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S262/94
Mr Loughman

DJW/58/8

FROM: D J WATKINS
US CENT SEC
DATE: 31 AUGUST 1994

CC: PS/Michael Ancram (DENI,B&L) - B
PS/Sir J Wheeler (DFP,B&L) - B
PS/Mr Smith (DED,DOE&L) - B
PS/Baroness Denton (DANI,DHSS&L) -B
PS/PUS (B&L) - B
PS/Mr Fell - B
NI Permanent Secretaries
Mr Thomas - B
Mr Bell - B
Mr Williams - B
Mr Brooker - B
Mrs Brown - B
Mr Daniell - B
Mr Dodds - B
Mr Maccabe - B
HMA, Dublin - B
Mr Archer, RID - B
Mr Caine - B

36/8 & 4/94
7/9
Mrs Cathleen 9/9
A record copy?

Mr Tenplett
7/9

PS/Secretary of State (B&L) - B

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NORTH/SOUTH STRUCTURES : IRISH SAMPLE LIST

1. At the Liaison Group meeting on 16 August, the Irish side gave an oral presentation of some of the functions which they deemed to be suitable for North/South working at the executive level, the highest of the three tiers of competencies defined in the Liaison Group's work. The Irish claim that this listing of functions resulted from consultation with departments in Dublin.
2. The British side had already been engaged in work to identify functions for North/South working (and the assessments made by NI Departments were set out in my submission of 30 August.) The functions identified by the Irish side were duly circulated to NI Departments so that they could consider the pros and cons, in technical terms especially, of including the suggested functions in the ambit of a North/South body. This submission reports on the outcome.

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3. The functions suggested by the Irish, together with the comments from officials in NI Departments, are set out in Annex 1 to this submission. That Annex identifies functions on the Irish list which are also on the list produced by NI Departments independently, although some had been deemed by our Departments as suitable for harmonising or consultative action rather than for executive working.
4. There is quite substantial overlap between the Irish and NI lists. The Irish list is not, however, the complete list being prepared; they signalled that the ultimate list could be twice as long. A further point, touched on above, is that all the Irish functions listed so far have been put forward for the executive tier whereas NI Departments considered harmonisation or consultation to be more appropriate in some cases. We remain to be convinced that the Irish side has applied the agreed criteria and definition of the executive tier as rigorously as we believe we have.
5. Departments also experienced difficulty in commenting on some items in the Irish list, largely because the Irish presentation was not as precise as it might have been. Clarification is required. This, together with the points set out in paragraph 4, highlights the need for further discussion between the British and Irish sides and, ideally, the involvement of the experts from the responsible Departments, North and South.
6. Annex 2 sets out special considerations relating to the North/South body's role in respect of the EU. This is an aspect to which the Irish attach particular importance. Annex 3 sets out functions suggested by the Irish which fall within the reserved matters category under the Constitution Act. Unless and until these matters are transferred, they should not come within the ambit of North/South bodies.

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Ministers are asked:

- to note the contents of the Irish sample list for North/South working at the executive level;
- to agree that we should continue to encourage the DFA to accept the need for discussions between relevant Departments, North and South, to take forward discussion of the feasibility of North/South working in particular functional areas; and
- agree that, in the meantime, we may deploy the comments offered by Departments on the Irish list in Liaison Group discussions.

[Signed DJW]

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ED

Industry and Commerce

* Joint approach to inward investment

- Already identified by DED as a potential candidate for harmonising action.

Joint approach to indigenous industries

- There are significant structural issues involved, not least the incentives packages available in the two jurisdictions. These reflect national policies such as industrial development and taxation. The benefits of North/South working would be that it could result in better VFM, it could help reduce/eliminate displacement on an all-Ireland basis, and DED are already working on a "non-aggression" pact for indigenous companies which might seek to move from NI to RoI or vice versa. The arguments against relate to operational complexity and the costs of harmonising, as well as causing possible confusion among "customers" North and South.

Joint approach to financial services sector

- DED were unclear what was meant by this. Further explanation will be needed from RoI. Dublin has a significant Financial Services sector (centred on Customs House Docks). This item may be suggesting that Dublin is ready to encourage something similar in Belfast. Alternatively, it could relate to matters such as the management and supervision of Credit Unions which DED has already identified as a potential candidate for North/South harmonisation.

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Employment and training policy

This has already been identified by DED as a candidate for some degree of co-operative working. The benefits of North/South executive working would be the achievement of better coherence on employment and training issues and better scope for an exchange of ideas and experience on what is a major area of concern for society, both North and South. The difficulty is that it is impossible to separate employment/training policy from economic development policy as a whole; in addition, links with UK policies/practice would be weakened unless, of course, the RoI agreed to introduce British qualifications.

* Support for small businesses

- Already identified as a potential candidate for North/South working at the level of co-operative working.

* Promotion and marketing of exports

- Already identified for the co-operative working level.

Marketing and product testing for the domestic market

- DED are not clear what is meant. The RoI might mean product development.

Development of all-Ireland advisory body on economic policy

- This could be as useful as the NI Economic Council, could be a precursor to any economic policy harmonisation in the longer term, and would allow a broader view to be taken of common policies. The value added would, however, be questionable and there could be a difficulty of producing joint advice across different national policy, fiscal, etc regimes. On balance, however, there is no strong technical argument against it as a consultative function.

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Commissioning of co-ordinated reviews of economic policy

The same arguments apply as those relating to an all-Ireland advisory body on economic policy.

Tourism

* Promotion of Ireland abroad

- Already identified by DED as a potential candidate for the executive tier.

* Market research and product development in the tourism area

- Already identified by DED as a potential candidate in the executive tier, although clarification of product development is needed.

* Structure of the tourism industry, eg, accommodation classification

- Already identified by DED as a potential candidate for the executive tier.

Tourism training

- This would help promote similar standards North and South. ROI has much better training infrastructure, so the North would benefit from closer co-operation. It would be necessary to make sure that any new structure was not an obstacle to NI addressing its own specific problems in this area. On that basis, it could be suitable for North/South working at a harmonising level.

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trans-european networks in the energy sector

- By its nature, this is a cross-border issue, and could improve co-operation/consultation. The only possible problem would relate to differences in the status of the industries North and South (private sector in the North, public sector in the South) which could be resolved by the RoI following our privatising example.

Encouraging and developing joint energy projects

- This could produce possible capital savings (eg, generation capacity), but with the same difficulty created by the difference in status of the industries North and South.

Development of alternative resources

- This could be a harmonising function, with the benefit of increasing joint capability to research renewables but, again, with the problem of different energy agendas North and South.

Single geological survey

- It would be useful for potential outside investors to have single source of geological information, and geology is not a matter which respects borders. DED believe that this could be an area for co-operative working.

* Minerals exploration

- Already identified by DED as a potential executive function.

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oil and gas exploration

Already identified by DED as a potential executive function. RoI's current interest is in off-shore exploration, responsibility for which lies with DTI, not DED.

Establishment of a single regulatory authority

- It is not clear what is meant by this, although DED has assumed that an all-Ireland regulatory authority for minerals and petroleum is intended. Clarification on the functions of the authority is needed from RoI; superficially, an advantage would appear to be a "one-stop shop" for the mining/petroleum industries.

Science and Technology

* Promotion of research in science and technology

- Already identified by DED as a potential candidate for the executive tier, assuming this means the same as industrial research and technology.

EU activity including STRIDE etc

- Joint approaches to the EU for funding/support could be strengthened as a result, but the overriding difficulty is the difference in EU status - with the RoI a member state and Northern Ireland not.

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NORTH/SOUTH BODY: EU FUNCTIONS

1. The Irish side in the Liaison Group has frequently stressed the importance of new North/South body having a role in relation to EU functions. The Irish thinking to date is that the body would, at the executive level, have responsibility for "Community Initiatives" which they exemplified by reference to Interreg, Leader, Stride and Star. The North/South body would have a subsidiary secretariat and would be consulted on such matters as the successor to the Structural Funds Programme with the objective of developing a single programme for the whole island of Ireland. They were also keen that the body should have some responsibility for the development of TENS (Trans-European Networks) in fields such as energy, transport and telecommunications. Other responsibilities of both Governments in the EU field should be categorised to the harmonising level.
2. The Irish side has promised to provide fuller details in a paper in early September, in particular setting out how the problem of representation of island-wide interests at EU meetings could be handled.
3. The issues raised by this proposal are as follows:
 - to what extent, if at all, would the UK's Member State responsibilities and powers be transferred or delegated to a North/South body and, if that was the intention, how would it be done? At present the Member State government proposes, negotiates and then carries the "executive" responsibility for administering EU programmes - it does the last through its own administrative machinery of departments/agencies etc. Any changes would raise issues which reach beyond NI;

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- would the North/South body be responsible for working up programme proposals? Would there be separate programme submissions for NI and RoI, or a single integrated submission? Would they be submitted direct to Brussels or would they go through an NI administration and UK Government? Would the Member State governments continue to have a superior role in relation to programme submissions?
 - could the UK's policy of non-additionality at the regional level be sustained if the policy and directions of Community Initiative programmes were transferred/delegated to a North/ South body? DFP judges this to be unlikely, and the NI Block would have to surrender its existing PE cover for EC receipts to HMT, leaving the North/South body free to create transparent regional additionality by drawing down EC receipts (though the NI contribution to EC programmes would continue to require PE cover within the NI Block).
4. The DFP view of the Irish side proposal relating to TENS is as follows. TENS is currently a small budget line which the Commission (and the Irish) would like to expand, but the UK is opposing expansion for the usual budgetary reasons. It would fall to the relevant NI departments to assess the scope for NI to draw down receipts under TENS, and they would then submit applications through the UK Government in the normal way, with any receipts to NI also be administered in the usual fashion. As with other EC programmes, NI and RoI interests can coincide (for example NI and RoI are currently preparing a joint submission on the Ireland-GB-Benelux roads route) or conflict (for example in relation to the priority to be given to RoI-Wales versus NI-Scotland and NI-England). Thus, a joint approach on TENS might not be appropriate.

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While it is not possible to be precise at present about the nature of the executive role which the Irish would wish to see given to a North/South body in relation to Community Initiatives and TENS, it is possible that it would consist of the body being responsible for working up programme submissions, negotiating those submissions with the Commission, and managing changes to the programmes during their life.

6. The efficiency case for giving a North/South body this kind of role is weak, possibly negative. Giving the North/South body an executive role in relation to Community Initiatives programmes would add complexity to what is already a highly bureaucratic and time-consuming process. The benefits of co-operation could be obtained through a consultative arrangement, though even a consultative role would complicate the planning, negotiation and administration of the programmes. The potential difficulties relating to non-additionality sit on top of that. It is also the case that, because EU policies and receipts are so interwoven into the broader pattern of NI services, a North/South body with an executive role could have a pervasive effect on decision-making and administration. Assigning such a role to the body would rest on political rather than economic/efficiency/service delivery arguments.
7. So far as the Irish idea that other EU responsibilities should be assigned to the harmonising category is concerned, the desirability of harmonisation in any particular sector would first need to be assessed, depending on conditions in the two jurisdictions.

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ANNEX 3

NORTH/SOUTH BODY: ADDITIONAL IRISH SUGGESTIONS

In addition to the items in the Irish list, set out in Annex 1, the Irish side also suggested a number of functions for North/South working at the executive level which are currently outwith the transferred field and remain the responsibility of Whitehall departments. These were:

- development of an all-Ireland broadcasting policy;
- involvement in the development of TENS in the field of telecommunications;
- establishment of a single telecommunications regulatory authority;
- establishment of an all-Ireland aviation authority.

The line which the British side would intend to take is that we are not prepared to admit to the remit of a North/South body any issue which is currently not a transferred matter; the North/South body should have competence only for matters within the competence of the new Northern Ireland administration.

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