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for cultural, economic and social relations

**SDLP Economic Policy**

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Let's put some honesty as well as vision into our discussion of the economy, both in terms of NI itself and in terms of its all-Ireland dimensions.

First of all, I don't accept that our economy is in imminent crisis as is frequently suggested.

With virtually full employment and labour shortages that can only be met by significant numbers of migrant workers, with manufacturing output and productivity increasing even with a decline in the numbers involved in manufacturing, with a positive outlook for the construction industry, with a gradual increase in R&D in several sectors, with a significant increase in visitor numbers, and with more companies engaged in North-South business than ever before, the situation cannot be described as all gloom and doom, nor the outlook painted in extremely negative terms.

Indeed, whether we look at the situation in Northern Irish terms alone or in the wider context of all-Ireland developments, there is much that gives ground for optimism.

But let's also remember that while a more peaceful and a more stable political situation has provided a benign context for the economy over the last decade, the preceding decades of violence were times of lost opportunities, the scale of which can be measured by comparisons with the South where opportunities were being created and taken at a time when huge leaps forward were being taken in applying new technologies to virtually the entire industrial sector as well as creating completely new sectors and new services.

In the language of economists the opportunity costs for progress in Northern Ireland were huge and are still being paid today. Indeed the huge over-dependence on the public sector that has emerged over the past two decades is a direct function of the absence of a stronger and more vibrant private sector than the one we have.

Since the focus of today's discussion is the opportunities provided in the all-Ireland context, that is where my comments are focused. In saying that, I don't ignore other relationships, the most important of which is the global context where continued growth is essential to our own growth. Obviously upturns and downturns in that wider context and/or in the more immediate British context will impact positively and negatively on our local economies, in the North as well as in the South.

So to the factors we can, if not control, at least we can influence at a policy making level.



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The pace of North-South co-operation has undoubtedly intensified over the past decade. Evidence is to be seen in increased volumes of trade, the success of Tourism Ireland in boosting tourism numbers, the development of the Belfast-Dublin road and rail networks, the increasing number of cross-border hospital contracts for service provision, co-operation on educational initiatives and projects, movement towards a single energy market for the whole island and plans to create an integrated North-South gas and electricity supply. Even cross-border roaming charges have figured as an important issue with Ireland now forcing the argument within the rest of the EU.

These initiatives - and many others - highlight the 'normalisation' of practical co-operation with mutually beneficial outcomes.

Indeed, the success of North-South co-operation in recent years is such that there is no longer a question over its capacity to deliver economic and social benefits on both sides of the border. Instead the question is how best to maximise those benefits.

Notwithstanding increased co-operation there is a huge imbalance in developments North and South. In the South economic growth continues at a rate almost three times that of the North (GDP: North 2%, South 5.5%).

These contrasting rates reflect the huge differences in investment in the wealth creating sectors of both parts of the island. In the South continued investment in manufacturing and services is encouraged by very favourable fiscal incentives that the North cannot at present match. The result is an economy in the South that is nearly half as much dependent on the public sector (35%) as is the North's economy (61%).

While we need to press for a portfolio of fiscal initiatives to enable us to match those in the South and so better assist investment, we must also develop new alliances and new business opportunities in the South and with the South in selling to the wider world, as well as joining with the South in developing packages that will attract investors to either or both parts of the country taking appropriate advantage of the incentives in each.

So while North-South trade is growing it is clear it is not growing to its full potential. A recent survey by the Economic and Research Institute indicated that while considerable progress has been made in developing new North-South business links, there is much scope for further development.



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To make this happen barriers must be tackled and overcome. The North-South Ministerial Council began to address this problem in 2001 but little progress has been made since. Some of these barriers include difference in financial services, in telecommunications, in different regulatory regimes affecting labour, VAT, tendering procedures in the public sectors - most of which could be effectively addressed if the political will existed. So let's mobilize that political will.

To maximise the benefits of North-South co-operation let's also make a step-change towards the integrated planning and delivery of projects with an all-island dimension. Nowhere is this more needed than in infrastructural development where between 90 and 100 billion Euros are to be spent over the next decade. Joint planning, joint procurement and joint delivery must surely have considerable benefits for both North and South in road development, in the modernisation of water supply in border areas, in the provision of major hospital services etc.

A critical area for joint planning of an integrated kind is energy policy over the next twenty to thirty years. The recent Forfas report in the South highlights the growing urgency for long-term planning, an urgency that applies not just there but to the North as well. Joint planning for the energy needs of the whole island over the next thirty years and beyond is something that must be developed as soon as possible.

The SDLP's detailed proposals include plans for a new Transport and Infrastructure body, an all-Ireland Research Alliance, an Energy Planning Unit, Marketing and Investment co-operation, a Public Safety body and joined-up anti-poverty strategy. In addition, there are many other recommendations covering issues in health, education, the environment, agriculture etc. where enhanced forms of co-operation will yield enormous benefits.

We can - and should - have a shared economy, shared in a spirit of mutual respect and with a commitment to bring about mutual benefits as intended in the Good Friday Agreement.

Finally, beyond the political and practical case for economic and social co-operation, there is growing acknowledgement of the important role such co-operation plays in building trust and good relations between our communities within the North and across the Island. As Co-operation Ireland has stated - "The promotion of effective North-South co-operation is an integral part of building peace on the island of Ireland."



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## Summary

The case for more intense economic engagement with the South is compelling. We have all enviously regarded the extraordinary transformation of the Republic over the last 15 years. But the changes in the next 15 will be even greater, and we in the North can share in that development.

We can share in it, for our own sake and because proper, balanced development in the Republic actually requires it. North-South co-operation is a good idea, but it is more than that. It is, in fact, essential, because the old approach of separate development is no longer an option.

The pace of change is enormous. To take just one example, in just the next ten years, we are going to spend more than 100 billion Euro on development of infrastructure. The physical face of Ireland will probably change more than it has in the last two centuries, and the changes will last for centuries to come.

Business investment also continues at an extraordinary rate in the South. As we draw up strategies to take us from a public sector dependent economy to a more wealth producing economy we need to learn the lessons - a well trained and adaptable workforce and a favourable fiscal regime above all.

With joined-up thinking in economic planning and economies of scale from a joint approach to infrastructure projects, we can reap benefits for all our people.

The SDLP has presented its ideas to the opinion-makers and the decision-makers throughout Ireland, and in the process we have developed and refined them. It is important that people everywhere realise the great prize to be won by working together, and the great cost of failing to do so.

There are gains for everyone in North-South co-operation, from mobile phone users to train commuters; from farmers to hoteliers; from electricity consumers to entrepreneurs; and many more. We hope to work with other parties, with the social partners, with voluntary and community groups to reach out to every corner of our society and examine what other areas would benefit from cross-border co-operation. And we hope that the organs responsible for co-operation can be taken off care and maintenance; can be boosted and strengthened, expanded and extended, given all the powers and all the resources they need to bring in the benefits of working together.





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Finally, our emphasis on North-South co-operation is not at the expense of wider economic relationships with Britain, Europe and more globally. In our increasingly global economy, local planning cannot afford to ignore the bigger picture.