

NATIONAL ARCHIVES

IRELAND



Reference Code: 2001/8/4

Title: Examination of the ways in which the ending of partition might be financed by sources other than the Irish exchequer

Creation Date(s): 1969

Level of description: Item

Extent and medium: 5 pages

Creator(s): Department of the Taoiseach

Access Conditions: Open

Copyright: National Archives, Ireland. May only be reproduced with the written permission of the Director of the National Archives.

Examination of the Ways in which the Costs of Ending Partition might be Financed by Sources other than the Irish Exchequer.

While it is clear that the cost of maintaining economic and social standards in Northern Ireland would be too great a burden for the Irish Exchequer (even a thirty-two county Exchequer) to bear, in certain situations it is possible that the full cost as estimated in Annex I would not fall on the Irish Exchequer.

In any negotiations between ourselves, Northern Ireland and Britain leading to a settlement of the Partition problem, a case could be made for the waiving of the United Kingdom's claim to a contribution from Northern Ireland to the interest on the National Debt in view of

- (a) the settlement made by the South in 1925 of a similar claim by the U.K. (Article 5 of the Treaty);
- (b) the small size of the present Imperial Contribution which implies acceptance to some extent by the U.K. authorities that it would be inequitable to look for more;
- (c) the substantial contributions paid by Northern Ireland towards the Imperial services in the past especially during the war years (the Imperial Contribution soared from £1.3 m. in 1939 to £36.3 m. in 1945).

Early agreement could probably be reached with Britain for the continuation, in one form or another, of the agricultural subsidies and grants or some portion of them. Much would depend on the type of arrangements that were agreed. In a situation in which Northern Ireland, in effect, continued to have a customs union relationship with Britain (and it is possible that she would be unwilling to upset this relationship in the present climate of world trade) she would

have a stronger claim for the continuation of the agricultural subsidies (and, indeed, for practical reasons the British might have no option but to continue them) than if she were in a full trade relationship which would not, in theory at least, guarantee British industry any preference over third countries. This raises, of course, the rather complicated question of the extent to which tariffs against third countries might have to be harmonised between ourselves and Northern Ireland (and, perhaps, Britain) in any new set-up. There are many sectors in which Northern Ireland might not want to apply our level of protection against imports from third countries. However, ^{if} Northern Ireland settled for a free trade relationship with Britain similar to ours, they would at least get the same concessions as we get in Agriculture. The Department of Agriculture and Fisheries are not prepared to give an estimate of what these concessions are worth to us but a figure of £10 m. was mentioned in the Dáil a year or two ago. The figure for Northern Ireland might on that basis be about £7 m. It is not possible to pursue this question here except to say that membership of an enlarged EEC could change the whole situation. The extent to which British agricultural subsidies would have to be replaced by subventions by either Northern Ireland or ourselves if Northern Ireland cut her political links with Britain is, therefore, uncertain. It is not unreasonable to assume that a pre-requisite for a solution to the Partition problem would be full participation by North and South either in the Common Agricultural Policy of the EEC or in the British agricultural arrangements. In either case the problem of subsidising agriculture in both the North and the South would be largely solved.

As regards seeking a continuing subsidy from Britain towards the cost of the social services in Northern Ireland, there are no particular strong grounds for expecting British

/co-operated

co-operation. It must be borne in mind, however, that if the British were willing to agree to a solution of Partition, all things considered, on financial grounds alone a solution of the problem would be very attractive to the British Government. They might well be prepared, having regard to the substantial savings they would enjoy in the long term, to agree to continue the existing level of support for a temporary period or, perhaps, to scale it down over a period. If they were agreeable to do so the problem of taking over Northern Ireland finances would not be quite so formidable especially if the "gap" between North and South had been closed or greatly narrowed in the meantime. It might well be over-optimistic, however, to expect the British to agree to something on these lines.

In his television address of 9 December, 1968, Captain O'Neill said that "Ulster's income is £200 m. a year but we can spend £300 m. a year-only because Britain pays the balance". The following is an attempt to see how these figures are arrived at. The figures relate to the year 1967/68 except in the case of the Regional Employment Premium introduced in the course of that year, the figure for which takes account of a full year's cost.

<u>Public Income of N.I.</u>		£m.
Transferred Revenue		54.7
Residuary Share of Reserved Taxes ^Q		171.3
Special payments from U.K.:		
Social Services (Agreement) Act, 1949	10.3	
Regional Employment Premium	10.0	
Agriculture Act, 1957	1.8	22.1
		<hr/>
		248.1

Add:-

British subvention to N.I. Insurance Fund		17.0
British Agricultural Subsidies and Grants		24.3
^{II} "Imperial" Services (defence, diplomatic representation, etc.)		16.0
		<hr/>
		£305.4 m.
		<hr/>

/.....

^{II}This is very much a "guesstimate"

^Q Reserved Taxes (e.g. income tax, customs and excise duties) are controlled by the U.K. Parliament. The yield from these attributable to Northern Ireland is paid over to the Northern Ireland Exchequer after the deduction of the Imperial Contribution and that portion of the cost of the services administered by U.K. departments that is attributable to Northern Ireland. The balance is known as the Residuary Share of Reserved Taxes.

If all British assistance, direct and indirect, were stopped, the figures would be as follows:-

<u>Public Income of N.I.</u>		£(m)
Transferred Revenue		54.7
Residuary Share of Reserved Taxes	171.3	
Less:-		
Amount by which the estimate of yield of Reserved Taxes is thought to be inflated by present method of calculation* (estim.)	<u>16.0</u>	<u>155.3</u>
		<u>£210.0 m.</u>