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FROM: D A HILL
ECONOMIC AND SOCIAL DIVISION
12 JUNE 1991

CC Mr Thomas - B
Mr Hamilton - B
Mr Dowdall, DFP
Mr D J R Hill - B
Mr D Cooke - B
Ms Lodge - B
Mr G R Archer,
RID FCO - B

MR ALSTON - B

POLITICAL TALKS - THE EUROPEAN COMMUNITY DIMENSION

I am grateful to Mr Archer for copying me his note to you of 10 June, and to Ms Lodge for copying me her note to you of 11 June. May I make one or two comments?

2. The second section of the paper (paras 3-5) may confuse two themes about the European Community. The first - that of Mr Haughey and the SDLP - is that growing European integration will mean the greater integration of the two parts of Ireland, and that this will have a profound effect upon the relationships between the two parts of Ireland. The second (which seems to be more the SDLP analysis, although they confuse the two strands) is that the institutions of the Community should be emulated within the island of Ireland. I think your paper would be much clearer if you drew a sharper distinction between these two propositions.

3. The line that the two parts of Ireland will be brought together by growing European integration is no doubt preferable politically to talk of a united Ireland. But greater integration between the two parts of Ireland may well be over-shadowed by even greater integration of both parts with Great Britain and the wider community. The trade of both parts of Ireland is predominantly East/West, not North/ South, and there is no reason to think that this pattern will change; the manufacturing and agricultural

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sectors of both economies are primarily aimed at export outside Ireland. Increased integration between the two Irish economies may be primarily in areas such as building and other services which have been immune to competition and may lead to increased competition rather than new activity. For the foreseeable future, the degree of integration and cooperation there might be between the two parts of Ireland will also be limited by national interest. The Irish behaviour over cross-border shopping is an obvious example, but the degree of cooperation that might realistically be achieved on transport links, tourism and the joint marketing strategy mentioned by Mr Haughey is also limited by national interest. Even where in theory, there might be advantage in greater integration between the two parts of Ireland (eg treating them as a single region for agricultural purposes) Northern Ireland's membership of the United Kingdom will be an important brake. I think some of this analysis should feature in the paper.

5. Paragraph 6 is clearly important from the FCO point of view, but I have some doubts about its relevance to this paper. Tactical alliances at Council level are not very relevant to North/South relations; and in any case on the fundamental question of resource transfers (the main Republic interest) the UK interest (including the NI interest) is diametrically opposed to the Republic's.

6. In line with these comments and some other points, I attach a redrafted version of Mr Archer's/Ms Lodge's paper. My suggestions are in bold.

(SIGNED): D A Hill

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**POLITICAL DEVELOPMENT IN NORTHERN IRELAND - RELEVANCE OF
COMMUNITY TO NORTH/SOUTH RELATIONS**

ECONOMIC COOPERATION IN THE EUROPEAN CONTEXT

1. The concept of North/South economic cooperation in a European context is of long standing. During the Anglo/Irish Joint Studies in 1981, officials considered areas of existing and potential economic and technical cooperation both bilateral and in the context of UK and Irish common membership of the EC.

2. Mr Haughey's speech to the Fianna Fail Ard Fheis in March 1991 called for an all Ireland approach to all sections of economic policy and investment in the context of enabling the whole island and all the people to benefit from the dynamism of European Union. He had spoken in similar terms to the Institute of Directors in Belfast in April 1990 about the vantage point provided by the European Community from which to see how greater trade and better cooperation could take place between both parts of Ireland. The Belfast speech envisaged in particular:

- a joint marketing strategy including the development by industry of all Ireland operation bases, joint sectoral marketing development, joint data bases and directories, combined public procurement, joint sub contract opportunity initiatives, common branding of products, shared market information and research and joint overseas marketing initiatives.
- proposed collaboration on an improved internal transport system and faster, cheaper and more diversified external transport links.
- a joint North and South tourist strategy

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- The attraction for both the SDLP and the Irish Government of cross border initiatives in the agricultural sector
- their long term support for aspirations for a United Europe as an alternative to the more explicit backing for the a single island region for animal health purposes within improved facilities for training and vocational education by resource development and investment by all Ireland planning.

IRISH/SDLP IDEAS FOR EUROPE AS A MODEL FOR NORTH/SOUTH POLITICAL DEVELOPMENT

3. Both the SDLP and the Irish Government have in recent months suggested that the European Community experience may provide an answer to problems in Northern Ireland. Mr Haughey in speaking to the Fianna Fail Ard Fheis on 9 March 1991 said:

"I am increasingly convinced that it is in the context of the new European Union that we will find a solution to the centuries old problem ... in Northern Ireland ... Before the end of the decade all Irish men and women North and South will be fellow citizens of a united Europe. There will be no real border between North and South."

ADVANTAGES AND DISADVANTAGES OF AN EC DIMENSION

4. An SDLP analysis of current problems given to the NIO in May 1991 (but not released more widely) suggests that the Community countries' achievement in building "institutions which respect their differences, which allow them to work their common ground together and to grow towards a unity that respects their diversity and evolves through patient agreements" could be emulated within the island of Ireland. They suggested that the EC would have profound implications not least because both North and South had already agreed to the "pooling of sovereignty" with other member states. There are of course two distinct strands in this thinking (the EC a changing reality in the island of Ireland, and the Community as a model to be emulated) which are not always clearly differentiated.

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5. The attraction for both the SDLP and the Irish Government of using the Community dimension is that it is consistent with their long term support for aspirations for a United Ireland. Mr Haughey has used the concept of unity within Europe as an alternative to the more explicit backing for the idea of a United Ireland which he had given in earlier Fianna Fail Ard Fheis speeches. The SDLP may also have in mind the Community model as a basis for a framework for specific proposals for new all Ireland institutions, although they have not formulated these yet. But the Haughey vision, however, politically attractive from his point of view, does not take account of the reality that the relationship between the two parts of Ireland may well remain fundamentally competitive in many areas (eg industrial development, transport, tourism and perhaps agriculture in future), that both parts of Ireland will put national interest first (eg cross-border shopping) and that both economies may well tend to integrate more strongly with other parts of the Community than with each other.

6. Similar messages about collaboration within a European context are likely to be expressed by both the SDLP and the Irish Government during talks about political development.

ADVANTAGES AND DISADVANTAGES OF AN EC DIMENSION

7. Within Northern Ireland the advantages of the European dimension include:

- it offers the Irish and the Nationalists an alternative formula not inconsistent with aspirations for a United Ireland, but without having to spell out their aspirations in full
- on a political level the area is less contentious than many, and might be the easiest route to agreement on all Ireland consultation on a number of issues

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- there is some potential for increased North/South trade and for cooperative action to increase North and South competitiveness in a Community context (pointed out by Mr Haughey in Belfast and most recently by SOSNI to the Institute of Bankers in Ireland on 23 May 1991).

8. Disadvantages include:

- demands for unity in a European context could still be too much for the Unionists to swallow. In particular they will be suspicious that this is just the backdoor to the old United Ireland. Their demands for the reinforcement of Article I of the Anglo/Irish agreement guaranteeing continuance of Northern Ireland in the United Kingdom while a majority wish for this is not going to be diluted by Euro rhetoric.
- expectations of pooled sovereignty or for the sweeping away of the border would be unreal. But Ireland's own hesitations about loss of sovereignty will probably limit unreasonable demands in this area.
- loosely expressed demands may mask realities (such as the continuing need for Northern Ireland to be represented in Brussels through London) which if not understood could become subsequently points of misunderstanding.
- in the longer term, we should not underestimate the competitive nature of some aspects of the North/South relationship and the need for both parts of Ireland to follow their interests.

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CONCLUSION

9. The issue of Europe may arise in three contexts:

- Euro rhetoric. This may be helpful as suggested in paragraph 4 provided it does not subsequently lead to disagreement about realities. For its part, HML should differentiate between unhelpful and unrealistic Euro-rhetoric and should not be seen either to use or to acquiesce in the latter (eg suggestion that the single market will render irrelevant the issues addressed in Article 1 of the Agreement). We will also need to keep in step with the Whitehall line on the EC.

- Euro structures to be applied in Ireland. It is not the purpose of this paper to consider possible new constitutional structures in detail. The community structures of Council of Ministers, Commission and Parliament do not offer a model that could be followed in Northern Ireland. The Unionists would not accept proposals involving significant transfers of authority to an all Ireland body and any such transfer involving responsibility for policy towards Europe would affect the coherence of UK policy. But all Ireland frameworks for cooperation/consultation involving Ministers, officials and elected members or standing committees of specialist groups may have a part to play in any settlement if terms of reference can be agreed.

- Proposals for North/South cooperation on specific subjects. This was a theme of preparations for Sunningdale, the 1980 Joint Studies and is provided for in the arrangements at IGCs build up after 1985. One route to the establishment of a new framework would be a further study group or study groups.

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10. An immediate problem to progress with the area of the European dimension could be if the Unionists identify this as being tagged as an Irish or SDLP idea. There may be advantage in taking steps to ensure that Mr Haughey's views are balanced by the public expression of British views on the subject perhaps in a future speech, although it will not be easy to counterbalance Irish statements without risking provoking rather than reassuring the Unionists. Neither of the Unionist parties have ever been convinced about the advantage of the Community system.

OPERATION

last week's meeting, a draft piece of

from the draft that I was not
the brief was for a piece which
thinking of one which might be tabled in
Derek Hill's paper on the EC is in the
contribution, on the other hand, is
the former but could easily be converted into

at the end of next week you might like to address
that time to Mr Hamilton or to my successor,

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