be from the \$20 million in ESF in FY 1986. These outlays can be accommodated without an additional offset since the President's Budget proposes \$53 million more in outlays associated with recision proposals than are associated with supplemental requests.

-- All other outlays associated with the proposal, including from the FY 1987 ESF contribution, are already included in the budget estimates contained in the President's FY 1987 budget proposal. Assuming as we do that the International Fund will get into operation in FY 1986 and that we make an upfront contribution to it each year, we would make the cash disbursement immediately following obligation and therefore show a \$20 million outlay for each fiscal year. It is possible however that as a result of our negotiations with the British and Irish Governments, we might be involved in some other contribution mode, e.g., tranced disbursements, which would be reflected in smaller outlay figures.

-- In the case of Housing guarantees, OPIC, and EXIM, these are loan guarantee or insurance programs in which budget authority and/or outlays occur only when defaults or claims occur. In the case of A.I.D.'s Private Sector Revolving Loan Fund, and the Trade and Development Program, we are thinking of a possible outlay, already included in our FY 1987 budget requests for those programs, of several million dollars.

-- Having made this point, the following table reflects the outlay pattern of the package as we currently estimate it.

(\$ in millions)

	<u>1986</u>		<u>1987</u>	
	<u>Budget Authority</u>	<u>Outlay</u>	<u>Budget Authority</u>	<u>Outlay</u>
ESF	20*	20*	20	20
PRE/TDP	2-3	0	2-3	1-2
Housing Guarantees	0	0	0	0
OPIC	0	0	0	0
EXIM	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	22-3	20	22-3	21-2

*Additional outlay not anticipated in the FY 1986 budget

Q. What does the Administration envision as the U.S. role in management of the proposed International Fund?

A. -- The appropriate role of the U.S. and other donor countries to the proposed International Fund remains to be negotiated. Representatives of the State Department, A.I.D. and other relevant agencies will be meeting March 6 with British and Irish Government officials to continue exploring a number of important issues including this one.

-- Normally, in a multidonor fund, U.S. funds would be merged with other country contributions and lose their separate identity. We would thus want to be involved in initial deliberations on policy formulation, overall operational plans, and development of criteria for projects to be financed by the Fund.

-- In the case of the proposed Fund for Northern Ireland and Irish Republic revitalization, we recognize that there are a number of congressional concerns about end-uses of funds. Although we believe it clearly inappropriate for the U.S. to try to involve itself in day-to-day operations of the Fund, we believe it might be useful to have an Administration official function in some advisory capacity to the British-Irish Board of Directors.

-- This would enable us to have a continuing input into the policies and objectives of the International Fund and would give us the opportunity to review periodically the progress of projects approved by the Board of Directors. We intend to discuss this proposal in our meetings with the British and Irish.