

Internal Talks: the failure of Direct Rule in
regard to EC issues

1. The treatment of EC issues under Direct Rule has been criticised on two fronts:
 - that in formulating its overall policies on the range of EC issues, the British Government takes insufficient account of the particular interests of Northern Ireland; and
 - that the EC Structural Fund monies allocated to Northern Ireland have, in reality, benefitted the British Exchequer and have not been additional to the block grants received from the Treasury in London.

2. The coordination of overall British policy towards the EC is at present achieved through interdepartmental Committees in Whitehall. The Northern Ireland input into that process is through Ministers and officials from the NIO. It has been persuasively argued that, within this policy-formulation framework, the interests of Northern Ireland do not receive adequate attention or priority. Indeed, it has been maintained that in the area of agriculture the overall direction of British policy at EC level is inimical to the interests of Northern Ireland; a policy which has as its imperative a reduction in the EC budget devoted to agriculture is not in line with the interests of the rural community in Northern Ireland where the importance and size of the agricultural sector is proportionately far greater than in Britain.

3. Another policy area which has major implications for Northern Ireland (and where, therefore, its particularity needs to be accommodated) is the evolution towards the European Internal Market. Unlike Britain, Northern Ireland shares a common land border with a member State and is, therefore, uniquely sensitive to the trade and competitive consequences of the approximation of indirect tax rates. The progressive removal of these indirect barriers to trade offers great economic opportunities for Northern Ireland - indeed for Ireland as a whole. In order that they be optimised, however, it is essential that the particular circumstances of Northern Ireland be clearly articulated and represented at EC level. It is doubtful that this can be achieved while Northern Ireland's interests are regarded as a mere appendage of the larger British concerns.
4. The question of the financial additionality of EC Structural Funds has long been a matter of contention. The British Government has replied to criticisms on this score by maintaining that the EC transfers are truly additional and that this additionality is achieved by including in central Government's block grants the anticipated Structural Fund monies to be drawn-down in the year ahead. The difficulty with this argument is - at the very least - demonstrating the transparency of the additionality.
5. Northern Ireland enjoys Objective 1 status as a less developed region for the purpose of the allocation of Structural Fund aid. (This means that it is one of those less-developed EC regions which are entitled to a preferential share of Structural Fund support.) While Northern Ireland did not qualify for Objective 1 status

* Establishment of European Office (NI) a product of these concerns.

on the usual specified GDP criteria, it was included in the category on account of "the special situation there". However, this designation is only valid for 5 years and will be reviewed again in 1993. At that time one can expect the EC Commission and other member States to critically examine the use and management of the resources in Northern Ireland over the 5 year period (1988-1993). If no real financial additionality can be demonstrated, there must some doubt that the EC will continue to accord Objective 1 status to Northern Ireland.

April, 1991

w6050