5. **Inter-Governmental Conferences on Economic and Monetary Union and Political Union**

5.1 The two Inter-Governmental Conferences (IGC's) on Economic and Monetary Union and 'Political Union' which opened in December 1990 resulted in an agreement at the European Council in Maastricht on 9-11 December 1991. The Treaty concluded at Maastricht followed the structure for which the United Kingdom had consistently argued in that the provisions dealing with co-operation in foreign and defence policy and action against international crime are on an inter-governmental basis **outside** the Treaty of Rome. That means that the Commission will not have the sole right of initiative and the European Court will not have jurisdiction over those aspects. The text on political union provides, in the crime sphere, for increased co-operation in action against terrorism, drug trafficking and other crimes. As regards the parts of the text applying to the existing community structures, proposals from the UK to ensure financial accountability, implementation, and compliance with Community obligations by all member states, were accepted. There has been an enhancement in the powers of the European Parliament but a proposal for a power of 'co-decision' between Parliament and Council, which the UK opposed, has been dropped. In a limited number of areas, the Parliament would be able, if a conciliation procedure did not succeed in bringing agreement, to block a decision, but only by an absolute majority of members.

5.2 There have been some limited extensions of community competence, far fewer than initially proposed. The areas covered are education, public health, culture, industry and 'trans-European networks' (transport, telecommunications and energy). But in some of these areas there is also clear definition for the first time of the extent of community competence. This applies to health protection, educational exchanges, vocational training and culture. The principle of 'subsidiarity' has been embodied in the Treaty, making it clear that the Community should only be involved in decisions which cannot effectively be taken at national level. There has been an extension of qualified majority voting on matters affecting the environment but this is also clearly limited to genuine cross border issues. The extension of qualified majority voting into the 'social' area (employment legislation) has been successfully resisted. The other 11 member states are parties to a 'social chapter' but this does not commit them to much in the way of specific action. Its implications remain to be seen.

5.3 A protocol on Article 119 of the Treaty of Rome was agreed at the Maastricht Summit. This clarifies the retrospective effect of the Barber judgment on equal treatment in occupational pensions. The implications of the protocol for such pensions in the United Kingdom are still being considered.

5.4 There will be a Committee of the Regions set up as part of the European Social Committee. It is to be comprised of representatives of regional and local authorities (elected or unelected) having an advisory role. The UK will have 24 members and allocations between regions of the UK is yet to be decided by the Government. On a strictly proportional basis Northern Ireland could expect no more than one. If Northern Ireland had only one seat in the committee, it would be seen as being grossly under represented compared with the Republic which will have nine (and which has not much more than twice Northern Ireland's population). Furthermore, it would be very difficult to achieve any kind of balanced representation for NI if our membership were limited to one seat. Scotland has already raised this issue and a working group of officials under Cabinet Office Chairmanship will consider how representation should be achieved. It is important that NI presses its case for a larger representation.

5.5 On Economic and Monetary Union there is agreement to proceed with 'stage 2' of the process including the creation of a European Monetary Institute (which might one day be the basis for but would certainly not be the equivalent at this stage of a central bank). Countries are committed to work towards closer 'convergence' in the areas of inflation, budget deficits, exchange rates and long term interest rates but binding restrictions cannot be placed on budget deficits in stage 2. The Treaty provides for member states to proceed to stage 3. A single currency could come into being by 1997 but only if at least 7 countries meet the conditions and 8 vote in favour. A single currency will come into being by 1999 but only those countries which meet the conditions will be able to join. The UK's right to make a decision at the time on whether or not to join (even if it meets the criteria) is protected. The Prime Minister has said that formal Parliamentary approval of the Treaty is to be sought after the election next year. The aim is for all member states to ratify by the end of 1992.

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6. CONCLUSION

6.1 On a European level, there has been some progress in 1991 in agreeing the legislation envisaged in the Commission's 1985 White Paper. As mentioned in Chapter 1, however, much remains to be done during 1992 and it is likely that the necessary programme of action will extend into 1993. Of the remaining issues to be tackled, the most contentious appear to be frontier controls and excise duty structure and rates. It is likely that the heaviest workload will fall to the UK presidency, which will run from July to December 1992; this will pose some tactical difficulties for the UK as it will have to ensure that the remaining measures, most of which create problems within the UK, are pushed forward.

6.2 On the NI front, we need to ensure that Departments are aware of legislative developments and maintain a good record on implementation. It will also be necessary to ensure that NI maintains the momentum on SEM issues and starts to gauge the effects which the SEM is having. It is also clear, however, that, as a result of Maastricht, the EC agenda has moved well beyond the SEM to encompass progress towards Economic and Monetary Union. Whether or not the UK decides to proceed beyond stage 2, the implications of this process are likely to have a significant impact on the economic environment in which Northern Ireland is operating in the coming decade.

6.3 As reported in Section 4, all the Structural Fund Programmes are well under way and it is now necessary to concentrate on ensuring that NI spends the available amounts of funding within the timescale in order to make sure that we qualify for a high level of funding post 1993. Although we are now fairly optimistic that NI will retain its present Objective 1 status, it will be necessary to continue to stress the importance of this in all contacts with Brussels. It is also probable that the general thrust of the present NI programmes will be continued post 1993 and Departments should be commencing the process of lining up suitable projects to be funded under the relevant measures. Similarly they should continue to identify projects in new areas which may be of interest to and eventually discussed with the Commission.

6.4 Once again, there has been an increase in the level of EC activity both in implementing EC legislation and Structural Fund Programmes. The extension of the areas of competence at Maastricht will also mean that the EC will become involved in ever greater areas of departmental work although these extensions are less than was envisaged at one stage. It is therefore necessary for all departments to ensure that they maintain good contacts with both Whitehall and Brussels to ensure that the NI perspective is kept to the fore, though there is obviously a limit to the extent to which distinct NI views can be taken on board in a UK context. Departments will also need to continue to re-examine their policies in light of the ever changing Brussels scene.

6.5 Last year's paper to PCC noted the current and expected future heavy workload on EC matters and asked departments to ensure that resources available were sufficient to meet demands. Departments were consequently requested to ensure that 1991 MEPs took account of any genuine pressures arising from EC work which could not be contained within existing baselines. Where it was considered essential, special account of those pressures was taken in the DRC allocations.

6.6 Against the background of the general developments outlined in this paper, it is proposed that ESG will continue its work of monitoring SEM developments throughout 1992. By early 1993 most of the legislative framework which will enforce the concept of the Single European Market should be in place and it should be possible to commence an assessment of the initial impact of the effects on NI and other peripheral regions.

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