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STORMONT

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Fn
EC Co-ordinators
Mr Court, CUP(NI)
Dr Slattery

1992 - SDLP PAPER

Mr Hayes
Convening the Conference -
briefing is a bit thoughtless -
but in general
we propose it to be
done by 27/8

ASST. J 27/8
CENT SEC
23 AUG 1989

1. Central Secretariat has asked DFP for its views on the attached paper produced by the SDLP which will be discussed at forthcoming meetings with RoI officials and at the Intergovernmental Conference. As the points raised run the gamut of Government activity in the Province, it would be helpful if we could have your Department's views before responding. I attach also the associated Central Secretariat briefing on which you may also wish to comment.
2. We do not know when the next meetings will be held but they could take place within the next month and I am therefore asking for your comments by close of play on Friday 1 September.

K L MILLAR

22 August 1989

cc Mr Dowdall
Dr Smyth

JAI6

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E.R.

1695

C O N F I D E N T I A L

CC - J HUEY

31.7.89

RBS/266/89

FROM: R B SPENCE
US CENT SEC
DATE: 31 JULY 1989

Mr. [Signature] ⁷⁶² TYPE. 22/8.
I assume [Signature] 'X' is
in hand. J. 21/8.

MR DOWDALL

1992

Attached is a copy of the briefing provided for the meeting of the Intergovernmental Conference which was cancelled.

We are likely to come under pressure from the Irish side for a meeting at official level.

X/ At such a meeting - and at a future Conference meeting - we will be asked for our response to the SDLP's recent paper (copy attached) and it would be helpful to have a note setting out DFP's preliminary views on the main points in that paper.

RBJ

R B SPENCE
CENTRAL SECRETARIAT
SH 269 SC 248
/JH 1723

C O N F I D E N T I A L

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1992

Line to take

We should in the autumn have a full discussion about the implications of 1992. In the meantime, officials should meet to prepare the ground thoroughly for that discussion. They should also be asked to explore the idea of a cross-border programme to help us in earning receipts from the structural funds.

Background

The Review recognised that 1992 could have far-reaching implications, including generating common opportunities, creating common difficulties arising partly from peripherality, and increasing competition. It was agreed that the Conference could provide a valuable forum for both sides to consider and assess the cross-border implications and, consistent with national policies, to maximise the potential benefits.

It has, to date, proved difficult to get to grips with this very important issue since -

1. there are in some Irish quarters unrealistic views about the scope for joint action in respect of 1992 - the truth is that in several areas of activity there will be increased competition across the border; moreover, NI interests have to be handled within the overall UK context;
2. the Irish are naturally concerned first with

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preventing damage to their own economy; to achieve this, they have introduced the illegal 48 hour rule which is certainly a major obstacle to cross-border trade and they are demanding substantial compensation if they are to liberalise trade in line with the 1992 tax proposals; and

3. there is, in some Irish and SDLP statements, a tendency to imply that 1992 will help the process towards Irish unity by reducing the political (as well as the economic) significance of the border;

The Irish have recently suggested informally the possibility of submitting to the European Commission a joint cross-border programme under the enhanced structural funds. The Irish anticipate a disappointing response to their National Plan and see an opportunity of extracting more resources from the Commission through repackaging some of their proposals along with proposals from our side into a cross-border programme. This seems worth exploring further, provided it remains a repackaging exercise and does not develop into new areas of activity which (because of the additionality rules) would distort NI public expenditure priorities, or encourage the Commission to press for co-operation in areas of activity where NI interest is best served by competition.

Whilst the Conference is not the right occasion to challenge the Irish strongly on the 48 hour rule, the Secretary of State may wish to make clear that its existence is a very obvious obstacle to cross-border co-operation and to achieving the objectives of 1992.

/JH 1678

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SDLP PAPER

Part One: 64.

ANGLO IRISH AGREEMENT AND THE COMPLETION OF THE SINGLE MARKET

The completion of the Single European Market will have a bearing on almost every aspect of life in Ireland. There are immense economic, social and even political implications for both parts of the island. The Anglo-Irish Agreement provides a very convenient framework within which the common interests of both parts of Ireland might be jointly promoted, and the problems resolved as the process of completing the internal market is carried to its conclusion.

One means of doing this would be the establishment by the Conference of a number of small committees, or even a permanent commission of civil servants from both jurisdictions, who would report on broad areas of policy such as agriculture, trade, fiscal harmonisation, communications etc. In particular a committee on the new structural funds might begin to explore a co-ordinated approach north and south which would maximise the benefits to the whole island.

A possible approach to this task might be the formation of a four-sector commission to work on each of the following areas:-

1. The Removal of Physical Barriers
2. The Removal of Technical Barriers
3. The Removal of Fiscal Barriers
4. The Co-ordinated Use of the Structural Funds

The process of setting up such a commission mirrors EC structures in that the commission would study and develop policies to be debated by legislators and decided on by Governments in Conference.

Removal of Physical Barriers

The removal of the customs element in frontier controls will greatly reduce costs and delays in north-south trade. To a greater extent than ever before businessmen north and south will come to regard this whole island as their primary market. This process is already started, and will be accelerated by the completion of the Channel Tunnel. The need for a joint approach to promotional policies is something which needs to be considered in order to avoid waste, duplication and unnecessary competition. This has implications for encouragement of domestic enterprise as well as the attraction of inward investment. It has implications for tourism as well; and there is always a security dimension to frontier controls in the Irish context. On the other hand there is obviously scope for much greater co-operation in marketing strategies to take advantage of the single market, particularly in food products, where the image of Ireland as a relatively pollution free environment is an asset.

The removal of technical barriers has much broader implications.

1. Harmonisation of health, safety and technical standards.
2. Free movement of labour and the professions.
3. A common market for services and liberalisation of capital movements within the Community.
4. Competition policy.

Progress in these areas will be determined within the Community framework, but there are specific considerations for Ireland as a whole which could be considered within the Anglo-Irish framework. For instance, harmonisation in regard to animal health standards poses a serious problem for both parts of Ireland. This island has a unique status in Europe in regard to animal health which is an enormous asset; joint action to protect that status is clearly a priority for both administrations.

The harmonisation of green currency rates and the phasing out of MCA's will create a new set of circumstances in Ireland, which could allow for the creation of a common agricultural regime embracing the whole island. There would be difficulties in respect of agricultural conversion rates so long as Britain remains outside the EMS, but these are not necessarily insurmountable. The advantages of such a development could be significant for northern farmers who have benefited less from the CAP price regime than southern farmers.

A common approach on agricultural issues would carry great weight in the European framework in terms of protecting vital interests. It would also enable us to avoid the sort of situation which arose in regard to milk quotas, when Northern Ireland was allocated a special award of 65,000 tonnes, only to have the UK Government distribute this award among all UK producers. The Commission has shown a willingness to tailor for the special needs and problems of distinct regions. There is a clear Community of interest between both parts of Ireland in having the island treated as a distinct region.

d. The possible problems deriving from harmonisation of health, safety and technical standards in other sectors are not as obvious. Equally the free movement of labour and the professions will be largely determined in the broader EC context, and there are few specifically Irish considerations.

The liberalisation of capital movement and the market in services will have little impact on Northern Ireland since a liberal regime obtains in the UK already in this regard. And since liberalisation is already underway in the Republic, the impact there will not be very dramatic either. However, there will be greater opportunities on the financial services side, in respect of mortgages, insurance etc.

3. Public procurement arrangements within the single market will have a greater impact on the Republic than on the North. In fact the northern administration has done little to source purchasing locally. There is room for a joint approach to the Commission to have regard for the importance of public procurement in the context of regional development. A joint approach from the Objective No 1 Regions to ask for discretion up to a reasonable limit (say 10%) might be successful.

4. The more rigorous application of competition policy within the Community which is likely with the completion of the internal market will have little direct effect on the Republic. It may have greater effect on the North where aircraft and ship manufacturers are important considerations. However, there are implications for the policies of state support for industry which obtain north and south. It has often been suggested that co-operation and joint activities by IDA/IDB and Government departments north and south could increase their impact, certainly a co-ordinated defence of industrial and regional policies within Ireland is desirable.

Removal of Fiscal Barriers

The harmonisation of indirect taxation is inevitable as the process of completing the internal market is concluded. In present circumstances this will have a major impact upon the Republic, and will greatly affect the present pattern of north-south trade. There are two particular areas which will affect both jurisdictions:-

- (a) ending the zero-VAT rating of food
- (b) the reduction of excise duties on drink and tobacco

There are common health and social concerns for both jurisdictions here, which should be jointly addressed. However, in the broader picture, the budgetary, distributive and trade impacts of tax harmonisation, particularly in border areas should also be jointly approached.

The Co-ordinated Use of the New Structural Funds

With the completion of the Channel Tunnel between France and Great Britain by 1993, the island of Ireland will be the last significant land area without a fixed physical link to the rest of the European Community. There is, therefore, a need for a joint development programme to minimise the costs of peripherality, and derive the maximum benefit from the increased funds available. Such a programme would involve plans for the up-grading of harbours passenger and ferry services, air services and transit routes to the Continent. It will also involve plans for the development of infrastructure etc., within and between both parts of the island.

No that both Governments have forwarded to the Commission, their outline development strategies for use of the new structural funds, there is an urgent need for co-ordination of planning, and this shall obviously take place within the framework of the Anglo-Irish Agreement. There are a number of priority areas:-

(a) Transport and Communications

There is an immediate need to improve communication between this island and both Britain and the Continent. The designation of the road routes between Larne and Rosslare as a Euro-route should lead ultimately to the development of an East Coast motorway, primarily linking Belfast and Dublin but extending to Larne and Rosslare as quickly as possible. This is also of potential importance in view of proposals to develop an "air-tunnel" in the form of a shuttle freight service between Dublin airports and Continental Europe. Other major road routes linking Dublin and Belfast with the midlands and western areas also need upgrading.

(b) Energy

The Single Market is to be a reality then a common energy network is necessary. The availability of up to 75% funding under the new Structural Funds and the recent find of a new gas field off the southern coast may mean that the arguments about a north-south gas link need to be updated. Ultimately it would be desirable for northern consumers to have access to relatively cheap natural gas, but also for the island of Ireland to be linked through Great Britain into a European gas grid. If there are further finds off the Irish Coast, then gas could be exported. If there are no further finds and present supplies run out, then gas might be imported by means of such a connection.

A common energy network within Ireland, assisted by the structural funds, could also involve the interconnection of the electricity grids north and south and their joint connection through Britain into a European grid. A complex of interconnectors, rather than one interconnector vulnerable to paramilitary vandalism is necessary.

Finally, given the relative poverty of the island of Ireland in energy terms, a joint approach to innovative energy projects (wind, wave, waste, incineration etc) would be logical and less wasteful of resources than separate development.

(c) Education

Increased expenditure on human resources, especially languages training, and training in the new technologies, is also an area which could benefit from a joint approach. Linkages between north and south under the COMETT and ERASMUS programmes are a commonplace, but the pooling of resources and joint exploitation of these programmes to achieve greater links with continental universities might be more valuable than simple north-south connections.

(d) Land Improvements and Drainage

There is still scope for considerable improvement of land in the border regions by joint drainage programmes.

(e) Tourism

Joint tourism measures such as the linking of the ERTS and regional railway and road marketing strategies are an obvious means of jointly exploiting the new structural funds.