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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. cable	re: Northern Ireland: The Economic Dimension of the Troubles (30 pages)	12/23/1993	P1/b(1) KBH 6/14/2023

COLLECTION:

Clinton Presidential Records
National Security Council
Staff Director (Nancy Soderberg)
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FOLDER TITLE:

[Ireland]-Aid/Assistance, October 1994 [3]

2011-0355-F

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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Non-U.S. Aid to Northern Ireland

The European Union

EU leaders decided on September 10 to increase the EU contribution to the International Fund for Ireland (IFI) from 15 million ECU* annually to 20 million, for each of the next three years. The EU may be able to do even more if other contributors also increase their allotments. The Republic of Ireland is also pushing the EU to create some additional economic breaks for the region.

Northern Ireland has been given significant amounts of EU assistance over the years. Between 1989 and 1993, it received 1.8 billion ECU from the EU's Structural Funds to help strengthen the region's economy. The European Commission is proposing an additional \$2.4 billion ECU in assistance for the period 1994-1999. These funds will focus on building up research and technology development, support for new and existing small and medium sized enterprises, encouragement of urban and rural development, and social assistance.

* 1 ECU = \$1.20 at current rates.

New Zealand and Australia

New Zealand currently contributes approximately \$160,000 a year, a small amount, to the IFI. Australia is not a donor. Both New Zealand and Australia have strong cultural and historic ties with Ireland. A significant portion of the population of both nations is of Irish descent.

The U.S. Ambassador in Wellington, Josiah Beemon, was active in Irish-American causes before taking up his current position.

Canada

Canada contributes to the IFI. EUR/NE spoke informally with an officer from the Canadian Embassy, who indicated the GOC is disposed to consider a request for increased contributions, especially if the U.S. and EU also ante up.

Japan

EUR/NE spoke informally with an official from the Japanese Embassy. While making no commitment, he indicated a willingness to consider contributing to the promotion of economic development in Northern Ireland, preferably through investment.

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cleared:EUR/NE:MLekson

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2 copies

Non Paper

2 September 1994

ECONOMIC ASSISTANCE: WHAT NORTHERN IRELAND NEEDS

INWARD INVESTMENT

US Tax Concessions

1. In the experience of the Industrial Development Board, taxation is a key determinant for US corporations investing overseas. A U.S. tax concession on repatriated profits for US firms willing to train long-term unemployed from disadvantaged areas would be welcome.

An Investment Conference

2. An investment Conference involving major U.S. corporations could be beneficial. A clear signal from the President that the Administration wanted to see increased investment in Northern Ireland would be significant.

BELFAST AND LONDONDERRY INITIATIVES

3. The British Government is working towards partnership arrangements - involving the public, private and community sectors - in Belfast and Derry. U.S. assistance targetted on these partnerships and the Action Teams which lead them would make an immediate impact on the tackling of local problems. It is crucial that the parts of Belfast and Derry which bore the brunt of the terrorism to quickly see a tangible change on the ground.

IFI FUNDING

4. An increase in the International Fund for Ireland funding would be welcomed. Ways could be found to expedite the rate of spending.

UNEMPLOYMENT

Long Term Unemployment

5. The British Government proposes to launch a major programme of work to provide community-based jobs for thousands of the long-term unemployed, including a significant training element. This would start with experiments in the most disadvantaged areas as soon as possible.

Green Cards

6. An allocation of 25,000 green cards specifically for Northern Ireland residents living in disadvantaged areas would help to tackle the long term unemployment problem.

EDUCATION

Springvale Campus

7. There is a proposal to establish a new University Campus at Springvale, stretching between North and West Belfast, spanning both Catholic and Protestant areas. This would be designed not only to meet Higher Education needs but also to have a regenerative impact on the surrounding depressed areas - in both cases drawing in and benefitting both sides of the community. As yet no funding has been found for this project.

Integrated Education Trust Fund

8. Additional resources for the independent Education Trust Fund would enable it to support a faster growth rate of new independent schools. New integrated schools rely on the Trust Fund for their initial capital and its existing funds are almost completely committed.

BUSINESS EDUCATION

9. An expansion of the existing Business Education Initiative which provides business training in the United States for graduates would have a major impact on the Northern Ireland economy.

INFRASTRUCTURE

Road and Rail Connections

10. We have the capacity to bring forward quickly substantial capital projects to include upgrading rail connections and road works which would: provide jobs, improve infrastructure, make certain depressed areas more attractive to investors and tourists and improve North/South trade links. U.S. assistance would be welcome.

Housing

11. Certain areas continue to suffer from an acute housing need which, because of public expenditure constraints, it is hard to meet. Extra resources for housing, channelled through the voluntary sector, would be welcome. We would also be keen to find new ways of encouraging private sector housing for inner city areas.

Sponsored Air Service Between U.S. and NI

12. Temporary financial support to stimulate increased direct air service from the U.S. to Northern Ireland would provide a welcome boost for tourism.

RESEARCH AND DEVELOPMENT

13. Sponsorship of research by the U.S. government and U.S. companies at Northern Ireland Institutions, eg Queens University and University of Ulster would be welcome.

14. The establishment of a Medical Research Institute linked to the Belfast teaching hospitals would be welcome.

ARTS/TOURISM/SPORTS

15. We need greater provision for the arts and tourism. This might include a concert hall for Derry, sponsorship of visits by world class entertainers, and a major center for sporting excellence.

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E.O. 12356: DECL: OADR

TAGS: ECON, PGOV, PHUM, PTER, PINS, PREL, UK, EI, KPRP

SUBJECT: NORTHERN IRELAND: THE ECONOMIC DIMENSION OF THE
TROUBLES

REFS: (A) 92 LONDON 15503, (B) 92 LONDON 15504

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SUMMARY

1. (U) NORTHERN IRELAND'S ECONOMY IS A BASKET CASE. ONCE A MAJOR MANUFACTURING CENTER, IT HAS SEEN ITS TRADITIONAL INDUSTRIES NEARLY EVAPORATE IN THE FACE OF GLOBAL COMPETITION. HUGE GOVERNMENT SUBSIDIES HAVE REDUCED DEPRIVATION AND GENERATED A PATCHY AND SUPERFICIAL PROSPERITY, BUT NORTHERN IRELAND'S ECONOMIC INDICES ARE WELL BELOW THE REST OF THE UK, ALTHOUGH GENERALLY ABOVE THOSE IN THE REPUBLIC OF IRELAND. THE PUBLIC SECTOR DOMINATES AND DISTORTS THE ECONOMY.

2. (U) CATHOLICS IN NORTHERN IRELAND HAVE LONG FARED MORE POORLY THAN PROTESTANTS, A RESULT OF SECTARIAN CONFLICT, OFFICIAL DISCRIMINATION AND PATTERNS OF ECONOMIC DEVELOPMENT. FOR MOST OF THIS CENTURY, CATHOLICS HAD TWICE THE BIRTHRATE OF PROTESTANTS, TWICE THE EMIGRATION RATE, AND TWICE THE UNEMPLOYMENT RATE. PERCEIVED DISCRIMINATION IN JOBS AND HOUSING SPARKED THE CIVIL RIGHTS PROTESTS THAT LED TO SECTARIAN VIOLENCE.

3. (U) DESPITE TWO DECADES OF EFFORTS TO REDRESS THE

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BALANCE, CATHOLICS REMAIN RELATIVELY DISADVANTAGED, PARTICULARLY IN EMPLOYMENT, THOUGH MATERIAL INEQUALITIES HAVE NARROWED. GOVERNMENT POLICIES HAVE BROUGHT CATHOLICS TO PARITY IN THE CIVIL SERVICE, AND FORCED PROGRESS IN THE PRIVATE SECTOR. THE CATHOLIC MIDDLE CLASS HAS EXPANDED GREATLY, BUT LONG-TERM UNEMPLOYMENT IS PERVERSIVE IN CATHOLIC (AND SOME PROTESTANT) GHETTOS.

4. (X) HMG OFFICIALS DENY THAT THEIR EFFORTS TO IMPROVE

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CONDITIONS FOR CATHOLICS ARE PART OF A CONSCIOUS STRATEGY, BUT IN PRACTICE THEY CONSTITUTE PERHAPS THE MOST IMPORTANT MEASURE IN DAMPENING SUPPORT FOR THE PROVISIONAL IRISH REPUBLICAN ARMY (PIRA) AND RECONCILING CATHOLICS TO CONTINUED UNION WITH BRITAIN.

5. (U) NORTHERN IRELAND IS A MASSIVE ECONOMIC BURDEN FOR BRITAIN, COSTING TAXPAYERS ABOUT THREE BILLION POUNDS (4.5 BILLION USD) IN NET TRANSFERS A YEAR. IT IS DIFFICULT TO FORESEE ANY CIRCUMSTANCES IN WHICH THE PROVINCE COULD AGAIN BECOME A NET CONTRIBUTOR TO THE BRITISH ECONOMY. AN END TO VIOLENCE WOULD HELP RESUSCITATE THE PRIVATE SECTOR, BUT IN THE SHORT TERM MIGHT LEAD TO EVEN HIGHER UNEMPLOYMENT BECAUSE OF LAYOFFS IN THE LARGE SECURITY INDUSTRY. SUSTAINING A PEACE PROCESS MIGHT REQUIRE SUBSTANTIAL TRANSITIONAL ECONOMIC SUPPORT, IN WHICH U.S. AID AND INVESTMENT WOULD BE EXPECTED.

6. (X) UNIFICATION OF IRELAND ANY TIME IN THE FORESEEABLE FUTURE WOULD PRODUCE SEVERE STRAINS, WITH LARGE-SCALE EXTERNAL AID NEEDED TO MITIGATE DECLINING LIVING STANDARDS. END SUMMARY.

INTRODUCTION

7. (U) THE HISTORICAL AND POLITICAL ASPECTS OF THE SITUATION IN NORTHERN IRELAND HAVE ATTRACTED MUCH SCRUTINY. THIS REPORT SEEKS TO ANALYZE THE ECONOMIC DIMENSION OF THE TROUBLES IN THIS CORNER OF EUROPE, AND

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PARTICULARLY TO ANSWER THE FOLLOWING QUESTIONS:

- (1) HOW VIABLE IS NORTHERN IRELAND'S ECONOMY TODAY, AND WHAT ARE ITS PROSPECTS FOR THE FUTURE?
- (2) WHAT ROLE HAVE ECONOMIC CONDITIONS, INCLUDING THE GAP BETWEEN CATHOLICS AND PROTESTANTS, PLAYED IN FOMENTING THE CONFLICT?
- (3) WHAT HAS HMG DONE TO ADDRESS THESE PROBLEMS, AND

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E.O. 12356: DECL: OADR

TAGS: ECON, PGOV, PHUM, PTER, PINS, PREL, UK, EI, KPRP

SUBJECT: NORTHERN IRELAND: THE ECONOMIC DIMENSION OF THE TROUBLES

HOW DO ITS ECONOMIC POLICIES MESH WITH ITS
POLITICAL AND SECURITY STRATEGY?~~CONFIDENTIAL~~~~CONFIDENTIAL~~

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(4) DOES BRITAIN HAVE ANY ECONOMIC STAKE IN PRESERVING
THE UNION?(6) WHAT WOULD BE THE IMPACT OF PEACE OR EVENTUAL
UNIFICATION WITH THE IRISH REPUBLIC?-----
I. THE PROVINCIAL ECONOMY
-----LONG-TERM DECLINE

8. (U) AT THE TURN OF THE CENTURY THE NORTH OF IRELAND WAS A FAIRLY PROSPEROUS PLACE, COMPARABLE TO MOST OF BRITAIN AND FAR AHEAD OF THE REST OF THE ISLAND. AN EARLY CENTER OF THE INDUSTRIAL REVOLUTION, BELFAST WAS AMONG THE WORLD LEADERS IN SHIPBUILDING (THE VAST HARLAND AND WOOLF SHIPYARD PRODUCED MANY OF THE GREATEST SHIPS OF THE ERA, INCLUDING THE "TITANIC"), AVIATION (SHORT BROTHERS IS THE WORLD'S OLDEST AIRCRAFT MANUFACTURER), AND TEXTILES (THE WORLD CENTER OF THE LINEN INDUSTRY). LONDONDERRY WAS AMONG THE MOST IMPORTANT MANUFACTURERS OF TEXTILES AND CLOTHING.

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9. (U) SINCE THE DEPRESSION OF THE 1930'S, HOWEVER, THE PROVINCE'S LEADING INDUSTRIES HAVE SUFFERED AN INEXORABLE DECLINE, AS ITS LACK OF NATURAL RESOURCES, HIGH ENERGY COSTS, AND GEOGRAPHIC ISOLATION MADE IT UNCOMPETITIVE WITH AMERICAN, CONTINENTAL EUROPEAN, AND MORE RECENTLY ASIAN RIVALS. HARLAND AND WOOLF NOW EMPLOYS LESS THAN TEN PERCENT OF ITS PEAK WORKFORCE; THE

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LINEN INDUSTRY IS VIRTUALLY DEAD; AND MANUFACTURING AT SHORTS IS CONFINED ALMOST EXCLUSIVELY TO COMPONENTS FOR LARGER PARTNERS.

10. (U) AT THE CRUCIAL POINT IN THE LATE 1960'S, WHEN THE REST OF THE BRITISH ECONOMY FINALLY BEGAN TO RECOVER FROM POSTWAR AUSTERITY AND MOVE INTO SUNRISE INDUSTRIES, THE ONSET OF THE "TROUBLES" SCARED OFF POTENTIAL INVESTORS IN NORTHERN IRELAND. THE SECTARIAN CONFLICT, WHICH INCLUDED BOMB AND ARSON ATTACKS AT MANY FACTORIES (AND THE ASSASSINATION OF A FEW INDUSTRIALISTS) MADE BELFAST ABOUT AS ATTRACTIVE AN INVESTMENT SITE AS BEIRUT. THE NORTHERN IRELAND ECONOMIC RESEARCH CENTER ESTIMATES THAT THIS FACTOR ACCOUNTS FOR 24,000 OF THE 32,000 MANUFACTURING JOBS LOST SINCE 1980.

11. (U) THE NORTHERN IRELAND INDUSTRIAL DEVELOPMENT BOARD (IDB) CONFIRMS THAT THE PERCEPTION OF WIDESPREAD VIOLENCE IS BY FAR THE BIGGEST OBSTACLE IN ATTRACTING OUTSIDE INVESTMENT. THE IDB HAS TRIED HARD TO ATTRACT INVESTORS, BUT WITH GENERALLY DISCOURAGING RESULTS. WHILE SOME AMERICAN FIRMS (NOTABLY FORD AND DUPONT) HAVE PROSPERED, TWO HIGH-PROFILE U.S. VENTURES -- DELOREAN AND LEAR -- ENDED IN DISASTER. (IT SHOULD BE NOTED, HOWEVER, THAT EVEN DURING THE TROUBLES, THE OVERALL MURDER RATE IN NORTHERN IRELAND HAS BEEN LOWER THAN IN MOST AMERICAN STATES, AND FAR MORE PEOPLE HAVE DIED IN ROAD ACCIDENTS IN THE PROVINCE.)
BRITAIN'S POOR COUSIN

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12. (U) TODAY, THE PROVINCE'S PER CAPITA GDP IS ONLY 75 PERCENT OF THE UK AVERAGE, AND IT IS ONE OF THREE AREAS IN THE UK THAT QUALIFY FOR EC AID TO DEPRESSED REGIONS. NORTHERN IRELAND HAS THE LOWEST LEVEL OF PERSONAL CONSUMPTION IN THE UK, AND BY FAR THE HIGHEST INCIDENCE OF POVERTY. UNEMPLOYMENT IS ABOUT HALF AGAIN AS HIGH AS IN BRITAIN (13.9 PERCENT TO 10.1 PERCENT IN THE OCTOBER 1993 FIGURES). EVEN MORE WORRISOME ARE THE CORROSIVE EFFECTS OF LONG-TERM UNEMPLOYMENT: 18 PERCENT OF THE

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E.O. 12356: DECL: OADR

TAGS: ECON, PGOV, PHUM, PTER, PINS, PREL, UK, EI, KPRP

SUBJECT: NORTHERN IRELAND: THE ECONOMIC DIMENSION OF THE TROUBLES

UNEMPLOYED HAVE BEEN OUT OF WORK FOR MORE THAN FIVE YEARS, COMPARED TO FOUR PERCENT THROUGHOUT THE UK. IT IS NOT UNCOMMON TO FIND FAMILIES IN WHICH NO MALE MEMBER

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HAS HELD A PERMANENT JOB FOR THREE GENERATIONS.

13. (U) AGRICULTURE REMAINS ONE OF THE PROVINCE'S LARGEST SECTORS, ACCOUNTING FOR SEVEN PERCENT OF THE LABOR FORCE -- MORE THAN THREE TIMES THE PROPORTION IN THE REST OF THE UK. SOME OF IT IS HIGHLY COMPETITIVE: THE LARGE FARMS OF COUNTY ANTRIM ARE VERY EFFICIENT, AND THE PROVINCE'S MEAT AND DAIRY PRODUCTS ARE SUPERB. BUT MUCH OF THE PROVINCE, PARTICULARLY IN THE CATHOLIC-DOMINATED BORDER REGIONS, IS DIVIDED INTO SMALL FAMILY FARMS WITH LITTLE ARABLE LAND, INSUFFICIENT TO GENERATE MORE THAN A SUBSISTENCE LIVING.

14. (U) NORTHERN IRELAND HAS FEW NATURAL RESOURCES, WITH NO COMMERCIALLY VIABLE QUANTITIES OF COAL OR IRON ORE AND FEW INDIGENOUS ENERGY RESOURCES. A PROPOSED GOLD-MINING PROJECT IN COUNTY TYRONE FACES STIFF ENVIRONMENTAL RESISTANCE. THE PROVINCE IS HEAVILY DEPENDENT ON IMPORTS FROM THE REST OF THE UK FOR FUEL, RAW MATERIALS AND OTHER INPUTS FOR BOTH ITS MANUFACTURING AND SERVICE SECTORS.

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SOME ADVANTAGES ...

15. (U) THE ONLY REAL ASSETS NORTHERN IRELAND OFFERS TO AN INVESTOR ARE THE QUALITY OF ITS WORKFORCE, EXCELLENT INFRASTRUCTURE, AND A HIGH QUALITY OF LIFE FOR MANAGERIAL-LEVEL EMPLOYEES. THE SCHOOLS ARE SUPERB: NORTHERN IRELAND STUDENTS, BOTH CATHOLIC AND PROTESTANT, ROUTINELY OUTSCORE THOSE IN OTHER PARTS OF THE UK ON NATIONAL TESTS, THOUGH THE PROVINCE ALSO SUFFERS THE

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HIGHEST RATE OF DROPOUTS IN THE UK BECAUSE POOR JOB PROSPECTS REDUCE THE INCENTIVE TO STUDY. THERE IS A LARGE POOL OF HIGHLY SKILLED WORKERS, LABOR RELATIONS ARE THE BEST IN THE UK, AND DUPONT CLAIMS ITS LOCALLY HIRED MANAGERS ARE THE BEST IN THE WORLD. THE NETWORK OF ROADS, PORTS AND AIRPORTS IS FIRST-RATE, AS ARE COMMUNICATION LINKS. THE MIDDLE CLASS ENJOYS EXCELLENT HOUSING AT LOW PRICES, SUPERB RECREATIONAL OPPORTUNITIES, AND FINE CULTURAL FACILITIES.
... BUT STRUCTURAL PROBLEMS ...

16. (U) THE NORTHERN IRELAND ECONOMIC COUNCIL HAS IDENTIFIED SEVERAL STRUCTURAL PROBLEMS THAT, REGARDLESS OF FUTURE POLITICAL DEVELOPMENTS, WILL HAMPER THE PROVINCE'S GROWTH OF OUTPUT AND EMPLOYMENT IN THE SHORT TERM. THE MANUFACTURING SECTOR IS NARROWLY BASED AND HAS A RATHER LOW LEVEL OF RESEARCH AND DEVELOPMENT. INDUSTRIAL PRODUCTIVITY IS LOW: MANUFACTURING OUTPUT PER HEAD IS ONLY 80 PERCENT OF THAT IN BRITAIN (PARTLY REFLECTING LOW LEVELS OF INVESTMENT).

17. (U) BY FAR THE GREATEST STRUCTURAL DISTORTION IN THE ECONOMY IS THE HIGH LEVEL OF PUBLIC EXPENDITURE: CURRENTLY ALMOST 75 PERCENT OF GDP, COMPARED TO 42 PERCENT IN BRITAIN. TWO OUT OF EVERY FIVE WORKERS ARE IN THE PUBLIC SECTOR; IN BRITAIN THE PROPORTION IS ONE IN FOUR AND DECLINING. AS A RESULT, THE MAIN DETERMINANT OF ECONOMIC ACTIVITY HAS BECOME THE LEVEL AND RATE OF GROWTH OF PUBLIC EXPENDITURE.

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18. (U) THE PREDOMINANCE OF THE PUBLIC SECTOR DERIVES DIRECTLY FROM THE ECONOMIC AND POLITICAL FRAGILITY OF NORTHERN IRELAND, PLUS THE HEAVY USE OF SUBSIDIES TO NARROW SECTARIAN GAPS, AND OF THE CIVIL SERVICE TO REDRESS JOB BIAS. IN ADDITION TO ITS HIGH COST, THE PUBLIC SECTOR ATTRACTS MANY BRIGHT GRADUATES WHO MIGHT OTHERWISE CONTRIBUTE TO THE PRIVATE SECTOR, AND HAS CREATED A CULTURE OF DEPENDENCY. MANY YOUNG PEOPLE,

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PARTICULARLY IN CATHOLIC GHETTOS, SEE NO GOOD REASON

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	INR-00	INSE-00	IO-16	ITC-01	JUSE-00	L-03	ADS-00
	MMP-00	M-00	NRCE-00	NSAE-00	NSCE-00	OIC-02	OIG-04
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E.O. 12356: DECL: OADR

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SUBJECT: NORTHERN IRELAND: THE ECONOMIC DIMENSION OF THE TROUBLES

EVER TO SEEK WORK. BENEFIT FRAUD IS PERVERSIVE: MANY WELFARE RECIPIENTS WORK "OFF THE BOOKS," STABLE COUPLES WITH CHILDREN DECLINE TO MARRY SO THAT THE MOTHER CAN

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CLAIM LONE PARENT BENEFITS, AND FULL-TIME TERRORISTS (INCLUDING MOST PIRA LEADERS) COLLECT UNEMPLOYMENT BENEFITS. ACCORDING TO THE NORTHERN IRELAND OFFICE (NIO), ONE FARMER WHOSE MEAGER HOLDING WOULD NORMALLY PROVIDE AN ANNUAL INCOME OF 5000 POUNDS RECEIVES TENS OF THOUSANDS EACH YEAR IN "COMPENSATION" BY CLAIMING THAT HIS SIX COWS ABORT EVERY TIME AN ARMY HELICOPTER FLIES NEARBY. CIVIL SERVANTS CANNOT CRACK DOWN ON THESE ABUSES WITHOUT RISKING TERRORIST RETALIATION.

... AND SUPERFICIAL PROSPERITY

19. (U) WITH ALL THESE DRAWBACKS, HOWEVER, THE SIZE OF THE PUBLIC SECTOR HAS ALSO HAD POSITIVE EFFECTS, AT LEAST IN THE SHORT TERM. NORTHERN IRELAND, WHILE LONG RELATIVELY DEPRESSED, SUFFERED FAR LESS FROM THE RECENT RECESSION THAN DID THE REST OF THE UK. THE GROWTH OF WELL-PAID JOBS IN THE CIVIL SERVICE AND SECURITY FORCES HAS DONE MUCH TO EXPAND THE MIDDLE CLASS, EASE DISCRIMINATION AGAINST CATHOLICS, GENERATE SERVICE

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SECTOR EMPLOYMENT, AND CREATE AT LEAST A PATCHY AND SUPERFICIAL PROSPERITY. THE BELFAST OUTLETS OF MCDONALD'S AND MARKS AND SPENCER ARE THE MOST PROFITABLE IN THE UK, AND THE LOCAL BMW DEALERSHIP IS THE NATION'S LARGEST. BELFAST NOW BOASTS A NUMBER OF FINE RESTAURANTS (A SHARP CONTRAST FROM A DECADE EARLIER) AND SEVERAL GOOD NEW HOTELS. WHILE NOMINAL RATES OF POVERTY ARE HIGH, THE QUALITY OF PUBLIC HOUSING IS THE BEST IN THE UK, AND ONE SEES LESS VISIBLE EVIDENCE OF MISERY (E.G., BEGGARS AND HOMELESS PEOPLE) THAN IN LONDON.

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II. SECTARIAN ECONOMICS

HISTORY OF CONFLICT

20. (U) MOST PROTESTANTS IN NORTHERN IRELAND ARE DESCENDANTS OF ENGLISH AND SCOTTISH IMMIGRANTS SETTLED THERE BY LONDON-BASED CORPORATIONS, AT THE SAME TIME AND IN THE SAME WAY THAT THE MASSACHUSETTS COLONY WAS FOUNDED. LIKE THEIR AMERICAN COUNTERPARTS, THE ULSTER SETTLERS GRABBED THE BEST LAND FOR THEMSELVES, PUSHING THE INDIGENOUS POPULATION TO THE FRINGES. THIS EXPLAINS THE PROTESTANT DOMINATION IN COUNTY ANTRIM, MOST OF COUNTY DOWN, AND PORTIONS OF COUNTIES LONDONDERRY AND TYRONE. CATHOLICS REMAINED PREDOMINANT IN THE GLENS OF ANTRIM AND MOST OF THE SOUTH AND WEST OF THE SIX-COUNTY AREA.

21. (U) IRISH CATHOLICS SUPPORTED THE LOSING SIDE IN THE ANGLO-SPANISH WARS OF THE SIXTEENTH CENTURY, THE ENGLISH CIVIL WAR OF THE 1640'S AND THE OVERTHROW OF JAMES II BY WILLIAM OF ORANGE IN 1688 -- AND SUFFERED AS A RESULT. FROM 1690 UNTIL THE LATE 19TH CENTURY, THEY WERE SUBJECT TO A WIDE RANGE OF OPPRESSIVE AND DISCRIMINATORY LAWS. IN RESPONSE, THEY LAUNCHED SPORADIC AND ILL-SUPPORTED REBELLIONS, OCCASIONALLY WITH FRENCH HELP.

22. (U) THE INTRODUCTION OF THE POTATO IN ABOUT 1780 LED TO A PHENOMENAL IRISH POPULATION EXPLOSION, BUT THE INADEQUATE BRITISH RESPONSE TO THE POTATO FAMINE OF THE

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1840'S LEFT SCARS THAT HAVE NOT YET HEALED. A MILLION IRISHMEN STARVED, AND MILLIONS MORE EMIGRATED TO BRITAIN, THE U.S. AND AUSTRALIA.

23. (U) THE BRITISH GOVERNMENT PASSED A HOME RULE ACT FOR IRELAND IN 1912, BUT IMPLEMENTATION WAS BLOCKED FIRST BY MASSIVE PROTESTANT RESISTANCE, THEN BY THE ONSET OF WORLD WAR I. THE FAILED EASTER RISING OF 1916

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IN DUBLIN COALESCED CATHOLIC SUPPORT FOR INDEPENDENCE

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	INR-00	INSE-00	ID-16	ITC-01	JUSE-00	L-03	ADS-00
	MMP-00	M-00	NRCE-00	NSAE-00	NSCE-00	OIC-02	OIG-04
	DIS-01	OMB-01	OPIC-08	PA-01	PM-02	PRS-01	P-01
	SCT-03	SIL-00	SNP-00	SP-00	SR-00	SSO-00	SS-00
	STR-16	TRSE-00	T-00	USIE-00	USSS-00	ASDS-01	RPE-01

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DEPT PLEASE PASS TREASURY FOR RZEMIEN

E.O. 12356: DECL: OADR

TAGS: ECON, PGOV, PHUM, PTER, PINS, PREL, UK, EI, KPRP

SUBJECT: NORTHERN IRELAND: THE ECONOMIC DIMENSION OF THE TROUBLES

RATHER THAN HOME RULE. NO PARTY TO THE CONFLICT WANTED PARTITION, BUT IT EMERGED AS THE ONE SOLUTION ALL COULD ACCEPT, AND THE SIX COUNTIES WITH MAJORITY PROTESTANT

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POPULATIONS FORMED AN AUTONOMOUS PROVINCE WHEN THE IRISH FREE STATE WAS FOUNDED IN 1921. UNTIL 1972, A

"PROTESTANT PARLIAMENT FOR A PROTESTANT PEOPLE" AT

STORMONT NEAR BELFAST PRACTICED BLATANT DISCRIMINATION

AGAINST CATHOLICS THROUGH DENIAL OF EQUAL PUBLIC

SERVICES, TOLERANCE OF PERVASIVE JOB BIAS, AND ELECTORAL

GERRYMANDERING. ANTI-CATHOLIC RIOTS IN 1922 AND 1936

REINFORCED THE REPRESSIVE CLIMATE.

EMPLOYMENT PATTERNS

24. (U) WHEN THE INDUSTRIAL REVOLUTION CAME TO IRELAND IN THE EARLY 19TH CENTURY, VIRTUALLY ALL OF THE NEW INDUSTRIES WERE FOUNDED BY PROTESTANTS, AND SITED IN PROTESTANT AREAS AROUND BELFAST AND LONDONDERRY. AFTER THE POTATO FAMINE, CATHOLICS MIGRATED TO THE CITIES IN SEARCH OF WORK, BUT WERE HIRED ONLY WHEN COMMERCIAL DEMAND OUTSTRIPPED THE ABILITY OF PROTESTANT WORKERS TO MEET IT. THE PATTERN THUS ESTABLISHED -- THAT PROTESTANTS MONOPOLIZED THE MANAGERIAL AND SKILLED

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BLUE-COLLAR JOBS, WHILE CATHOLICS FORMED A LABOR POOL FOR TEMPORARY AND MENIAL WORK -- MIGHT HAVE DEVELOPED EVEN WITHOUT DISCRIMINATION, BUT WAS REINFORCED BY THE LEGACY OF SECTARIAN SUSPICIONS AND TENSIONS.

25. (U) BY THE TIME VIOLENCE ERUPTED IN 1969, A CURIOUS SOCIO-ECONOMIC STRATIFICATION HAD EVOLVED. BRIGHT PROTESTANT STUDENTS SELDOM WENT TO UNIVERSITY; WITH "A-LEVEL" QUALIFICATIONS (ROUGHLY EQUIVALENT TO A JUNIOR COLLEGE DEGREE), THEY COULD GO INTO BUSINESS AND RISE TO THE TOP WITHOUT IMPEDIMENT. LESS QUALIFIED PROTESTANT

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YOUTHS TENDED TO INHERIT THEIR FATHERS' SKILLED BLUE-COLLAR JOBS THROUGH APPRENTICESHIPS THAT WERE AT LEAST AS SOUGHT AFTER AS COLLEGE PLACES. CATHOLICS HAD NO SUCH OPPORTUNITIES. THE BRIGHTEST WERE ENCOURAGED TO STAY IN SCHOOL BY GENEROUS STUDENT GRANTS AND LACK OF ALTERNATIVES, SO THEY CONCENTRATED ON THE PROFESSIONS, NOTABLY LAW, MEDICINE AND ACCOUNTING. THE REST LEFT SCHOOL EARLY AND LOOKED FOR CASUAL WORK, MOSTLY IN CONSTRUCTION. CATHOLICS WHO DID MANAGE TO FIND GOOD JOBS IN PROTESTANT-DOMINATED FIRMS WERE SUBJECT TO FREQUENT INTIMIDATION, AND OCCASIONAL DEATH THREATS, FROM PROTESTANT WORKMATES.

26. (U) DEMOGRAPHIC PATTERNS REFLECTED AND REINFORCED THIS STRATIFICATION. TRADITIONALLY, THE CATHOLIC BIRTHRATE WAS ABOUT TWICE THAT OF PROTESTANTS, BUT THE POPULATION RATIO REMAINED NEARLY CONSTANT AT 2:1 BECAUSE CATHOLICS ALSO EMIGRATED AT TWICE THE PROTESTANT RATE. AND AS CATHOLICS SUFFERED MOST IN THE POST-DEPRESSION ECONOMIC DECLINE, THEIR UNEMPLOYMENT RATE WAS TWICE THAT OF PROTESTANTS.

SPARK FOR THE TROUBLES

27. (U) ECONOMIC INEQUALITY PROVIDED MUCH OF THE IMPETUS FOR THE DEMONSTRATIONS THAT SPARKED THE TROUBLES. THE SPECIFIC TRIGGER FOR ONE OF THE FIRST PROTESTS WAS THE ALLOCATION OF PUBLIC HOUSING TO A SINGLE PROTESTANT WOMAN WHEN MANY NEARBY CATHOLIC FAMILIES NEEDED SHELTER. A SURVEY AT THE TIME FOUND THAT CATHOLICS WERE FAR MORE CONCERNED ABOUT ECONOMIC DISCRIMINATION THAN

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ABOUT IRISH UNIFICATION, BUT THAT 69 PERCENT OF PROTESTANTS OPPOSED EQUAL OPPORTUNITY LEGISLATION. THE OVERWHELMING POLITICAL GOAL OF SINN FEIN AND PIRA IS UNIFICATION, BUT MUCH OF THEIR COMMUNITY SUPPORT DERIVES FROM PERCEPTIONS OF INEQUALITY AND DISCRIMINATION.

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III. HMG ACTIONS TO REDRESS INEQUALITY

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	FAAE-00	FBIE-00	FRB-03	HA-09	H-01	IMMC-01	TEDE-00
	INR-00	INSE-00	ID-16	ITC-01	JUSE-00	L-03	ADS-00
	MMP-00	M-00	NRCE-00	NSAE-00	NSCE-00	OIC-02	OIG-04
	OIS-01	OMB-01	OPIC-08	PA-01	PM-02	PRS-01	P-01
	SCT-03	SIL-00	SNP-00	SP-00	SR-00	SSO-00	SS-00
	STR-16	TRSE-00	T-00	USIE-00	USSS-00	ASDS-01	RPE-01

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DEPT PLEASE PASS TREASURY FOR RZEMEN

E.O. 12356: DECL: OADR

TAGS: ECON, PGDV, PHUM, PTER, PINS, PREL, UK, EI, KPRP

SUBJECT: NORTHERN IRELAND: THE ECONOMIC DIMENSION OF THE TROUBLES

28. (U) IN 1972, FOUR YEARS AFTER THE ONSET OF THE TROUBLES, HMG ASSUMED DIRECT RULE OVER THE PROVINCE. SINCE THEN, IT HAS WORKED TO ADDRESS LEGITIMATE

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GRIEVANCES OF CATHOLICS, WITH SUBSTANTIAL BUT INCOMPLETE SUCCESS.

HOUSING

29. (U) BELFAST'S HOUSING STOCK IN THE EARLY 1970'S WAS RATED, ALONG WITH NAPLES, AS THE WORST IN THE EC. IN SOME DISTRICTS, WELL OVER HALF THE HOMES LACKED INDOOR PLUMBING, AND THE FOUNDATIONS OF MANY WERE DESTABILIZED BY TERRORIST BOMBS. ARSON AND MOB ATTACKS FORCED THOUSANDS OF FAMILIES TO MOVE TO "THEIR SIDE" OF THE SECTARIAN DIVIDE, OFTEN CROWDING IN WITH RELATIVES. INADEQUATE HOUSING WAS MUCH MORE WIDESPREAD IN CATHOLIC NEIGHBORHOODS, BUT ALSO AFFLICTED PROTESTANT GHETTOS.

30. (LOU) GOVERNMENT PLANNERS INITIALLY MADE THE SAME MISTAKES AS THEIR COUNTERPARTS IN THE U.S. THEY MOVED FAMILIES OUT OF TRADITIONAL ROW HOUSES INTO HIGH-RISE APARTMENT BLOCKS, DESTROYING NEIGHBORHOODS AND ENCOURAGING VANDALISM. ONE SUCH PROJECT WAS DESIGNED TO HOUSE BOTH PROTESTANTS AND CATHOLICS; IT WAS RENDERED

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UNINHABITABLE WITHIN A FEW YEARS. BECAUSE CATHOLIC NEED WAS GREATEST, AND OVERCOMING NATIONALIST ALIENATION WAS TOP PRIORITY, MOST OF THE DAMAGE OF THIS MISPLACED IDEALISM WAS INFLICTED ON THE CATHOLIC COMMUNITY.

31. (S) SINCE THE LATE 1970'S, HOWEVER, HOUSING CONSTRUCTION HAS BEEN INCREASINGLY SOPHISTICATED AND SENSITIVE. NEWER PROJECTS FEATURE UPGRADED TRADITIONAL TOWNHOUSES, CLUSTERED TO STIMULATE NEIGHBORHOOD COHESION. BELFAST NOW PROBABLY ENJOYS THE BEST PUBLIC

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HOUSING IN THE UK; SOLDIERS FROM GREAT BRITAIN SOMETIMES COMPLAIN THAT PIRA MEMBERS HAVE BETTER HOUSING THAN THEIR OWN FAMILIES. COMPLAINTS ABOUT HOUSING BIAS ARE RARE, AND COME AT LEAST AS OFTEN FROM PROTESTANTS AS CATHOLICS. A NORTHERN IRELAND OFFICE (NIO) OFFICIAL TOLD US THE VIRTUAL ELIMINATION OF HOUSING DISCRIMINATION WAS THE BIGGEST SUCCESS OF DIRECT RULE THUS FAR IN THE ECONOMIC AND SOCIAL SPHERE. CATHOLIC PRIESTS IN WEST BELFAST, SOME HEARTILY ANTI-BRITISH, ALSO ADMIT THIS.
PUBLIC SERVICES

32. (U) PROVISION OF MOST OTHER PUBLIC SERVICES HAS ALSO BECOME MUCH MORE EVEN-HANDED. HEALTH CARE FOR BOTH COMMUNITIES IS OUTSTANDING, AS ARE THE STATE AND CATHOLIC SCHOOL SYSTEMS. THERE ARE MORE GOVERNMENT-RUN COMMUNITY CENTERS AND ATHLETIC FACILITIES IN CATHOLIC AREAS THAN IN PROTESTANT ONES, AND FAR MORE THAN IN BRITAIN. A STRIKING FEATURE OF NORTHERN IRELAND IS THAT, WHILE MOST PEOPLE ARE CONTEMPTUOUS BOTH OF THE BRITISH GOVERNMENT AND OF THEIR ELECTED POLITICIANS, THEY GIVE HIGH MARKS TO THE CIVIL SERVICE. THE MOST NOTABLE EXCEPTION IS POLICE PROTECTION: CATHOLICS COMPLAIN THAT POLICE RESPOND MUCH MORE RAPIDLY TO CRIMES IN PROTESTANT NEIGHBORHOODS. THE MAIN REASON IS THAT BEFORE THEY CAN ENTER A CATHOLIC GHETTO TO INVESTIGATE, POLICE HAVE TO ARRANGE ARMY COVER TO PROTECT THEM FROM ASSASSINATION.
EMPLOYMENT

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33. (U) DIFFERENTIAL UNEMPLOYMENT RATES ARE NOW THE MOST GLARING DISCREPANCY BETWEEN THE COMMUNITIES, AND HAVE BECOME THE MAIN SYMBOL OF SOCIAL INJUSTICE. DESPITE GOVERNMENT EFFORTS, CATHOLIC UNEMPLOYMENT REMAINS STUCK AT 2-2.5 TIMES THE PROTESTANT LEVEL. CATHOLICS ALSO EXPERIENCE SIGNIFICANTLY MORE LONG-TERM UNEMPLOYMENT,

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DISCOURAGING MANY FROM ENTERING OR REMAINING IN THE
LABOR FORCE. AS A RESULT OF THE HISTORICAL PATTERN

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	INR-00	INSE-00	IO-16	ITC-01	JUSE-00	L-03	ADS-00
	MMP-00	M-00	NRCE-00	NSAE-00	NSCE-00	OIC-02	OIG-04
	OIS-01	OMB-01	OPIC-08	PA-01	PM-02	PRS-01	P-01
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DEPT PLEASE PASS TREASURY FOR RZEMIEN

E.O. 12356: DECL: OADR

TAGS: ECON, PGOV, PHUM, PTER, PINS, PREL, UK, EI, KPRP

SUBJECT: NORTHERN IRELAND: THE ECONOMIC DIMENSION OF THE
TROUBLES

DESCRIBED ABOVE, THE DISPARITY IS MOST ACUTE AT SKILLED
BLUE-COLLAR LEVEL. CATHOLICS ARE OVER-REPRESENTED IN
THE PROFESSIONS -- THEY COMPRISE WELL OVER HALF THE

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PROVINCE'S LAWYERS -- AND HAVE BEGUN TO PROSPER IN SMALL
BUSINESS FORMATION, BUT HAVE YET TO CRACK THE LOWER
MIDDLE CLASS.

34. (U) IN ORDER TO REDRESS THIS IMBALANCE, HMG FOCUSED
FIRST ON THE CIVIL SERVICE, OVER WHICH IT HAD DIRECT
CONTROL. IN 1971, ONLY 11 OF THE TOP 1400 CIVIL
SERVANTS IN THE PROVINCE WERE CATHOLICS. TODAY, THEY
FILL ONE THIRD OF SENIOR JOBS, AND ARE REPRESENTED
THROUGHOUT THE PUBLIC SECTOR IN EXACT PROPORTION TO
THEIR SHARE OF THE POPULATION (ABOUT 40 PERCENT). AT
LOCAL LEVEL, 35 PERCENT OF THE EMPLOYEES OF THE 26
DISTRICT COUNCILS ARE CATHOLIC, THOUGH THERE ARE STILL
SOME DISTRICTS (NOTABLY BELFAST) IN WHICH THEY ARE
UNDER-REPRESENTED.

35. (U) CATHOLICS ALSO HAVE BEGUN TO MAKE INROADS IN
MAJOR MANUFACTURING CONCERNS SINCE PASSAGE OF THE 1989
FAIR EMPLOYMENT (NORTHERN IRELAND) ACT, WHICH IS FAR
MORE STRINGENT THAN LAWS APPLYING ELSEWHERE IN THE UK.
THE ACT REQUIRES ANNUAL ACCOUNTING OF THE RELIGIOUS

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CONTENT OF THE WORKFORCE BY ALL BUT THE SMALLEST FIRMS, AND THE FAIR EMPLOYMENT TRIBUNAL IT ESTABLISHED HAS BECOME INCREASINGLY AGGRESSIVE IN ORDERING EMPLOYMENT, PROMOTION OR COMPENSATION FOR WORKERS WHO HAVE SUFFERED FROM DISCRIMINATION. SHORT BROTHERS, NOW THE LARGEST PRIVATE-SECTOR EMPLOYER, BOOSTED CATHOLIC REPRESENTATION FROM THREE PERCENT IN THE EARLY 1970'S TO 12 PERCENT IN 1993. MOST OF THESE JOBS, HOWEVER, ARE AT ENTRY LEVEL. AMERICAN FIRMS IN THE PROVINCE HAVE AN EXCELLENT RECORD, EMPLOYING SLIGHTLY MORE CATHOLICS THAN THEIR SHARE OF

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THE POPULATION. PERCENTAGE GAINS IN MANUFACTURING DO NOT, HOWEVER, REFLECT A SIGNIFICANT NET INCREASE IN JOBS, SINCE THE SECTOR AS A WHOLE HAS SUFFERED A SHARP DECREASE IN EMPLOYMENT OVER THE LAST 15 YEARS.
36. (U) LARGELY AS A RESULT OF THESE EFFORTS, THE CATHOLIC MIDDLE CLASS IN NORTHERN IRELAND HAS EXPANDED DRAMATICALLY. CONFINED 20 YEARS AGO TO A SMALL PROFESSIONAL ELITE, IT NOW INCLUDES LARGE NUMBERS OF CIVIL SERVANTS, SOMEWHAT FEWER MANAGERS AND ENTREPRENEURS, AND A GROWING NUMBER OF SKILLED WORKERS. MANY OF THEM LIVE IN PEACEFUL INTEGRATED NEIGHBORHOODS. DAVID MCKITTRICK, THE DEAN OF NORTHERN IRELAND JOURNALISTS, CALLS THIS DEVELOPMENT THE "GENTRIFICATION OF THE CATHOLICS," AND CONSIDERS IT THE MOST PROMISING DEVELOPMENT OF THE PAST TWO DECADES.
THE SECURITY FACTOR

37. (C) THE ONE SECTOR IN WHICH CATHOLICS ARE STILL RARELY FOUND IS SECURITY. THE POLICE AND ARMY ACTIVELY RECRUIT CATHOLICS, BUT AVERSION TO THE ROLE AND WELL-FOUNDED FEARS OF PIRA REPRISALS DETER ALL BUT A HANDFUL FROM JOINING. IT IS AXIOMATIC THAT, IF A CATHOLIC JOINS THE POLICE OR THE ARMY, HE MUST MOVE TO A MIXED NEIGHBORHOOD AND CAN SELDOM VISIT HIS FAMILY AND FRIENDS AGAIN. PRIVATE SECURITY FIRMS AND GUARDS EMPLOYED BY PRIVATE COMPANIES ARE ALSO MOSTLY PROTESTANT. OUR ROUGH CALCULATIONS INDICATE THAT EMPLOYMENT IN PUBLIC AND PRIVATE SECURITY ORGANIZATIONS ACCOUNTS FOR VIRTUALLY ALL OF THE DIFFERENTIAL BETWEEN

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CATHOLIC AND PROTESTANT UNEMPLOYMENT RATES. IF THE ROUGHLY 50,000 SECURITY JOBS WERE ELIMINATED, THE RATES WOULD BE NEARLY IDENTICAL.
PART OF A PLAN?

38. (C) BRITISH OFFICIALS DENY THAT THEY ARE ATTEMPTING

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TO "GENTRIFY" THE CATHOLIC COMMUNITY IN ORDER TO DAMPEN
NATIONALIST SENTIMENT. BUT A "STATEMENT OF SECURITY

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TAGS: ECON, PGOV, PHUM, PTER, PINS, PREL, UK, ET, KPRP

SUBJECT: NORTHERN IRELAND: THE ECONOMIC DIMENSION OF THE TROUBLES

POLICY" ISSUED BY THE NIO IN MARCH 1993 ACKNOWLEDGES THAT POLICIES DESIGNED TO PROMOTE ECONOMIC WELL-BEING "WILL HELP TO CREATE A CLIMATE IN NORTHERN IRELAND IN

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WHICH PEACEFUL POLITICAL DEVELOPMENT CAN TAKE PLACE, THEREBY COMPLEMENTING AND REINFORCING THE GOVERNMENT'S SECURITY STRATEGY."

DAMPEN SUPPORT FOR VIOLENCE ...

39. (C) IN FACT, IN SOME WAYS THE EFFORT TO BOOST CATHOLIC LIVING STANDARDS -- WHILE PERFECTLY JUSTIFIABLE IN ITS OWN RIGHT -- FORMS THE HEART OF HMG'S STRATEGY TO QUELL POLITICAL VIOLENCE. THE SECURITY FORCES HAVE ACCEPTED THAT THEY ALONE CANNOT CRUSH THE PARAMILITARY GROUPS, AT LEAST WITHOUT RESORTING TO MEASURES UNACCEPTABLE IN A DEMOCRACY. THE GOVERNMENT'S ANALYSIS (WITH WHICH WE CONCUR) IS THAT TERRORISM FEEDS ON GRIEVANCES ARISING BOTH FROM ECONOMIC DEPRIVATION AND SECTARIAN BIAS, AND IS OVERWHELMINGLY A WORKING-CLASS PHENOMENON. CATHOLICS AND PROTESTANTS WHO ESCAPE FROM THE GHETTOS INTO THE SUBURBS ALMOST NEVER ENGAGE IN TERRORISM. PEOPLE WITH GOOD JOBS AND HOUSES HAVE A STAKE IN THE SYSTEM, AND ARE UNLIKELY TO TRY TO DESTROY

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IT. AS THE GHETTOS SHRINK, THE PROBLEM OF URBAN
TERRORISM AT LEAST BECOMES MUCH MORE CONTAINABLE.
... AND RECONCILE CATHOLICS TO THE UNION

40. (X) OPINION SURVEYS AND ANECDOTAL EVIDENCE INDICATE
THAT MIDDLE-CLASS CATHOLICS ALSO TEND TO ACCORD LESS
IMPORTANCE TO IRISH UNIFICATION THAN THEIR WORKING-CLASS
CORELIGIONISTS, AND MOST WOULD NEVER CONSIDER MOVING TO
THE REPUBLIC. MIDDLE-CLASS CATHOLIC VOTES SPLIT FAIRLY
EVENLY BETWEEN THE MODERATE NATIONALIST SOCIAL

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DEMOCRATIC AND LABOR PARTY (SDLP) AND THE NON-SECTARIAN
ALLIANCE, WITH A SUBSTANTIAL MINORITY SUPPORTING
UNIONIST PARTIES.

41. (X) THIS CORRELATION BETWEEN CATHOLIC SOCIO-ECONOMIC
STATUS AND SUPPORT FOR UNIFICATION MAY BE CRITICAL TO
NORTHERN IRELAND'S FUTURE. THE 1985 ANGLO-IRISH
AGREEMENT AND THE DECEMBER 1993 JOINT DECLARATION
STIPULATE THAT WHENEVER A MAJORITY IN THE PROVINCE
PREFER TO LEAVE THE UK AND JOIN THE REPUBLIC, THE TWO
GOVERNMENTS WILL INTRODUCE LEGISLATION TO EFFECT THE
TRANSFER. DEMOGRAPHIC TRENDS INDICATE THAT CATHOLICS
WILL ACHIEVE A MAJORITY IN THE PROVINCE SOME TIME IN THE
FIRST HALF OF THE NEXT CENTURY. HOW SOON (IF EVER)
AFTER THAT TIME UNIFICATION GAINS MAJORITY ELECTORAL
SUPPORT MAY DEPEND VERY LARGELY ON THE SIZE OF THE
CATHOLIC MIDDLE CLASS.

IV. THE COST OF THE PROVINCE

HUGE SUBSIDIES

42. (LOU) ACCORDING TO H.M. TREASURY, TOTAL BRITISH
GOVERNMENT EXPENDITURES ON NORTHERN IRELAND THIS YEAR
ARE ESTIMATED AT 7.9 BILLION POUNDS (11.9 BILLION USD),
ABOUT THREE BILLION POUNDS MORE THAN TAX REVENUES FROM
THE PROVINCE. NORTHERN IRELAND ALSO RECEIVES ABOUT 150
MILLION DOLLARS A YEAR FROM THE EC THROUGH SPECIAL
SOCIAL, STRUCTURAL AND OTHER FUNDS, AND SOME 30 MILLION

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DOLLARS FROM THE INTERNATIONAL FUND FOR IRELAND. THESE
HUGE EXTERNAL SUBVENTIONS ACCOUNT FOR THE FACT THAT PER
CAPITA CONSUMPTION IN NORTHERN IRELAND IS 82 PERCENT OF
THAT IN BRITAIN, WHILE PRIVATE SECTOR OUTPUT PER HEAD IS
ONLY 64 PERCENT OF THE BRITISH LEVEL. THERE ARE ALSO
SUBSTANTIAL INDIRECT COSTS TO BRITAIN IN THE FORM OF
PIRA ATTACKS IN ENGLAND, WHICH KILLED THREE PEOPLE AND

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WROUGHT NEARLY A BILLION DOLLARS IN PROPERTY DAMAGE IN
1993. FREQUENT SECURITY ALERTS AND DISRUPTION OF

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ACTION EUR-01

INFO LOG-00 ACDA-17 AGRE-00 AID-01 A-01 CA-02 CCO-00

CEA-01 CG-00 CIAE-00 COME-00 CTME-00 C-01 OASY-00

DODE-00 DOEE-00 DOTE-00 DS-00 E3-01 EXIM-06 E-01

FAAE-00 FBIE-00 FRB-03 HA-09 H-01 IMMC-01 TEDE-00

INR-00 INSE-00 IO-16 ITC-01 JUSE-00 L-03 ADS-00

MMP-00 M-00 NRCE-00 NSAE-00 NSCE-00 OIC-02 OIG-04

OIS-01 OMB-01 OPIC-08 PA-01 PM-02 PRS-01 P-01

SCT-03 SIL-00 SNP-00 SP-00 SR-00 SSO-00 SS-00

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 4806

AMEMBASSY DUBLIN

AMCONSUL BELFAST

AMCONSUL EDINBURGH

~~CONFIDENTIAL~~ SECTION 09 OF 11 LONDON 22850

DEPT PLEASE PASS TREASURY FOR RZEMEN

E.O. 12356: DECL: OADR

TAGS: ECON, PGOV, PHUM, PTER, PINS, PREL, UK, EI, KPRP

SUBJECT: NORTHERN IRELAND: THE ECONOMIC DIMENSION OF THE TROUBLES

TRANSPORT LEAD TO NEAR-DAILY LOSSES OF EFFICIENCY IN THE ECONOMY.

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43. (U) DIRECT SECURITY COSTS OF 1.4 BILLION POUNDS (2.2 BILLION DOLLARS) ACCOUNT FOR ABOUT ONE FIFTH OF THE TOTAL -- A MUCH LOWER SHARE THAN IS COMMONLY BELIEVED. THESE INCLUDE 590 MILLION POUNDS FOR THE POLICE, 136 MILLION FOR PRISONS, 101 MILLION IN COMPENSATION FOR VICTIMS OF TERRORISM, AND 477 MILLION IN EXTRA COSTS TO THE ARMY (ABOVE NORMAL PEACETIME REQUIREMENTS).

44. (U) EVEN EXCLUDING SECURITY, EXPENDITURE PER CAPITA IN NORTHERN IRELAND IS 26 PERCENT HIGHER THAN THE UK AVERAGE BECAUSE OF THE PARTICULAR NEEDS AND DEMOGRAPHY OF THE PROVINCE. MUCH OF THE BRITISH SUPPORT ACCRUES AUTOMATICALLY THROUGH THE NORMAL MECHANISMS OF CIVILIAN WELFARE SPENDING ON HEALTH, EDUCATION AND SOCIAL SECURITY -- PAYMENTS TO WHICH RESIDENTS OF NORTHERN IRELAND ARE ENTITLED ON THE SAME BASIS AS OTHER BRITISH SUBJECTS. EXPENDITURE ON SOCIAL SECURITY IN NORTHERN IRELAND IS INCREASED BY HIGHER LEVELS OF UNEMPLOYMENT, WHILE GREATER EDUCATION SPENDING REFLECTS A LARGER PROPORTION OF SCHOOL-AGE CHILDREN (MOSTLY CATHOLICS) IN THE PROVINCE. NORTHERN IRELAND'S HIGH BIRTHRATE ALSO

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INCREASES THE COST OF THE GOVERNMENT-RUN HEALTH CARE SYSTEM, AS DO THE COLD, WET CLIMATE AND THE PSYCHOLOGICAL REACTIONS TO TERRORISM.
 LIKELY TO CONTINUE

45. (LOU) DEMOGRAPHIC PROJECTIONS INDICATE THAT THESE COSTS ARE LIKELY TO CONTINUE RISING FOR THE FORESEEABLE FUTURE. NORTHERN IRELAND HAS THE HIGHEST BIRTHRATE IN THE EUROPEAN COMMUNITY -- 20 PERCENT ABOVE THE UK

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 AVERAGE. IN THE PAST, THIS HAS BEEN OFFSET BY EQUALLY HIGH EMIGRATION RATES, KEEPING THE PROVINCE'S POPULATION STABLE AT 1.5 MILLION. THERE ARE INDICATIONS, HOWEVER, THAT TRADITIONAL PATTERNS MAY BE SHIFTING. NIO STUDIES INDICATE THAT THE POTENTIAL LABOR FORCE IS LIKELY TO INCREASE AT A FASTER RATE THAN IN BRITAIN. DURING THE REST OF THIS DECADE, THE DECLINE IN THE 16-24 AGE GROUP WILL BE ONLY HALF THAT IN BRITAIN. INCREASING NUMBERS OF ACADEMICALLY GIFTED PROTESTANTS ARE LEAVING THE PROVINCE FOR UNIVERSITIES IN BRITAIN AND ABROAD; FEW RETURN. AT THE SAME TIME, GENEROUS SOCIAL BENEFITS (AND WIDESPREAD CHEATING) APPEAR TO BE ENCOURAGING UNEMPLOYED CATHOLICS TO STAY IN THE PROVINCE. INTERNAL NIO STUDIES PROJECT INCREASED LONG-TERM UNEMPLOYMENT, ESPECIALLY AMONG CATHOLICS, WELL INTO THE NEXT DECADE.
 UK HAS NO ECONOMIC STAKE

46. (LOU) THESE FACTORS, COUPLED WITH THE DECLINE OF TRADITIONAL INDUSTRIES AND THE VERY REAL STRUCTURAL PROBLEMS IDENTIFIED ABOVE, BELIE THE ASSERTION SOMETIMES MADE THAT BRITAIN HOLDS ON TO NORTHERN IRELAND FOR ECONOMIC REASONS. THE PROVINCE COSTS BRITISH TAXPAYERS DEARLY (NEARLY TEN PERCENT OF THE CURRENT HUGE BUDGET DEFICIT), AND WE SEE NO CREDIBLE SCENARIO UNDER WHICH IT COULD AGAIN BECOME A NET CONTRIBUTOR TO THE NATIONAL ECONOMY IN THE FORESEEABLE FUTURE.

V. WHAT COULD CHANGE?

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 PEACE NO PANACEA ...

47. (LOU) A CESSATION OF POLITICAL VIOLENCE WOULD UNDOUBTEDLY LEAD TO AN INCREASE IN BOTH DOMESTIC AND OUTSIDE INVESTMENT. NUMEROUS SMALL BUSINESSES THAT HAVE SPRUNG UP IN RECENT YEARS WOULD BE ABLE TO EXPAND WITHOUT THE DRAG OF HIGH SECURITY COSTS. THE

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LONG-DORMANT TOURISM SECTOR (LESS THAN TWO PERCENT OF

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ACTION EUR-01

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	DODE-00	DOEE-00	DOTE-00	DS-00	EB-01	EXIM-06	E-01
	FAAE-00	FBIE-00	FRB-03	HA-09	H-01	IMMC-01	TEDE-00
	INR-00	INSE-00	ID-16	ITC-01	JUSE-00	L-03	ADS-00
	MMP-00	M-00	NRCE-00	NSAE-00	NSCE-00	OIC-02	GIG-04
	OIS-01	OMB-01	OPIC-08	PA-01	PM-02	PRS-01	P-01
	SCT-03	SIL-00	SNP-00	SP-00	SR-00	SSD-00	SS-00
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DEPT PLEASE PASS TREASURY FOR RZEMEN

E.O. 12356: DECL: OADR

TAGS: ECON, PGOV, PHUM, PTER, PINS, PREL, UK, EI, KPRP

SUBJECT: NORTHERN IRELAND: THE ECONOMIC DIMENSION OF THE TROUBLES

GDP AT PRESENT, HALF THAT IN BRITAIN) WOULD PROBABLY REBOUND QUICKLY TOO. BUT THERE IS LITTLE REASON TO THINK THE PROVINCE WOULD SUDDENLY BECOME A MECCA FOR

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MAJOR UK OR FOREIGN INVESTMENT. AND THE SIGNIFICANT STRUCTURAL PROBLEMS DISCUSSED ABOVE WOULD ACT AS A DRAG ON THE GROWTH OF ECONOMIC OUTPUT AND EMPLOYMENT.

48. (LOU) IN FACT, AN END TO VIOLENCE MIGHT ACTUALLY INCREASE UNEMPLOYMENT FOR A CONSIDERABLE PERIOD. THE ROYAL ULSTER CONSTABULARY (NOW NUMBERING 17,000 TO COVER A LARGELY LAW-ABIDING POPULATION OF 1.5 MILLION) WOULD CERTAINLY SHRINK, AS WOULD THE LOCAL ARMY REGIMENTS. IF ONE ADDS PART-TIME POLICE AND SOLDIERS, AND THE LARGE NUMBER OF PRIVATE SECURITY PERSONNEL, AS MANY AS 50,000 JOBS COULD GO DIRECTLY, WITH FURTHER CONSEQUENT REDUCTIONS IN THE SERVICE SECTOR. VIRTUALLY ALL OF THE IMPACT WOULD BE ON THE PROTESTANT COMMUNITY. HMG MIGHT WELL COME UNDER PARLIAMENTARY PRESSURE TO GAIN A "PEACE DIVIDEND" FOR THE TREASURY BY REDUCING SOME OF THE EXTRAORDINARY SUBSIDIES TO THE PROVINCE. HOWEVER, IT SEEMS LIKELY THAT SUSTAINING THE MOMENTUM OF ANY PEACE PROCESS WOULD REQUIRE SOME FAIRLY SUBSTANTIAL NEW ECONOMIC SUPPORT, AT LEAST IN THE SHORT TERM.

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... NOR IS UNIFICATION

49. (U) SOME ARGUE THAT MOST OF NORTHERN IRELAND'S ECONOMIC PROBLEMS COULD BE SOLVED BY UNIFICATION WITH THE REPUBLIC. THEY CITE A STUDY BY THE CONFEDERATION OF BRITISH INDUSTRY AND ITS IRISH COUNTERPART SUGGESTING THAT IMPROVED CROSS-BORDER TRADE COULD GENERATE AS MANY AS 75,000 NEW JOBS, AND THE COST OF DUPLICATIVE AND COMPETING DEVELOPMENT, TOURIST AND OTHER AGENCIES COULD BE ELIMINATED.

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50. (X) THE ACCURACY OF THIS ASSESSMENT IS DOUBTFUL. CROSS-BORDER ECONOMIC COOPERATION WOULD CERTAINLY CREATE JOBS AND REDUCE COSTS, BUT THIS IS ALREADY UNDERWAY AND NEED NOT DEPEND ON UNIFICATION. UNDERNEATH, THE ECONOMIES OF NORTH AND SOUTH ARE PROBABLY NOT VERY COMPLEMENTARY -- THEY PRODUCE MANY OF THE SAME GOODS, SUFFER THE SAME RESOURCE CONSTRAINTS, AND HAVE LITTLE TO OFFER EACH OTHER.

51. (X) IN THE SHORT TO MEDIUM TERM, DUBLIN COULD FACE ENORMOUS DIFFICULTIES IN TRYING TO INCORPORATE THE NORTH. MAINTAINING THE CURRENT BRITISH SUBSIDY WOULD ABSORB ROUGHLY ONE SIXTH OF THE REPUBLIC'S GNP. THE PER CAPITA BURDEN FOR IRISH TAXPAYERS WOULD BE 1290 DOLLARS A YEAR, COMPARED TO 81 DOLLARS FOR EACH BRITISH SUBJECT. IT SEEMS LIKELY THAT LIVING STANDARDS ON BOTH SIDES OF THE CURRENT BORDER WOULD DECLINE SHARPLY IN THE NORTH, AND PERHAPS IN THE SOUTH AS WELL WITHOUT SUBSTANTIAL OUTSIDE HELP.

52. (X) IN ADDITION, EVEN PEACEFUL UNIFICATION WOULD PROBABLY EXACERBATE PROTESTANT ALIENATION, AND MANY WOULD EMIGRATE TO BRITAIN AND ELSEWHERE. IT WOULD DEPRIVE THE NORTH OF MUCH OF ITS MANAGERIAL CLASS AND SKILLED WORKFORCE, ACCELERATING ECONOMIC DECLINE.

CONCLUSION

53. (X) THE CURRENT ANGLO-IRISH PEACE INITIATIVE LOOKS

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MORE PROMISING THAN ANY IN THE PAST TWO DECADES, AND IRISH UNIFICATION MIGHT BE FEASIBLE IN THE RATHER DISTANT FUTURE. BUT THE PATH TO EITHER IS LIKELY TO BE TORTUOUS, AND ECONOMIC FACTORS WILL PLAY A KEY ROLE. REGENERATION OF NORTHERN IRELAND'S ECONOMY AND ENHANCED CROSS-BORDER COOPERATION WILL BE VITAL IN MAINTAINING SUPPORT IN BOTH COMMUNITIES FOR ESTABLISHMENT OF REAL DEMOCRATIC INSTITUTIONS AND RECONCILIATION OF THE TWO

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TRADITIONS. SHOULD AN END TO VIOLENCE BE ACHIEVED, BOTH

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ACTION EUR-01

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	DODE-00	DOEE-00	DOTE-00	DS-00	EB-01	EXIM-06	E-01
	FAAE-00	FBIE-00	FRB-03	HA-09	H-01	IMMC-01	TEDE-00
	INR-00	INSE-00	IO-16	ITC-01	JUSE-00	L-03	ADS-00
	MMP-00	M-00	NRCE-00	NSAE-00	NSCE-00	QIC-02	QIG-04
	OIS-01	OMB-01	OPIC-03	PA-01	PM-02	PRS-01	P-01
	SCT-03	SIL-00	SNP-00	SP-00	SR-00	SSU-00	SS-00
	STR-16	TRSE-00	T-00	USIE-00	USSS-00	ASDS-01	RPE-01

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EPT PLEASE PASS TREASURY FOR RZEMEN

.O. 12356: DECL: OADR

AGS: ECON, PGOV, PHUM, PTER, PINS, PREL, UK, EI, KPRP

SUBJECT: NORTHERN IRELAND: THE ECONOMIC DIMENSION OF THE
TROUBLESBRITISH AND IRISH GOVERNMENTS ARE LIKELY TO LOOK TO THE
U.S. FOR SUBSTANTIAL ASSISTANCE, IN INVESTMENT PROMOTION
IF NOT IN DIRECT AID. SEITZ~~CONFIDENTIAL~~~~CONFIDENTIAL~~

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Mike O'Neill

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INTERAGENCY MEETING ON ASSISTANCE OPTIONS FOR NORTHERN IRELAND

DATE: September 8, 1994

LOCATION: White House Situation Room

TIME: 3:00 pm

I. PURPOSE

To agree on a set of proposals for supporting the Northern Ireland peace process.

II. BACKGROUND

This meeting follows up our initial September 2 meeting, adding several new participants. The basis for discussion will be the papers prepared by various agencies as agreed September 2.

III. DISCUSSION ITEMS

- ✓ - Presidential Conference on Trade and Investment State
Attachment A
- Brown
- Other Investment Options..... Fund context OPIC
- International Fund for Ireland: AID
 - o Increasing Funding, and/or
 - o "Reinventing IFI" - Attachment B
- Loan Guarantee Program OMB
Attachment C
- Tax-related Options..... British Treasury
Attachment D
- USIA Programs USIA
Attachment E
- NDI/NED Programs NSC/NDI
Attachment F
- → The British Non paper: "What Northern Ireland Needs" .. NSC
Attachment G
- The Congressional Angle NSC
Attachment H
- The EU Angle NSC
Attachment I

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DECLASSIFIED

E.O. 13526

White House Guidelines, September 11, 2006

By M NARA, Date 12/31/15

201-0355-F

Presidential Conference on Northern Ireland

Planning A Conference

Mr. John Duffy, who is promoting the idea of a trade and investment conference for Northern Ireland under the sponsorship of the Presbyterian Church U.S.A. and the Conference of Catholic Bishops, discussed the status of plans as of September 6.

- No specific arrangements have been made. Perhaps a D.C. conference planning firm could be contracted with to handle "all those details". Late March would be the best time to hold it, capitalizing on the surge of interest in Ireland around St. Patrick's Day.
- No funds have yet been identified to support the conference. Perhaps the USG might be able to fund it; alternatively corporate sponsors could be found.
- Duffy stated that we will need to tread carefully, as encouraging investment in Northern Ireland could inadvertently have the net effect of taking it from the Republic of Ireland.
- Duffy and his counterpart from the Catholic Bishops Conference would like to meet with EUR/NE when they visit Washington September 13.

The EU Angle

Initial thoughts on possible EU involvement in this or a similar conference, as follows:

- We should emphasize investment promotion in Northern Ireland, not trade. Preferential trade arrangements for the EU or straight-out import promotion schemes either raise technical GATT problems or possible political sensitivities.
- Although it is unlikely, the EU might be interested in cosponsoring such an event with the USG, but we should approach Ireland and the U.K. first, outlining our concept for participation/sponsorship of the conference and asking if they would like to join us.
 - o Moreover, we should consider suggesting that Ireland and the U.K. approach the EU on cosponsorship, if they believe that would be a more successful method of getting the EU on board.
- Church cosponsorship of the conference could complicate an EU decision to cosponsor.

**OPTIONS FOR INCREASING THE RECONCILIATION POTENTIAL OF THE
INTERNATIONAL FUND FOR IRELAND**
(without increasing annual U.S. Government contributions)

The International Fund for Ireland ("the Fund") was established in 1986 to demonstrate US support for the Anglo-Irish Agreement. The overall objectives of the Fund are to promote economic and social advancement and to encourage contact, dialogue, and reconciliation between nationalist and unionist throughout Ireland and Northern Ireland.

To date, the United States has contributed \$210 million to the Fund of which \$31 million has not been drawn down as of the last financial report. In addition, there is \$19.6 million in Fiscal Year 1994 funds not yet signed up, and an equal amount is presently planned in new Fiscal Year 1995 funds.

I. Broadening funding sources for the International Fund for Ireland

There is nothing to prohibit the Fund from accepting private contributions from the U.S. or independent donors. Currently, only small contributions have been made by communities which are directly participating in Fund projects. Establishing a mechanism to encourage private U.S. citizens, corporate foundations and entities such as the American Fund for Ireland to contribute directly to the Fund along with the increasing of EU contributions could assist in leveraging U.S. monies.

II. Increasing cross border and cross community dimension of Fund activities

During the conflict in Northern Ireland, possibilities for the Fund's activities in the area of cross border and bi-communal activities were limited. Under the premise that "discord and violence tend to flourish where economic malaise predominates", the Fund has financed economic development activities that do not always have a direct reconciliation dimension. With peace, there is the prospect of funding more opportunities to bring communities together.

The recommended course of action would be to narrow the focus of the Fund's activities to more immediately and directly answer the needs of reconciliation. Rather than supporting the broad definition for changing the economic malaise that exists in these areas, the Fund would sharpen their activities to bring people together. For example, focussing lending operations on companies that specifically employ people from both communities or supporting activities which bring people together in a bi-communal nature. This effort would make reconciliation a more direct goal of each activity that the Fund supports.

drafted by AID/ENI for discussion purposes
September 8, 1994

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September 8, 1994

Loan Guarantee Program for
Northern Ireland and the Republic of Ireland

Proposal: Develop a loan guarantee program for Northern Ireland and the Republic that would provide USG guarantees to private lenders for loans to governmental entities and private foundations for: (1) urban infrastructure, (2) housing, (3) and business credit.

Background: According to a September 2nd Non Paper, HMG would welcome US assistance in a number of sectors where loan guarantee funding might be appropriate, including: (1) up-grading rail connections and road works, (2) private sector housing in inner city areas, and (3) and business education. Existing legislation, the Foreign Assistance Act of 1961, as amended, provides loan guarantee authority for urban infrastructure and housing.

Issue for Decision: Whether to proceed with the development of a loan guarantee program.

Pros:

- o While a loan guarantee program might not be viewed as "economic assistance" by the Irish and British governments, it would provide a vehicle for the USG to demonstrate support for the reconciliation process.
- o Would have lower budgetary cost than grants.

Cons:

- o Not clear that such a program is necessary for financing to be available for these purposes, since both Governments have ready access to capital. (The UK is rated "-" and the Republic of Ireland is rated "-".)
- o Such a loan guarantee program would not be a good programmatic fit with existing credit agency activities since OPIC guarantees US equity investments and Eximbank guarantees US exports. AID's Housing Guaranty and Micro and Small Enterprise programs are a closer fit but their funding is limited.
- o A special Irish loan guarantee program would require authorizing legislation and an appropriation for subsidy costs that cannot be estimated at this time. It would necessitate budget trade-offs within the Function 150 area. Subsidy costs for sovereign guarantees would be low, but budget costs for non-sovereign guarantees could be high.
- o The start up of a new loan guarantee program would require time and effort to determine financial risks of prospective projects, develop guarantee instruments (percent of guarantee coverage, fees, terms and eligible lenders and borrowers) and to negotiate transactions.



DEPARTMENT OF THE TREASURY

WASHINGTON

SEP 6. 1994

ASSISTANT SECRETARY

MEMORANDUM FOR KATHLEEN STEPHENS
DIRECTOR, EUROPEAN AFFAIRS
NATIONAL SECURITY COUNCIL

FROM: LESLIE B. SAMUELS *LBS*
ASSISTANT SECRETARY (TAX POLICY)

SUBJECT: *Tax Exemption for Northern Ireland*

Summary

The proposed five year tax exemption for Northern Ireland subsidiaries of U.S. companies would seriously damage future U.S. tax treaty policy, would have spill over effects on existing treaties with at least eight other countries, including China and India, and would almost certainly be defeated by the Senate. The companion proposal to encourage the United Kingdom to lower its tax rate in Northern Ireland, if implemented without a U.S. tax exemption, would actually have a more positive long-term effect on U.S. investment in Northern Ireland.

Current U.S. Tax Policy

The United States already provides deferral of U.S. tax on the earnings of foreign subsidiaries of U.S. companies providing that the earnings are reinvested in the foreign subsidiary and the subsidiary is engaged in an active business. This deferral from U.S. tax provides an incentive for companies to invest in places with low tax rates similar to those found in the Republic of Ireland. If the United Kingdom were to lower its tax on income earned by companies located in Northern Ireland, U.S. companies would have a similar incentive to locate in Northern Ireland. If the United States were to provide an exemption from U.S. tax in those situations, the exemption would actually have the perverse effect of encouraging those companies to repatriate their earnings from Northern Ireland before the end of the five year period so that they could take advantage of the tax exemption. If the current U.S. system were to remain in place, companies would instead have an incentive to continue their operations in Northern Ireland and invest their earnings in Northern Ireland, rather than repatriating those earnings to the United States.

Effect on U.S. Treaty Policy

The United States is frequently asked to provide exemptions of this kind (often called tax sparing) to developing countries.

We have consistently refused to do so. In addition, discussions on this topic with the Senate over several decades have shown that body is strongly opposed to providing tax sparing at any time. Further, we had recent discussions with tax officials from France, Germany and the United Kingdom to the effect that the tax sparing in tax treaties should be discouraged.

Providing this incentive to Northern Ireland would have serious adverse implications for U.S. treaty policy. At the insistence of several of our treaty partners, we have included a provision in certain treaties that if the U.S. ever makes an exception to its rule against tax sparing, then the same benefit would be extended to these countries. These clauses were included with the expectation that no such exception would be made. Thus, if an exception is made for Northern Ireland, the United States would be required to immediately reopen negotiations with Morocco, Malta, Barbados, Jamaica, Cyprus and South Korea. In addition we would be required to "promptly amend" our treaties with China and India in order to incorporate the same provision that we were offering to Northern Ireland.

The U.S. would also have to abandon any hope of completing treaties with other developing countries in order to lower withholding taxes paid by U.S. companies because those countries would insist on receiving the same benefits.

The precedent established also probably would create pressure to introduce similar tax incentive programs for other troubled foreign areas, like Bosnia, etc.

Collateral Political Ramifications

One of the President's campaign promises was to eliminate tax incentives for U.S. companies to export jobs. This type of provision would be seen as a move in the opposite direction and could prove to be a serious embarrassment to the administration.

Mr. Gephardt and other Members of Congress, have introduced bills designed to curb "runaway plants". These Members would be certain to oppose a proposal to offer unique tax incentives for companies to move jobs to Northern Ireland.

Moreover, any such proposal would require legislation and be scored for a tax revenue loss under the PAYGO budget rules. A revenue offset would be required, a sensitive project that may be characterized as a tax increase bill.

**United States
Information
Agency**

Washington, D.C. 20547



September 8, 1994

MEMORANDUM FOR: NSC - Nancy Soderberg
FROM: USIA/WEU - John P. Harrod, Director *mk for JPH*
SUBJECT: Possible USIS Programming to support the Peace Process in Northern Ireland

Exchanges: Expand USIS exchange activity as possible. Currently, Northern Irish grantees participate in a range of USIS exchange programs, from the International Visitor and Voluntary Visitor programs to specialized programs in American studies. USIS London currently uses about 6 International Visitor grants in Northern Ireland. A sharp increase in the coming FY is not likely. However, USIA's Voluntary Visitors' program can be expanded. The Voluntary Visitor program can organize IV-like projects for individuals and groups when international travel can be funded by other organizations, such as the International Fund for Ireland.

Projects like the border counties community worker project now in the planning by USIS (paid for by the International Fund for Ireland, organized by USIS Dublin and CG Belfast, and programmed by Voluntary Visitors) should be expanded. This IFI-funded Voluntary Visitor project will bring about 30 grantees to the U.S. in three groups for about 2 weeks each starting in October 1994.

Bottom line: Current USIS exchange programs could be expanded with IFI and other private and USG funds. Human rights, democracy, conflict resolution, and community development are promising topics for additional exchange projects.

Educational exchanges: Greater Northern Ireland participation in Fulbright academic and teacher exchange programs. Several approaches could be explored, such as including a Northern Irish representative on the Irish Fulbright Commission or seeking additional funding for a scholarship or an academic chair on a topic relevant to the peace process in Northern Ireland.

FYI: Currently potential candidates for Fulbright programs from Northern Ireland can apply either through the Irish or British commissions.

Speakers: This is an important area for expansion. Already for FY-95, USIS London has planned expanded programs in Northern

Ireland. One project in the works is a seminar on conflict resolution co-sponsored by the Peace Studies Program at the University of Ulster, likely involving a similar group from Dublin. USIS speakers will be increased in Northern Ireland, directly under USIS auspices or co-sponsored to attend the many conferences organized by universities and other groups. Important topics would be conflict resolution, community development, women and minority rights, local government, and grass roots democracy.

Cultural programs: In FY-94, USIS London began expansion in this area through small grants given to community arts organizations to promote exchange between Northern Irish artists and performers and American counterparts. In FY-95 USIS London plans to fund an American participant for the Belfast Folk Festival in August 1995. The Ulster Folk Museum has participated in the Museum Partnership program, exchanging staff with a U.S. museum. There is great potential to expand placement of American Cultural Specialists at cultural institutions and to increase facilitative assistance to museums and cultural organizations. As in other program areas, cultural programming will emphasize cross community contact.

Worldnets and Teleconferences: USIS has a satellite dish (TVRO) located at the Consulate General in Belfast and has maintained an active program of interactive dialogues for several years on a variety of subjects, including community theater and education. This capability can be utilized to put Northern Irish leaders in all fields directly in touch with their U.S. counterparts. In addition, Worldnets can link participants in Dublin, London, and Belfast.

Teleconferencing is another USIS program tool that is flexible, inexpensive, and well-adapted to fast-breaking policy issues.

Coordination between USIS London and USIS Dublin: USIS London and Dublin are working closely to coordinate their activities in a range of areas to support the peace process. The PAOs from London and Dublin will visit Belfast together in October 1994 to examine further cooperation.

Idea of an "America House": This is not feasible nor is it desirable. Program priorities can be better addressed through the means described above. In addition, permanent installations of this kind require very large resource commitments, which could be better used for program expansion.

F

NORTHERN IRELAND: PLURALISTIC POLITICS IN A DIVIDED SOCIETY

U.S. GRANTEE:

The National Democratic Institute
for International Affairs

U.S. Subgrantee:

The Center for Emerging Democracies

DATE OF PROJECT:

April 1 - November 30, 1994

AMOUNT REQUESTED:

Direct Costs \$ 120,228
Indirect Costs \$ 32,702
Cooperative Agreement \$ 47,850
Total Costs \$ 200,780

I. SUMMARY

NDI proposes to conduct a political party training program with the constitutional parties in Northern Ireland. The program will aim to strengthen political parties and the practice of politics in Northern Ireland while also examining issues of politics in a divided society. In convening parties with strong ideological differences, the program would focus on the parties' structural similarities and shared civic responsibilities. Mid-level and future party leaders will be invited to participate in the program which will combine roundtable dialogues regarding political parties in divided societies and training in the field of political party organization. NDI plans to develop and execute this program in collaboration with Initiative '92 in Northern Ireland, the Frei Foundation in the Netherlands and the Center for Emerging Democracies (CED) in the U.S. A comprehensive report focusing on the practice of politics in a divided society will be written by the CED at the conclusion of the program.

II. BACKGROUND

While decades of unremittent political violence have taken thousands of lives in Northern Ireland, the violence and an invariable political stalemate have eroded the democratic infrastructure of Northern Ireland.

An independent commission of inquiry set up by the citizens' group, Initiative '92, recently examined this issue. With input from 3,000 people through written submissions, focus groups and hearings held across Northern Ireland, the commission came to several conclusions. The commission discovered that the decline of democracy and civic standards in Northern Ireland can be associated with the withdrawal of large portions of society from the political arena. The professional, business and middle classes have "opted out" of the political process, leaving a political void in the center.

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According to respondents to the Initiative '92 study, the failure of the citizens of Northern Ireland to participate in politics is exacerbated in part by the direct rule of the United Kingdom's parliament. This system of governance gives extraordinary power to the UK's secretary of state for Northern Ireland. In addition, the legislature at Westminster is comprised largely of Britain's political parties, which do not formally exist in Northern Ireland, and is viewed as neither representative of nor responsive to the people of Northern Ireland. This disconnect between the electorate in Northern Ireland and the parliament in Britain also frustrates Northern Ireland's local politics. The absence of democracy and of accountability to the electorate means that politicians in Northern Ireland have no forums in which to develop and practice political skills. This, in turn, results in poor leadership and deficient representation. Many people who otherwise might join a political party choose instead to join a community organization.

From 1986 to 1989 NDI, in conjunction with the John W. McCormack Institute at the University of Massachusetts, conducted a political party building and leadership development project with one of Northern Ireland's constitutional political parties, the Social Democratic and Labour Party (SDLP). The project was judged by the SDLP and other parties in the region to be quite important in assisting the SDLP to develop a modern political organization. Consequently, party leaders from across the ideological and sectarian spectrum have requested a training program for all parties that would be designed to meet the realities of today's politics in the region. Because of this earlier programmatic work and the several people from Northern Ireland who have participated in NDI's party building programs elsewhere, the Institute has remained well informed of the changing political culture in this divided society.

III. OBJECTIVES

NDI intends to develop a program that is specifically tailored to address the needs of individual parties in Northern Ireland. The Institute, in partnership with other international political development organizations, will organize a series of workshops and consultations aimed at training mid-level and future leaders in the role and responsibilities of political parties, modern communication techniques and organizational methods.

The objectives of the program are:

1. to help diminish the sectarian nature of politics in Northern Ireland;
2. to introduce a common political vocabulary in order to create possibilities for establishing common ground among the parties;
3. to impart to future political leaders an awareness of the responsibility of political parties to the greater good of their community.

IV. PROGRAM ACTIVITIES

This program is structured in three phases to take place throughout 1994. At the completion of each phase an evaluation will be conducted to assess the impact of previous work and to adjust the future activity according to the relevant experience. The program will begin with a series of individual, all-party consultations and be followed by two all-party training seminars. All constitutional parties have indicated an interest in this type of training and will be invited to participate in the program. The targeted parties include the Alliance Party (AP), the Democratic Unionist Party (DUP), the Official Unionist Party (OUP) and the Social Democratic and Labour Party (SDLP). Each party, with attention to gender and geographic diversity, will identify three participants, whose participation will be constant for the duration of the program. In addition to participation in this specific program, NDI will involve these people in some of its other international programs as resource personnel.

In PHASE I NDI will sponsor a team of political organizing experts from each of the partner institutions to visit Northern Ireland for intensive one-on-one consultations with the primary and secondary leadership of each party. The schedule will be arranged by the Belfast-located staff of Initiative '92. The purpose of the consultations will be to identify:

- the strengths and weaknesses of each party;
- the specific interests of each party in participating in the project; and
- the party representatives who will be invited to participate in the program.

At the conclusion of the mission a working group of the sponsoring organizations and representatives of the parties will convene to formulate the agenda for the first conference. The group will also identify the areas of trainer expertise needed and the countries from which they would like to bring trainers for the workshops. In choosing international trainers, the group will look particularly to countries which share an experience of politics in a divided society.

In PHASE II the Frei Foundation will organize the first all-party workshop, which will take place in the Hague. The three-day program will include a mix of plenary sessions, interactive workshops and one-on-one meetings. The first plenary session will examine the results of Initiative '92's recently conducted public opinion survey in Northern Ireland about the attitudes of the citizenry toward political parties and their leaders. The survey results will be examined by experts from other countries. In additional plenary sessions country experts will offer presentations on the role of political parties in divided societies. The sessions will examine the means by which parties have been the vehicles for bridging political and cultural divisions. The papers from the plenary sessions will be published for broad distribution within Northern Ireland, and elsewhere. The workshops will introduce a number of modern techniques for intra- and inter-party communications, leadership accountability and organization methodology. Local, as opposed to national, party organization will be stressed, with an emphasis on parties and local government. Half of the conference agenda will be devoted to one-on-one party consultations in which members of each delegation will have individual training conducted by a party organization expert.

In PHASE III the Center for Emerging Democracies will convene a second all-parties conference in the United States. The participants will include those who participated in the Hague sessions. Prior to the conference the working group will assemble to examine the impact of the first training session program conference and its implementation by the parties. The working group's findings will determine the specifics of the conference agenda. Included in the agenda will be the reports of the working committee, which will include the opportunities available to the parties in the intervening period of time and how each party responded. The report will be assimilated by Initiative '92. The workshops in this conference will provide an opportunity for Northern Ireland party leaders to present their respective party's response to the organizational techniques offered in the earlier phase of the project. The one-on-one consultations will be used to address specific deficiencies in each party and how to handle these problems.

The project will compile materials used by parties in similar political environments and, where appropriate, will adapt the documents to the Northern Ireland political culture. These materials will be made available to the participants to use within their parties. NDI, with several years of experience in Northern Ireland, party politics will be particularly sensitive to issues that divide the parties in Northern Ireland and to the effect that isolation has had on their engagement in international dialogue.

Trainers are likely to be recruited from the United States, Netherlands, Belgium, Canada, South Africa and the Middle East. These resource people will be selected for their political organizational skill, experience with divided political cultures and competence in leadership training.

The three organizations that will join NDI in this project offer unique and complimentary resources for achieving the project's objectives. Initiative '92 has achieved broad acclaim in Northern Ireland, Ireland and Great Britain for the attention it has paid to the citizens of the region and their attitude to the effect of the conflict on day-to-day life. The recommendations of Initiative '92 are reflected in the current peace negotiations. The Frei Foundation is the political development institute of the Christian Democratic Appeal party in the Netherlands and has been a competent partner for NDI in joint projects in Eastern and Central Europe. The participation of the Foundation, representing a party that brought together Catholic and Protestant parties in the Netherlands, is necessary to gain the confidence and participation of the Unionist political parties. The Center for Emerging Democracies is an adjunct of the John W. McCormack Institute at the University of Massachusetts. The McCormack Center was NDI's partner in its previous Northern Ireland programming. As a subgrantee, the Center will assume the responsibility for project implementation with oversight by NDI. The four organizations will collaborate on the development of the agenda and workplan and will assume specific responsibilities in the implementation of the program activities. Initiative '92 and the Frei Foundation will provide some in-kind support to the program in the form of staffing, and miscellaneous conference costs.

V. EVALUATION

In evaluating this program NDI will apply both quantifiable and qualitative techniques. A written survey of all participants and trainers will be administered in each phase. In addition the working group will have an evaluation session after each phase that will serve as the basis for planning further project activities. Initiative '92 will contribute written assessments of the results of the training as manifested by future political initiatives in the region. In the last conference the agenda will include a focus group in which the participants will evaluate the program. Finally, a comprehensive report on the program incorporating this information will be written.

The evaluation will measure the following:

1. Have the participating party activists been able to elevate their individual and collective positions within their respective political parties?
2. Have there been examples of where the parties have engaged in consensus building policy at the local government level?
3. Have parties introduced and improved their internal and public communication techniques?
4. Have the parties reorganized their structures in order to insure transparency and enable greater participation in decision making?

VI. BUDGET

To conduct this program NDI requests a grant in the amount of \$200,780 from the National Endowment for Democracy. A subgrant from this sum will be provided to the Center for Emerging Democracies in the amount of \$47,850.

BUDGET PROPOSAL
NORTHERN IRELAND
APRIL 1, 1994 - NOVEMBER 30, 1994

I. SALARIES AND BENEFITS		18,504
A. Salaries	13,273	
1 Senior Associate @ 10% - 8 mo.		
1 Executive Officer @ 5% - 8 mo.		
1 Logistics Director @ 10% - 8 mo.		
1 Program Assistant @ 25% - 8 mo.		
B. Benefits @ 39.4% of salaries	5,231	
II. SUPPLIES AND EQUIPMENT		2,500
A. Office Supplies	1,500	
B. Equipment Rentals	1,000	
III. COMMUNICATIONS		3,000
A. Telephone/Fax	2,500	
B. Postage/courier	500	
IV. TRAVEL AND PER DIEM		88,774
A. Travel		58,900
a. Assessment Mission (April)	5,000	
1 RT NDI (S. Africa) to Belfast @ \$2600	2,600	
1 RT Washington to Belfast @ \$1800	1,800	
1 RT Amsterdam to Belfast @ \$600	600	
b. Conference - Netherlands	18,960	
1 RT NDI (S.Africa) to Amster. @ \$2300	2,300	
1 RT Johannes. to Amster. @ \$2300	2,300	
1 RT Ottawa to Amsterdam @ \$2400	2,400	
2 RT Brussels to Amster. @ \$280	560	
2 RT Washington to Amster. @ \$1300	2,600	
1 RT Jerusalem to Amsterdam @ \$1600	1,600	
12 RT Belfast to Amsterdam @ \$600	7,200	
c. Conference - U.S.	34,940	
1 RT Ottawa to Boston @ \$540	540	
1 RT Johannes. to Boston @ \$2400	2,400	
2 RT Brussels to Boston @ \$2100	4,200	
2 RT Amsterdam to Boston @ \$1300	2,600	
1 RT Jerusalem to Boston @ \$2000	2,000	
4 RT Washington to Boston @ \$ 400	1,600	
12 RT Belfast to Boston @ \$1800	21,600	

B. Per Diem		26,874
a. Belfast	1,560	
1 NDI Staff x 4 days @ \$130	520	
1 US x 4 days @ \$130	520	
1 Netherlands x 4 days @ \$130	520	
b. The Hague	13,360	
2 NDI x 6 days @ \$167	2,004	
2 U.S. x 4 days @ \$167	1,336	
1 Canada x 4 days @ \$167	668	
1 Israel/West Bank x 4 days @ \$167	668	
1 S. Africa x 4 days @ \$167	668	
2 Belgium x 6 days @ \$167	2,004	
12 Northern Ireland x 3 days @ \$167	6,012	
c. Boston	11,954	
2 NDI Staff x 6 days @ \$139	1,668	
2 Washington x 4 days @ \$139	1,112	
1 S. Africa x 4 days @ \$139	556	
1 Netherlands x 6 days @ \$139	834	
1 Canada x 4 days @ \$139	556	
2 Belgium x 4 days @ \$139	1,112	
1 Israel/West Bank x 4 days @ \$139	556	
1 Netherlands x 4 days @ \$139	556	
12 Northern Ireland x 3 days @ \$139	5,004	
C. Local Travel Costs	2,000	
D. Other Travel Costs	1,000	
V. CONTRACTUAL SERVICES		1,250
A. Interns	1,000	
B. Photography	250	
VI. OTHER DIRECT COSTS		6,200
A. Bank Charges	200	
B. Public Information	2,000	
C. Meetings, Workshops & Conferences	4,000	
VII. COOPERATIVE AGREEMENT		47,850
Center for Emerging Democracies (CED)		
TOTAL DIRECT COSTS		120,228
INDIRECT COST @ 27.2% Less Cooperative Agreement		32,702
TOTAL COSTS		200,780

Non Paper (British Embassy)

2 September 1994

ECONOMIC ASSISTANCE: WHAT NORTHERN IRELAND NEEDS

INWARD INVESTMENT

US Tax Concessions

1. In the experience of the Industrial Development Board, taxation is a key determinant for US corporations investing overseas. A U.S. tax concession on repatriated profits for US firms willing to train long-term unemployed from disadvantaged areas would be welcome.

An Investment Conference

2. An investment Conference involving major U.S. corporations could be beneficial. A clear signal from the President that the Administration wanted to see increased investment in Northern Ireland would be significant.

BELFAST AND LONDONDERRY INITIATIVES

3. The British Government is working towards partnership arrangements - involving the public, private and community sectors - in Belfast and Derry. U.S. assistance targetted on these partnerships and the Action Teams which lead them would make an immediate impact on the tackling of local problems. It is crucial that the parts of Belfast and Derry which bore the brunt of the terrorism to quickly see a tangible change on the ground.

IFI FUNDING

4. An increase in the International Fund for Ireland funding would be welcomed. Ways could be found to expedite the rate of spending.

UNEMPLOYMENT

Long Term Unemployment

5. The British Government proposes to launch a major programme of work to provide community-based jobs for thousands of the long-term unemployed, including a significant training element. This would start with experiments in the most disadvantaged areas as soon as possible.

Green Cards

6. An allocation of 25,000 green cards specifically for Northern Ireland residents living in disadvantaged areas would help to tackle the long term unemployment problem.

EDUCATION

Springvale Campus

7. There is a proposal to establish a new University Campus at Springvale, stretching between North and West Belfast, spanning both Catholic and Protestant areas. This would be designed not only to meet Higher Education needs but also to have a regenerative impact on the surrounding depressed areas - in both cases drawing in and benefitting both sides of the community. As yet no funding has been found for this project.

Integrated Education Trust Fund

8. Additional resources for the independent Education Trust Fund would enable it to support a faster growth rate of new independent schools. New integrated schools rely on the Trust Fund for their initial capital and its existing funds are almost completely committed.

BUSINESS EDUCATION

9. An expansion of the existing Business Education Initiative which provides business training in the United States for graduates would have a major impact on the Northern Ireland economy.

INFRASTRUCTURE

Road and Rail Connections

10. We have the capacity to bring forward quickly substantial capital projects to include upgrading rail connections and road works which would: provide jobs, improve infrastructure, make certain depressed areas more attractive to investors and tourists and improve North/South trade links. U.S. assistance would be welcome.

Housing

11. Certain areas continue to suffer from an acute housing need which, because of public expenditure constraints, it is hard to meet. Extra resources for housing, channelled through the voluntary sector, would be welcome. We would also be keen to find new ways of encouraging private sector housing for inner city areas.

Sponsored Air Service Between U.S. and NI

12. Temporary financial support to stimulate increased direct air service from the U.S. to Northern Ireland would provide a welcome boost for tourism.

RESEARCH AND DEVELOPMENT

13. Sponsorship of research by the U.S. government and U.S. companies at Northern Ireland Institutions, eg Queens University and University of Ulster would be welcome.

14. The establishment of a Medical Research Institute linked to the Belfast teaching hospitals would be welcome.

ARTS/TOURISM/SPORTS

15. We need greater provision for the arts and tourism. This might include a concert hall for Derry, sponsorship of visits by world class entertainers, and a major center for sporting excellence.

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WHITE HOUSE SITUATION ROOM

DIST: NSC, STEPHENS, VAX, VERSHBOW

PREC: PRIORITY CLASS: ~~CONFIDENTIAL~~ DTG:081043Z SEP 94

FM: AMEMBASSY LONDON

TO:
RUEHC/SECSTATE WASHDC PRIORITY 7576

RUEHDL/AMEMBASSY DUBLIN 2014

~~CONFIDENTIAL~~ LONDON 014240

NSC FOR STEPHENS

E.O.12356: DECL: OADR

TAGS: EAID, PREL, UK, EI

SUBJECT: AID TO NORTHERN IRELAND: STAFFDEL PEEL
DISCUSSION WITH BRITISH OFFICIALS

REF: (A) STATE 236604, (B) 93 LONDON 22850

1. DURING A VISIT TO LONDON FOR DISCUSSIONS DEVOTED MAINLY TO THE CRISIS IN RWANDA, STAFFDEL PEEL (REF. A) HAD A LUNCHEON MEETING WITH BRITISH OFFICIALS ON SEPTEMBER 7 TO TALK ABOUT NORTHERN IRELAND. ON THE BRITISH SIDE WERE GRAHAM ARCHER, HEAD OF THE REPUBLIC OF IRELAND DEPARTMENT AT THE FCO; AND PETER BELL, ASSISTANT UNDER SECRETARY, NORTHERN IRELAND OFFICE. U.S. SIDE INCLUDED TERRY PEEL, STAFF DIRECTOR OF THE HOUSE APPROPRIATIONS FOREIGN OPERATIONS SUBCOMMITTEE; JAMES DYER, MINORITY STAFF ASSISTANT; PHILIP DYER FROM THE HUNGER CAUCUS; BETTE COOK (USAID); AND E/MIN.

2. NOTING HIS SUBCOMMITTEE'S JURISDICTION OVER THE INTERNATIONAL FUND FOR IRELAND (IFI), PEEL INQUIRED ABOUT HMG AID PRIORITIES FOR NORTHERN IRELAND. BRITISH OFFICIALS SAID THEY THOUGHT IT WAS MOST IMPORTANT TO TARGET DEPRESSED AREAS AND UNEMPLOYED YOUNG PEOPLE, WHILE AT THE SAME TIME CREATING SYMBOLS OF CROSS-COMMUNITY COOPERATION AND AVOIDING ANY APPEARANCE OF FAVORING ONE GROUP OR ANOTHER, OR A "BUY OUT" OF THE UNIONISTS. THEY MENTIONED A NEW CAMPUS OF THE UNIVERSITY OF ULSTER AND STIMULATION OF THE TOURISM INDUSTRY. FINALLY, THEY WONDERED IF AID COULD COME THROUGH CHANNELS OTHER THAN THE INTERNATIONAL FUND FOR IRELAND, SINCE THIS HAD A RELATIVELY SLOW RESPONSE TIME.

3. STAFFDEL RESPONDED VERY CAUTIOUSLY ON THE PROSPECT OF ANY NEW CONGRESSIONALLY-FUNDED AID FOR NORTHERN IRELAND, BECAUSE OF THE LACK OF FUNDS AND FIERCE COMPETITION FOR THOSE AVAILABLE. THEY CAUTIONED THAT "TOURISM" PROJECTS HAD AN IMAGE PROBLEM, AND INDICATED THAT THEY THOUGHT THE IFI WAS THE EASIEST FRAMEWORK

DECLASSIFIED E.O. 13526

Department of State Guidelines,

September 11, 2006

~~CONFIDENTIAL~~

By NW NARA, Date 12/31/15

2011-0355-F

~~CONFIDENTIAL~~

THROUGH WHICH TO CHANNEL RESOURCES.

4. COMMENT: WITH THE QUESTION OF ASSISTING THE ECONOMY OF NORTHERN IRELAND INCREASINGLY UNDER DISCUSSION IN THE WAKE OF THE IRA CEASEFIRE, INTERESTED USG AGENCIES MAY WISH TO REVIEW REF (B) ANALYSIS OF THE ECONOMIC SITUATION THERE. END COMMENT.

5. STAFFDEL DID NOT HAVE THE OPPORTUNITY TO REVIEW THIS CABLE. CROWE

BT

#4240

NNNN

<^SECT>SECTION: 01 OF 01

<^SSN>4240

<^TOR>940908064925 M1241112

FROM:

SITREPT

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WHITE HOUSE SITUATION ROOM

DIST: SIT, LEBOURGEOIS, NSC, STEPHENS, SUM, SUM2, VAX, VERSHBOW

PREC: PRIORITY CLASS: ~~CONFIDENTIAL~~ DTG:071652Z SEP 94

FM: AMEMBASSY BONN

TO:

RUEHC/SECSTATE WASHDC PRIORITY 9606

RUEHXQ/ALL EUROPEAN UNION POSTS COLLECTIVE
RUCNDT/USMISSION USUN NEW YORK 1021
RUEHRL/USOFFICE BERLIN 5868

~~CONFIDENTIAL~~ BONN 22113

E.O. 12356: DECL: OADR

TAGS: PREL, GM

SUBJECT: EU AND NORTHERN IRELAND

IRISH FM SPRING MET WITH GERMAN FM KINKEL IN BERLIN ON SEPTEMBER 6 TO REQUEST THAT THE GERMAN PRESIDENCY ADD NORTHERN IRELAND TO THE AGENDA OF THE SEPTEMBER 10-11 EU FOREIGN MINISTERS MEETING, ACCORDING TO MFA DIRECTOR FOR NORTHERN EUROPE WILMANNS. KINKEL RESPONDED THAT HE WOULD BE PREPARED TO DO SO, BUT ONLY AFTER SPEAKING WITH BRITISH FM HURD AND RECEIVING BRITISH CONCURRENCE. WILMANNS TOLD US THAT KINKEL PLANNED TO TELEPHONE HURD ON SEPTEMBER 7 OR 8, AND DID NOT ANTICIPATE ANY OBJECTIONS FROM HURD. SPRING TOOK THE OPPORTUNITY OF THE MEETING TO BRIEF KINKEL ON DEVELOPMENTS IN NORTHERN IRELAND, AS WELL AS PM REYNOLDS' TALKS IN THE U.S.

HOLBROOKE

BT

#2113

NNNN

<^SECT>SECTION: 01 OF 01

<^SSN>2113

<^TOR>940907145538 M1239763

FROM:

SITREPT

DECLASSIFIED E.O. 13526
Department of State Guidelines,
September 11, 2006

By MJ NARA, Date 12/31/15

201-0355-F

~~CONFIDENTIAL~~

UNCLASSIFIED

INTERNAL WORKING DOCUMENT

Northern Ireland

The President has repeatedly promised to do everything possible to support the peace process in Northern Ireland. There is wide expectation in Ireland and the United Kingdom that the United States will provide substantial financial assistance to Northern Ireland in the event a genuine political settlement is reached. Given tight budgets and domestic concerns about exporting American jobs, we will have to be creative in devising programs that will be both politically saleable with the Congress and provide real assistance to Northern Ireland in building a new political and social order. We will also have to move quickly to capitalize on the momentum of a political breakthrough. There follow a number of ideas or programs we might consider in putting together a Presidential program to support Northern Ireland.

1. Convene a Presidential Conference on Trade and Investment in Northern Ireland, similar to the ones being organized for Eastern Europe and South Africa. The President would speak at the conference along with the Prime Ministers of Great Britain and Ireland. The conference would bring together private businessmen from the U.S., Northern Ireland, Ireland and Great Britain.

The Catholic Bishops Conference and Presbyterian Church U.S.A. are in the process of organizing an investment conference for the Spring of 1995 to promote investment opportunities in Northern Ireland. The Administration could, as one alternative, throw its support behind this conference and feature the President as a keynote speaker. (see attached proposal).

2. Increase the annual U.S. Contribution to the International Fund for Ireland (IFI) to \$60 million for two years.

IFI Chairman McCarter recently said in Washington that he was confident he could spend triple the annual U.S. contribution of \$20 million to the IFI.

3. Announce that the Overseas Private Investment Corporation would undertake a commitment of \$200 million to support U.S. firms investing in Northern Ireland.

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-2-

4. Propose legislation providing tax exemption over a five year period for U.S. subsidiary companies operating in Northern Ireland which participate in a career opportunities program for persons from economically disadvantaged areas. (Program proposal attached.)

5. Announce that the President will propose that Congress provide the National Democratic Institute an additional \$2.5 million to fund programs for the development of young political leaders. In addition, or alternatively, the President could announce additional financial support for USIA IVP programs or contributions to the International Executive Service Corps.

6. Announce that the United States will create under USIA auspices an "America House" in Belfast to bring together the Protestant and Catholic communities in programs designed to promote a tolerant multi-ethnic society. An America House would build on the tradition that our Consul General's residence has for many years provided the venue for politicians of all political stripes to meet and discuss common problems. The America House could sponsor political discussions led by American experts on development of multi-ethnic societies, as well as cultural events designed to bring diverse groups together to participate jointly in musical, dramatic or other productions.

Finally, the President could announce that he will visit Northern Ireland to dramatize his support for the peace settlement reached by the parties. This could be done at a trade conference or at a Rose Garden ceremony honoring the Prime Ministers of Ireland and Great Britain and the political leaders of Northern Ireland who have reached agreement on a political process or settlement in the North.

UNCLASSIFIED

UNCLASSIFIED**PRIVATE SECTOR/ECCLESIASTICAL INVESTMENT INITIATIVE**

(Preface: The following program was an EUR/NE suggestion to Jerry Powers of the Catholic Bishops Conference and John Duffy representing the Presbyterian Church U.S.A. in response to their search for ideas about where next to take the Joint Call for Fair Employment and Investment. The proposal was met with enthusiasm by them and is currently being pursued.)

Concept: An Investment Conference jointly sponsored by an ad hoc consortium of American subsidiaries in Northern Ireland and American and Irish Ecclesiastical signatories to the Joint Call for Fair Employment and Investment. The conference would emphasize a practical presentation of investment opportunities from the vantage point of other American companies currently doing business in Northern Ireland. The target attendees would be potential U.S. investors in manufacturing, services, marketing and distribution.

Timing: Hold an Investment Conference for Northern Ireland in a U.S. location, such as Washington, in the Spring of 1995 (possibly late March to take advantage of the post-March 17 heightened U.S. interest in Ireland and Northern Ireland).

Components and Structure: The conference would open with key note presentations by Northern Ireland Secretary of State Sir Patrick Mayhew and Irish Deputy Prime Minister Dick Spring. A possible brief appearance by the President or Secretary of State would be desirable.

The first series of presentations would be "testimonials" by American companies currently operating in Northern Ireland. The companies, Ford, Short Bros., Du Pont, Seagate, Fruit of the Loom, among others, would focus their remarks on perceived obstacles or disincentives to American investment in Northern Ireland such as the security situation, tax considerations, resource availability. The predicate of the presentations would be that these "blue chip" companies are there because it is profitable for them to be there.

The second series of presentations would address specific issues such as, inter alia, taxation, recruiting, employment regulations, infrastructure, location, security, market, community-relations and import/export regulations. The presentations would be made by specialists in each area.

The final presentations would include Ecclesiastical signatories to the Joint Call who would focus on the history and current status of fair employment in Northern Ireland and the impact they have on successful business operations. The presentation would be complemented by testimonials from the ad hoc consortium who are supporters of the Joint Call.

UNCLASSIFIED

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EMPLOYMENT INCENTIVE AND TRAINING PROGRAM

Concept:

A tax incentive program for U.S. subsidiary companies operating in Northern Ireland which would provide immediate entry level job/career opportunities to employable youths from economically depressed areas.

Method:

Provide a five year exemption from liability for U.S. tax payments by U.S. subsidiary companies operating in Northern Ireland upon satisfying the following conditions:

for every 25 persons employed in Northern Ireland by a U.S. subsidiary, said subsidiary would accept one applicant from the Northern Ireland Career Opportunities Program for a minimum one year period.

The Northern Ireland Career Opportunities Program:

U.S. subsidiaries seeking to take advantage of a five-year tax moratorium would register with the International Fund for Ireland identifying total employee strength, under the supervision of the U.S. observer to the IFI. The International Fund would determine the total number Career Opportunity positions using a 25 to 1 formula (25 employees to 1 Career Opportunity position).

Using the International Fund for Ireland's established Disadvantaged Areas Initiative Program as a model, employable youths from the identified disadvantaged areas would apply for appointment to an Career Opportunities position with a subscribing U.S. subsidiary operating in Northern Ireland.

The IFI would review application packages which would include the application, academic records from the last three years, and a personal statement addressing career interests. Applications would be ranked ordered by IFI staff and assigned to each position available.

Subscribing companies would be required to hire the applicant in an entry-level apprenticeship position for a minimum period of one year. The program would provide experience in at least two significantly different areas of company operations. At the end of the first year, the company will evaluate the

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employee and determine whether to offer to the apprentice a career position or release him/her. Each year until the end of the five year tax moratorium (or unless a subscribing company drops out of the program), the subscribing company would be required to recertify its employee strength and take on new a new Career Opportunity candidate.

At the end of each year of participation in the program, the company would have to file a report on the applicant and, using supplied criteria, evaluate his suitability for a six-month U.S. training program in the field the apprentice has demonstrated aptitude in. The reports would be reviewed by the Ferris Foundation (or similar entity) and a number chosen to participate in the IFI funded six-month U.S. training program. Career Opportunity candidates selected to receive the training program would be offered placement in a subscribing U.S. subsidiary upon completion of the six-months. The training program would be operated using the J-2 visa program under the auspices of A.I.D.

The Training program would be financed by the U.S. government in the form of an increase in IFI funding. If the program selected 100 Career Opportunity candidates for training at an approximate cost of \$20,000 per Career Opportunity candidate, \$2 million of a projected increase in U.S. IFI funding of \$40 million per year, would be designated for use for this program under the IFI's Wider Horizon's initiative. The Training Program would be operated by an independent foundation such as the Ferris Foundation (Georgetown University).

Impact:

With approximately 300 U.S. subsidiaries operating in Northern Ireland with over 20,000 employees, it would be possible to enroll as many as 1,000 to 1,200 program candidates within one year of the program's inauguration. Over a five year period, the program could have enrolled over 6,000 employable youths from disadvantaged areas in Northern Ireland assuming no growth rate in the number of U.S. subsidiaries investing in Northern Ireland. Tentative projections of U.S. investment growth in Northern Ireland in the event of a peace agreement suggest as many as 10,000 youths enrolled in the program at the end of five years.

The five year moratorium will attract U.S. investment in the event of peace, since companies will want to maximize their tax advantage. At the same time, the program will show a quick and visible U.S. commitment to addressing Northern Ireland unemployment: a key factor in resolving political unrest in the event a peace agreement is reached.

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Questions to be Answered:

1. Is there a legal conflict with GATT?
2. Are there other sources of funding for the Training Program?
3. Is there reason to expect that tying tax exemption to investment in the Apprentice Program would prove to be a disincentive to U.S. subsidiary investment?

(Caveat: The UK tax rate is currently 33 percent on corporate profits. The USG taxes the difference between the UK obligation and the U.S. rate: 3 percent in the case of Northern Ireland. A moratorium on U.S. taxes at 3 percent would, in fact, provide no incentive at all since the cost burden of the Career Opportunities program would be substantially greater than the proposed tax relief. The Republic of Ireland taxes at a 10 percent rate yielding a 26 percent margin which enabled Senator Moynihan's tax/investment bill to have some impact for investment in the Republic.

If, through a joint conference agreement, the Major government were prepared to ask Parliament to reduce the tax rate for Northern Ireland to 10 percent (in the spirit of economically related cross-border institutions which they say they support), this would level the investment playing field for the entire island of Ireland and provide a sufficient U.S. tax margin to make the Career Opportunities Program work. Discussions to feel out HMG on this matter should be initiated soon.)

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*Joint call for
Fair Employment
+ Incentive*

EU.

1. o Convene a Presidential Conference on Trade and Investment in Northern Ireland and the Republic of Ireland. The President would speak at the conference along with Cabinet level officials from Ireland and the UK.

-- The Catholic Bishops Conference and Presbyterian Church U.S.A. are in the process of organizing a conference for Spring 1995).

-- As an alternative to an immediate conference, the President could throw his support behind the above conference.

2. o Commerce Secretary Brown could lead a delegation of U.S. corporate investors to Northern Ireland to encourage investment and trade.

\$375m.

I.B.

-- Emphasis of visit would be on creating jobs both in Northern Ireland's economically depressed areas as well as the U.S.

Loans

3. o Increase the annual U.S. contribution to the International Fund for Ireland (IFI)

Annual contribution is 19.6 million. Any increase from State's budget would likely involve a decrease in other crucial programs -- Turkey and Andean Counter-narcotics.

*6m
short
for 95.*

4. o Alternatively, or in addition, launch an effort to "reinvent" IFI, streamlining its administration and retargeting its efforts to take account of the new circumstances

One key objective would be to increase fund disbursement so the positive effect of monies already programed can be seen on the ground quickly.

Establish a mechanism whereby private U.S. citizens, corporate foundations and NGOs/charities can contribute to the IFI.

Consider increasing the cross-border elements of IFI, in consultation with the UK and the Irish Republic.

Gift fund.

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5. o Encourage Overseas Private Investment Corporation to increase funds available to support firms investing in Northern Ireland.
6. o Propose to Congress a loan guarantee program for Northern Ireland and the Republic that would include guarantees for investments by governmental entities and private foundations in infrastructure development, housing, and the construction of health and medical facilities (i.e., clinics.)
- o Propose legislation providing U.S. tax exemption over a five-year period for U.S. subsidiary companies operating in Northern Ireland which participate in a career opportunities program for persons from economically disadvantaged areas.
- While the corporate tax rate for N.I. is higher than the Republic and a U.S. exemption would mean less than it does to companies investing in the Republic, it would bring Northern Ireland in line with the present exemptions for investment in the Republic.
- o Under USIA auspices, open an "America House" in Belfast and promote programs designed to bring the communities together.
- o Dramatically increase the funding for Northern Ireland in the various USIA-administered International Visitor Programs.
- o Refocus the targets for the \$2.5 million increase in the National Endowment for Democracy (NED) budget that already has been set aside for the NDI.

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**UNITED STATES DEPARTMENT OF COMMERCE
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ASSISTANT SECRETARY FOR INTERNATIONAL
ECONOMIC POLICY

APR 27 1995

Mr. Jeffrey R. Shafer
Assistant Secretary for International Affairs
Department of the Treasury
1500 Pennsylvania Ave. NW
Room 3430
Washington, D.C. 20220

Dear Jeff,

On May 24, 25 and 26 the President will host a conference in Washington on Trade and Investment in Northern Ireland and the six border counties of Ireland. The purpose of the conference is to stimulate the flow of trade and direct investment, as well as other commercial activities, to enhance economic growth and create jobs. We hope this will in turn stabilize the political situation and extend the cease fire. We expect attendance to be close to 1000 individuals. Of this number approximately 500 will be representing U.S., Irish and U.K. firms.

State Department is coordinating the conference through Senator Mitchell's office and Commerce Department, through the Secretary's office and my office, is responsible for the business liaison, conference logistics and, to a large part, developing the deliverable package for the President. One of the deliverable ideas that has surfaced is an Irish Peace Bond coupled with a new development bank. A paper has been written on this issue by the Comptroller of New York City, Mr. Alan Hevesi. You will find it attached along with the transmittal letter to Ms. Nancy Soderberg of the NSC.

I have been asked by Soderberg's office to explore this idea. Obviously, this falls within your realm of responsibilities and I would like to seek your reaction and ideas. Given the tight schedule I will need an answer as soon as possible. I believe that it will be up to the White House to determine whether they wish to seek money from Congress for this purpose. The President has already requested of Congress an increase of the U.S. annual contribution to the International Fund for Ireland from \$20 million to \$30 million. The precedent for special regional funding is already in place. I believe the question is how could this idea of a development bank be structured, if the White House chose to follow this path?



My own reaction is as follows. First, our objective is to create jobs through private sector involvement and initiative. Any development bank we support should foster this objective. Second, in general, this region has excellent access to international capital markets. However, access may well be limited in the area of venture capital, especially for small investments of \$1 million or less. Third, it would be extremely expensive to set up a new institution with all of the legal and administrative overhead. Even a private venture capital firm needs about \$75 million in initial capital to carry its overhead costs. A public institution will need even more. Therefore, I would suggest that a special voluntary window be opened at the European Bank for Reconstruction and Development (EBRD) that members might commit capital and/or callable capital if they wish. The EBRD staff would manage the funds placed at the window. Given the EBRD mandate to work with the private sector, given that only new additional funds would be used, and given the bank's reconstruction portfolio, I do not see an institutional conflict. Finally, we must assume that none of this would go into place without Congressional, U.K. and Irish support. This support would need to be secured prior to any mention by the President of an initiative in his speech to create a special window.

All of the above are just ideas to stimulate thought. We really need your creativity on this issue. The importance of the success of this conference in relation to the Irish peace process and the objectives of the President are obvious. I look forward to hearing from you. May I thank you in advance for your assistance.

With warm regards,

Sincerely,

A handwritten signature in dark ink, appearing to read 'Chuck' or 'Charles', enclosed within a large, loopy circular flourish.

Charles F. Meissner

Enclosures: Hevesi Report
Nov. 1, 1994 WH Press Release
Conference Brochure

cc: Ms. Nancy Soderberg
Ms. Kathy Stephens