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FROM: R B SPENCE
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DATE: 30 JANUARY 1990

cc. PS/PUS (B&L) - B
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Mr Thomas - B
Mr Miles - B
Mr Dodds - B
Mr Blackwell - B
Mr G McConnell - B
Mr R Wilson - B
Principal Secretariat - B

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CONFERENCE BRIEFING

Attached is briefing on the cross-border programme, including the text of the proposed submission to the Commission.

[Signed RBS]

R B SPENCE

CENTRAL SECRETARIAT

EXT SH 269 SC 248

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CROSS BORDER PROGRAMME

LINE TO TAKE

Glad to learn that a joint paper has now been agreed and will be submitted shortly to the Commission.

Sorry that this has taken longer than we had hoped.

Next step will be for officials from both sides to explore with the Commission what they would be willing to support.

Must be careful not to raise expectations that large sums of money are available.

Background

1. Attached is a copy of the paper which has now been agreed with the Irish side, subject to any final minor drafting points. We hope it can be handed over shortly to the Commission by the UK and Irish Permanent Representatives in Brussels.
2. The paper is not a formal submission to the Commission from the two Governments. It contains a number of possible items which might be included in a cross-border programme. The submission is designed to influence the Commission's own thinking and to enable us to find out what the Commission is likely to find acceptable in a formal submission.
3. It has been difficult to make progress on this matter because of what seemed at times to be deliberate tactics by the Irish side to delay matters until they had the Presidency. (In early October, a preliminary paper was

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agreed with the Irish and handed over to Commissioner Millan. On 31 October we gave the Irish side a draft joint paper. On 29 November they produced a redraft which omitted some of our proposals and included others which we had already told them were unrealistic or unacceptable. Despite several requests it proved impossible to arrange a meeting to discuss the points of difference. In order to expedite matters we redrafted the paper and sent the Irish a copy on 22 January. A meeting to resolve the differences was finally held on 25 January and some points were only resolved today).

4. Statements by Irish Ministers and the SDLP have tended to fuel the notion that substantial sums of money would be available for a cross-border programme. The SDLP held a press conference on 22 January which attracted a lot of attention and claimed to be sending to the Intergovernmental Conference proposals for a £100m programme.
5. We remain unclear about the sums of money which might be available for a successful cross-border submission. The Commission has set aside £500m for cross-border activities and all the member states will be competing for a share. It seems realistic to think in terms of only a relatively modest proportion of this sum being secured for a NI/ROI programme.
6. In the interests of securing agreement on a paper, two points have been included which the Irish pressed but on which we were not convinced:-

6.1 para 19 - the Irish believe there is greater scope for co-operation on food processing than

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CROSS-BORDER PROGRAMME we do; facilities which they would like to develop in Co Monaghan would be in competition with IDB's food park in Craigavon;

Purpose of Paper
The purpose of this paper, which is submitted jointly by the British and Irish Governments, is to inform the Commission's thinking on the development of its cross-border proposals and to identify the elements of a cross-border programme for the island of Ireland.

6.2 para 20 - the Irish are keen to explore all Ireland accredited test laboratories; we are not convinced that this is feasible - NI is reasonably well served by NI and GB facilities; under pressure, we have conceded the possibility of a feasibility study, but this will only proceed if the Commission accept that this should be part of the cross-border programme.

1. A number of key economic features are common to both parts of the island of Ireland:
- The range of problems associated with the completion of the Anglo-French Channel tunnel schedules for 1993, the island of Ireland will be the only significant area in the EC not to have a land-link to the commercial and industrial centres of Europe.

- Both are small open economies, with high dependency ratios, high unemployment levels and a high proportion of young people in the population - with consequences for future job creation requirements.

- Agriculture plays a key role North and South; in both areas it is primarily export oriented and characterised by low added value to farm produce beyond the farm gate.

- Both parts of the island continue to have a positive environmental image associated with low density population and relatively low levels of industrialisation; this represents an asset to be preserved and built upon.

2. Both parts of the island are carrying very substantial economic costs because of the violence of the past.

* The proposals contained in this paper relate to a cross-border programme within the island of Ireland. The Irish Government have submitted separately to the Commission, for consideration under the Transfrontier Initiative, proposals involving East-West linkages with Britain and with other EC member states.

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CROSS-BORDER PROGRAMME : PRELIMINARY SUBMISSION TO EC COMMISSION*

Purpose of Paper

The purpose of this paper, which is submitted jointly by the British and Irish Governments, is to inform the Commission's thinking on the development of its cross-border proposals and to identify potential elements of a cross-border programme within the island of Ireland to be developed in discussions with the Commission.

Rationale for a Cross-Border Programme

1. A number of key economic features are common to both parts of the island of Ireland:
 - The range of problems associated with peripherality are experienced by North and South; indeed, with the completion of the Anglo-French Channel tunnel schedules for 1993, the island of Ireland will be the only significant area in the EC not to have a land-link to the commercial and industrial centres of Europe.
 - Both are small open economies, with high dependency ratios, high unemployment levels and a high proportion of young people in the population - with consequences for future job creation requirements.
 - Agriculture plays a key role North and South; in both areas it is primarily export oriented and characterised by low added value to farm produce beyond the farm gate.
 - Both parts of the island continue to have a positive environmental image associated with low density population and relatively low levels of industrialisation; this represents an asset to be preserved and built upon.
2. Both parts of the island are carrying very substantial economic costs because of the violence of the past
- * The proposals contained in this paper relate to a cross-border programme within the island of Ireland. The Irish Government have submitted separately to the Commission, for consideration under the Transfrontier Initiative, proposals involving East-West linkages with Britain and with other EC member states.

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20 years. Direct costs include additional security force expenditure, compensation for loss of life and damage to property, additional costs on courts and prisons; indirect costs include loss of income from tourism, loss of industrial output and new investment, and the disruption of transport. The cumulative total of these costs over the last 20 years amounts to thousands of millions of pounds, borne by the Exchequers and the economies generally, North and South. The violence has a particularly adverse effect on the development potential of border areas.

3. The border areas, North and South, are among the most disadvantaged areas of the European Community. These areas - because of their location in relation to the centres of trade and administration within the island - experience peripherality in a particularly acute form. They are characterised by low incomes (significantly below the overall average), high unemployment and under-employment (in some areas up to 80% above the overall average), a high dependency on agriculture and lack of any strong industrial tradition.

Impetus for the Development of Cross-Border Programmes

(i) Bilateral Action

4. The Irish and British Governments have over the past decade sought to address cross-border economic issues through joint action:

- The Anglo-Irish Joint Studies, launched in December 1980, included a Report on the scope for economic co-operation.

- The Anglo-Irish Agreement of November 1985, which established the Anglo-Irish Intergovernmental Conference, stated that the Conference would deal on a regular basis with (inter alia) "the promotion of cross-border co-operation".

- The Review of the Working of the Intergovernmental Conference, published in May 1988, endorsed "a systematic programme of assessment of all the main sectors to determine where the process of co-operation can most fruitfully be expanded".

(ii) International Fund for Ireland

5. The International Fund for Ireland (IFI) established under

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Article 10 of the Anglo-Irish Agreement, has received significant support from the US and the EC, as well as smaller contributions from Canada and New Zealand. The IFI continues to do extremely valuable work in border areas; it does not of course undertake projects that are properly within the remit of Governments.

(iii) Existing EC support for Cross-Border Programmes

6. The ERDF Non-Quota Special Border Areas Programme introduced in 1980 (and extended and strengthened in 1985) currently contributes to the improvement of economic and social conditions in the border areas by the provision of aid to small firms, the development of tourism, transport, and communications, as well as certain energy measures.

(iv) Cross-Border Studies

7. Over the last decade the two Governments have jointly commissioned, with the financial support of the ERDF, a number of studies which have analysed the socio-economic problems of various areas in the border region. These include the North-West Communications Study (1978), the Erne Catchment Study (1980), the Lough Melvin Study (1987) and the Erne System - a water quality study (1987).
8. The North-West Study (embracing County Donegal and the Derry and Strabane District Council areas) which was commissioned by the two Governments with the financial support of the ERDF, is near completion and it is expected that the final report will be available shortly. The scope for further action on cross-border socio-economic studies will be kept under active consideration.

Enhanced Co-Operation : A Programme-Based Approach

9. There is a clear preference, North and South, for a programme-based approach rather than simply an aggregation of specific projects. The importance of North/South cross-border co-operation in tackling a range of economic and social issues is recognised both in the Northern Ireland Regional Development Plan and Ireland's National Development Plan. The cross-border initiative will reinforce the existing impetus for enhanced co-operation under the Anglo-Irish Agreement and the International Fund. It will allow the realisation of projects which would not otherwise be feasible within existing budgetary constraints. While all projects undertaken would obviously have to be fully justifiable in economic terms, the programme would also serve an important function in

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action as a catalyst for encouraging cross-community co-operation.

10. A number of the projects already submitted under Ireland's Development Plan and the NI Regional Plan would appear to be more logically implemented as part of a Cross-Border Programme. It is hoped therefore that there will be flexibility to treat them accordingly, with appropriate adjustments to the respective National and Regional Plans and Operational Programmes.

Programme Aims/Objectives

11. In seeking EC support for a Cross-Border Programme both Governments have identified the following strategic aim:

"to ensure the creation of conditions on both sides of the border which will maximise economic and social benefits in the qualifying areas and facilitate greater social and economic cohesion as envisaged under the Single European Act".

12. Within this overall aim, the Cross-Border Programme might include the following more specific objectives:

- (a) to arrest social and economic decay and tackle social and economic weaknesses in border areas;
- (b) to put in place practical programmes to deal with the effects of peripherality; and
- (c) to strengthen the economy in the border areas so that it may compete more effectively after 1992 by:
 - remedying infrastructural weaknesses through the support of broad infrastructure projects; and
 - capitalising on available local resources (including human resources) to build on the attractiveness and tourist potential of the border areas, and on the strengths of local manufacturing and local traditions.

Programme Content

13. A series of sub-programmes is envisaged in the following sectors: agriculture/fisheries, industry, transport, energy, environment, tourism, health facilities and human resources. An indication of possible programme content in

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each of these sectors is set out below; projects listed should be regarded as illustrative only pending further discussions. Projects will obviously be subject to national and EC requirements for feasibility studies, investment appraisal, environmental impact as and where appropriate. Normal public expenditure planning and considerations (including assessment of the overall availability of resources) will also apply.

14. In addition to, and acting as reinforcement for, the specific sectoral programmes outlined below, a more general programme of Social and Economic Regeneration in Border Areas is also envisaged. Such a programme would facilitate an integrated approach to tackling the problems of particular sub-regions within the border areas. It might include a follow-up to the North West Study and possible action associated with any further cross-border studies. Co-ordination and integration of Government action would serve to develop more effectively the inherent potential of the designated area, taking account of its specific structural problems and utilising the available indigenous resources.

Sectoral Programme : Illustrative Projects

AGRICULTURE/FISHERIES

Rural Regeneration

15. In view of the rural character of much of the border areas, the Social and Economic Regeneration Programme referred to above will clearly have a strong rural regeneration component. Particular emphasis might be placed on:
- Rural small business ventures; these would include small rural industries, arts/crafts centres, fishing/mariculture ventures etc.
 - On-Farm value added enterprises; organic farming, farm-based food processing, afforestation, horse-breeding (non-thoroughbred) and horticulture.
 - Agri-Tourism development; development of local tourism packages, organisation of on-farm and off-farm accommodation, development of local leisure facilities, improvement of amenities etc.

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Environmental improvement in the agriculture sector

16. Such a programme would have two dimensions:

- Anti-pollution measures. At present, adequate grants designed to tackle the most immediate pollution problems (grants for slurry pits, farm buildings etc) are in place on both sides of the border. However, there are a number of longer-term problems, including for example the need for more efficient digestion systems, which require more research and development work. A research and development programme could be considered, involving collaborative work between the main centres North and South involved in such issues.'
- Positive environment enhancing projects, such as further development of forestry and wildlife reserves and environmentally sensitive areas. Exchange of information and experience between the relevant authorities would be a starting point, followed by the drawing up of an appropriate development programme.

Animal and Plant Health

17. Both parts of Ireland have a common interest in maintaining the high standard of animal and plant health which obtains on the whole island. There is considerable co-operation between the authorities North and South in promoting this mutual aim. The benefits of the island's high health status in terms of enhanced trading opportunities are important, not only in the context of both parts of Ireland, but also the European Community as a whole. Maintenance of these high standards requires continuous investment in the development and upgrading of testing and surveillance facilities in both parts of Ireland and Community action or assistance to this end would be very beneficial.

Agribusiness : Development of an Agrifood Processing Industry

18. The creation and enhancement of a sophisticated agrifood processing industry, with a high value added content, constitutes an important element of both Governments' overall approach to agricultural development. Such downstream value added industries are already well represented in both parts of the island, particularly in the border area. The authorities, North and South,

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recognise the possibility of cross-border co-operation in the agrifood processing sector.

FISHERIES

19. There is considerable potential for the development of aquaculture in Lough Foyle and Carlingford Lough (mussel beds in Lough Foyle and oyster farming in Carlingford Lough); this potential would be more effectively realised by co-operative action of a cross-border nature. In addition, there is considerable scope for North-South co-operation to protect the high disease-free status of fisheries in the island as a whole; especially in the context of 1992 and the arrangements which will then apply to the management and control of live fish movements within the European Community.

INDUSTRY

Industrial Standards : Development of a Network of accredited test Laboratories on a North/South basis

20. The achievement of the Single Internal Market in 1992 will involve the elimination of all technical barriers to trade including the obstructive use of national standards for industrial products. The European Commission's "Global Approach" to this problem is to make each member State responsible for the certification and testing of its own industrial products. This strategy implies that each member State has the requisite laboratory/testing facilities to certify the full range of industrial products involved. The small size of the Irish economy, the preponderance of small industrial companies and the peripheral location, have resulted in inadequacies in the network of test laboratories in the South while the Northern Ireland facilities are primarily linked to the UK networks. There may be scope to develop accredited third party test laboratories to support the needs of notified bodies under the new EC "Global Approach" to certification and testing and it is intended that a feasibility study be undertaken to ascertain whether a North-South approach in this area would be mutually beneficial.

TRANSPORT

21. Enhanced co-operation in the transport sector would be consistent with the desire of both Governments, and the Commission, to address the peripherality problem in the context of 1992, and would also contribute to the overall strengthening of the economy in border areas by the

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development of tourism and by providing locally-based enterprises with more immediate access to wider markets.

Rail Links

A joint study by the railway companies in the two jurisdictions has produced proposals to upgrade the Belfast/Dublin railway line with a consequent improvement in journey times.

Road Links

Several of the cross-border studies undertaken by the two Governments with EC assistance have recommended major road improvements. A report on "Irish Border Areas" prepared in 1983 by the EC Economic and Social Committee indicated that the roads infrastructure in the border counties was inadequate and recommended a development programme which would include the upgrading of the major cross-border trunk roads in the region. Major improvements have already been made in the Northern Ireland part of the Belfast/Dublin and the Londonderry/Dublin routes; however, there still remains considerable scope for further developments on these two major cross-border routes and the Dublin/Enniskillen route. Within the constraints of the security situation, improvements to roads of a secondary nature would greatly assist the flow of cross-border traffic with consequent benefits for trade, industry and tourism.

Other Infrastructural Developments

There may be scope under the Cross-Border Initiative for other infrastructural developments in border areas, including the possible enhancement of port facilities on a mutually beneficial basis.

ENVIRONMENT

22. The border areas - as well as the adjoining coastlines - offer particular scope for increased co-operation in relation to the protection of water quality in both river and marine water systems.

Erne River Catchment : Integrated Water Quality Management/Proposed sanitary services

23. The Erne has the fourth largest river catchment in Ireland, extending over an area of 4,375 square kilometres. The catchment is split approximately evenly

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by the border and has a total population of about 128,000 persons. Great importance is attached to the maintenance and improvement of water quality in the Erne system on account of tourism, fishery and other water-based amenity development on both sides of the border. The establishment of a complete monitoring regime for the entire catchment would enable the preparation of a full water quality management strategy for the area. Provision for more effective treatment of sewage discharges into waters in the catchment - including phosphorus removal - will be an important element in such a strategy. This will involve provision for appropriate treatment works in a number of towns and villages in border areas.

Sanitary services in other border areas

24. Improved sewage treatment facilities in a number of border towns are required to protect the water quality in Carlingford Lough, Lough Foyle, the Blackwater and other lakes and rivers. A number of the projects envisaged would facilitate tourism development in scenic rural areas.

TOURISM

25. The development of the tourist industry is an important element of overall economic strategy in both parts of Ireland. In Northern Ireland, the tourism industry has been the subject of a recent Government Review which will result in the establishment of a new tourist organisation and the development of a new tourist strategy. There is already substantial co-operation between both administrations in the development of the tourist market and further opportunities might be beneficially explored eg joint-marketing initiatives, development of cross-border tourism amenities and development of air and sea links. Associated with the thrust of tourism would be developments in the cultural and recreation fields.
26. Individual tourism projects which might be included for support in the programme would be decided in discussions between the two Governments. The restoration of the Ballinamore/Ballyconnell Canal linking the waterways of the island of Ireland (originally recommended in a Commission supported Report - the Erne Catchment Study) is already a priority scheme under the Irish National Development Plan and the development of this project is currently being overseen by a joint North/South Steering Group established by the two Governments. Development of associated amenities which would further enhance the tourism potential of the Canal could be considered as part

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of a cross-Border Programme. Other possible schemes could include amenities or attractions - planned and developed on a cross-border basis - targeted at the US tourist market and designed in particular to appeal to the millions of Americans of Irish (North and South) ethnic background.

ENERGY

27. The re-establishment of the North-South electricity link would provide additional base-load throughout the island at an economic cost. The economic viability of an East-West inter-connectors is under consideration.

HEALTH FACILITIES

28. The respective Health Boards in the North-West of the island are currently investigating the scope for complementary development of services to serve communities North and South of the border; these discussions are likely to have implications for the development and upgrading of hospitals in border areas. A co-ordinated approach in the health sector forms part of an integrated response to economic and social needs in border areas; it is accordingly suggested that expansion and complementary development of facilities on a cross-border basis, together with the concentration of scarce and expensive specialised treatment in one area which would make their availability to all both North and South economically possible, should qualify for support.

HUMAN RESOURCES

29. There is good co-operation in this area between the various educational and training authorities, North and South. Scope for further co-operation exists, particularly in vocational and management training, at all levels of industry and commerce. There is potential for further joint skill development, exchange of instructor personnel programmes and the sharing of resources. Training is also an important feature in the development of other cross-border programmes. For instance, joint training and employment programmes have already been used in the development of aquaculture in Carlingford: this could be further encouraged and extended to the Lough Foyle area. Training programmes for small industry development, such as those already in existence in the Newry/Dundalk area, also offer good potential for further cross-border initiatives. In the tourism area (including the development of agri-tourism and the enhancement of the

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environment), both training and employment programmes would be key contributors to successful development on a cross-border basis. Employment programmes can also be useful for the purpose of joint research projects. A priority for both regions is the problem of long-term unemployment and joint initiatives in this sphere could play an important role in the disadvantaged areas.

Conclusion

30. While the measures outlined above are illustrative at this stage, they each hold out the prospect of improved social and economic cohesion between the border areas, the island of Ireland and other more prosperous regions within the Community, measures for which the reformed Structural Funds were designed. A Commission supported Cross-Border Programme which embraced elements such as these would make a substantial impact on the quality of life in Ireland, North and South.
31. Both Governments would appreciate an early indication from the Commission of the provisions to be made for the Programme, the timescale within which it must be implemented, and the amount of resources to be allocated to it. This would facilitate the preparation by the two Governments of a further, detailed submission on the proposed content of a Cross-Border Programme.

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