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DATE: 10 FEBRUARY 1999

PS/MR MURPHY (DFP,B&L) See Copy Distribution Below

EU STRUCTURAL FUNDS : BRUSSELS 8 FEBRUARY AND BONN 9 FEBRUARY

Summary: A very useful series of meetings, each confirming the widespread political support for a favourable Structural Funds settlement for NI. The Brussels leg culminated in President Santer and Commissioner Wulf-Mathies proposing a Working Group to develop ideas which would be available for the endgame. The Bonn meeting confirmed the Presidency's recognition of the unique context of Northern Ireland.

Detail

1. The series of meeting in Brussels were with:

Carlo Trojan	10.00
Sir Leon Brittan	15.30
Padraig Flynn	16.00
Monika Wulf-Mathies	17.15
Jacques Santer	18.00

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Our team was Mr Murphy
Mr Trimble
Mr Mallon
Mr Larkin
Dr Gudgin
Dr McCormick

Sir Stephen Wall attended the meetings with Trojan and Santer; Anne-Marie Lawlor the remainder.

2. In each meeting the Ministers emphasised:-

- the recognition of past support, and the special contribution of the PEACE package to the process of the last few years.

- that levels not labels were the issue though it appeared that only Objective 1 treatment could provide an adequate level.

- the need to sustain support from the EU at this important time, to assist with the restructuring of the NI economy. The letter from the Prime Minister and the Taoiseach showed the strong support for this from both Member States.

- our awareness of the need for the Commission to minimise the scope for special cases from other Member States, but our view that the NI situation is unique. The Cardiff and Vienna conclusions give strong ground for unique treatment. It would be possible to conclude an arrangement for NI which would be ring fenced.

- as well as seeking to reduce dependency on the public sector, the private sector itself needed to grow in high tech, high value add sectors, and away from sectors which themselves need support.

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- that the objective of the First Minister and Deputy First Minister was to make tangible progress towards making Northern Ireland more "normal" in economic and social terms within the forthcoming Structural Funds period, and hence that it should be possible for special assistance to be time bounded, as NI dependency should be reduced by self sustaining economic development.

- the progress made since November in terms of plans for restructuring Departments, North South action, and in the ideas set out in the letter of 22 December to the Commissioner, which we were continuing to develop.

- the centrality of the Implementation Body for Special EU programmes, which would be a unique vehicle for cross-border cooperation in relation to the Structural Funds. The Ministers invited Commissioner Wulf-Mathies to attend an inaugural event for the Body.

3. **Carol Trojan** drew attention to:

- the pressure for stabilisation, which implies strict concentration on the most needy areas, and led some to argue for less generous transitional arrangements for those losing Objective 1 status than the Commission's current proposal.

- the widespread political sympathy for NI, and the possibility that some way might be found to do something.

4. Trojan said that NI could not expect to secure the same level of total funding as at present. He floated the possibility of wrapping together action under the three new Community Initiatives (LEADER III, INTERREG III, and the Social Fund initiative) in some particular and special way. This could incorporate some aspects of PEACE, but with a stronger economic emphasis. It was possible that something very ad hoc, "outside the quota" could be secured in the endgame. He indicated, not surprisingly, that it was by no means certain that the proposal for regionalisation, which would give the border counties Objective 1 status, would be accepted.

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5. The offer of dialogue to develop these ideas first emerged here, though with strong emphasis that it could only come to any fruition in the endgame, though action to develop support from other Member States could be pursued.

6. **Sir Leon Brittan** confirmed the recognition that transitional funding and CIs was an inadequate response to Cardiff/Vienna, and attractions of a special arrangement. Early detailed preparation, with advice and guidance from the Commission (best from Commissioner Wulf-Mathies' staff) would be essential, though this should be flexible in form, given the uncertainties of the endgame. There would be value in approaches to those Member States which, while sympathetic, might be less well informed on the situation in NI. Playing up the strategic shift to the economic focus and hence a different form of assistance would be very conspicuous and would attract support.

7. With alarums and excursions, **Padraig Flynn** conveyed many aspects of the same core message, with, of course, special emphasis on:

- the focussing of the ESF on employment.
- the opportunity to make use of the National Action Plan for the European Employment Strategy to define NI needs in human resource terms as a good basis for some of the key arguments.
- the very positive view of key elements of PEACE, especially partnerships, the cross-border aspect and social inclusion.
- the material implications of the strong possibility of success for the regionalisation proposal and hence Objective 1 for the border counties: only he suggested, for this reason, holding on to the arguments for the Objective 1 label.

8. **Monika Wulf-Mathies** predictably highlighted the difficulties of the negotiations, and the strictness of the criteria. She recognised however the political momentum for special treatment, and that INTERREG could not be an adequate response to our

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aspirations. The case for stabilisation strongly suggested that the endgame was likely to yield a result below our expectations in any case. From her perspective, the Commission's existing proposal offered very substantial support for NI.

9. The Commissioner's steer was towards emphasis on promoting private sector growth, especially in innovative sectors and for new technology areas, accompanied by a major reorientation of skills, and more integrated cross border developments. She commended the grass roots involvement in NI, compared with the more centralised approach in the Republic of Ireland.

10. Commissioner Wulf-Mathies suggested that the available provision for technical assistance could be helpful, [our view is that it is not likely to be appropriate]. She said that a consultative conference could be valuable. Strong involvement of the social partners should be promoted.

11. **President Santer** referred to the letter from the Prime Minister and the Taoiseach, and welcomed the clear signal of the importance of the issue to both Member States. He encouraged the exploration of imaginative ways of deploying EU support and encouraged us to work with the Commission on the package.

12. The substantive conclusion from the meetings with Commissioner Wulf-Mathies and President Santer was that a small Working Group should be convened to take forward the work with the strategic ideas needed from NI Departments and colleagues in Dublin, and technical guidance and advice from the Commission. The team agreed subsequently to avoid any overt reference to this to the press, or in the Bonn meetings.

13. In Bonn on 9 February Mr Murphy, Mr Trimble and Mr Mallon were supported by Sir Paul Lever and myself at the meeting with **Mr Gunther Verheugen**, Minister responsible for the EU, (and the SPD Minister in the Foreign Ministry).

14. The meeting was well timed, as Mr Verheugen was due to be with Commissioner Wulf-Mathies that evening in Strasbourg. He opened with a very clear statement of

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the German Government's support for the peace process, and its importance in a European context. He acknowledged straight away that the NI position was absolutely unique, and there was a will in the Presidency as in the Commission, to find a solution to the problem of the loss of Objective 1 status. The letter of 22 December provided an excellent starting point for the work. The Presidency was faced with a very complex problem in the Agenda 2000 negotiations. The UK rebate issue was a difficulty. It would certainly not be possible to conclude any special arrangements in advance of the Berlin summit.

15. The Ministers made the same general points as at the meetings in Brussels (see above), with emphasis on their will to find a ring fenced time bounded programme to give an opportunity for real progress in the next 7 years. The EU was discussed as itself, a major "peace process" since 1945.

16. Mr Verheugen explained the wider perspective:

- the EU had very major issues to face, but there was increasing political will to achieve resolution in March, as delay could be very serious.

- there was strong pressure for greater budgetary discipline: the Commission proposals for the allocations were too high, and steps were needed to ensure that the disciplines at national level was extended to EU level.

- the Presidency would want the Bonn summit to address substantively the overall levels of the budgetary aggregates. However there were major difficulties with France on CAP, Italy on own resources, Spain on Structural Funds, and the UK on the abatement, to name but a few.

- there was significant disquiet in the German public about the extent of Germany's net contribution. There was solidarity with the aims of the EU, but a growing insistence on a more equitable outcome.

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17. In this context, a pragmatic, special approach to the NI issue, as outlined by the Ministers was exactly the German Government's preferred approach. The elements he outlined were familiar:

- a soft transition from Objective 1
- in his personal view, a new Community Initiative as a successor to PEACE, despite the strong pressure to restrict the CIs to three.
- INTERREG III, which was strongly favoured by the German Government especially because of the opportunity to draw down receipts for programmes for the areas near its eastern borders.

18. The following further points were made:

- there were major problems in the NI agriculture sector, but it did have a major bearing on NI input to the UK position on CAP in Agenda 2000.
- the German health ministry still had difficulties over BSE despite the Certified Herd scheme, and this had delayed the necessary German domestic legislation.

19. In conclusion, the ongoing dialogue with the Commission to explore how a special package might be put together was welcomed by Mr Verheugen, and he confirmed his continued interest in seeing the issue resolved.

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