



CROSS-BORDER ECONOMIC RENEWAL

Rethinking Regional Policy in Ireland

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Oral Evidence presented by Dr John Bradley

I am very pleased to be invited to discuss our report with this Committee. Let me first stress that our report, "Cross-Border Economic Renewal: Rethinking Regional Policy in Ireland" was commissioned by the Centre for Cross-Border Studies and was supported during 2010 and 2011 by the Special EU Programme Body (SEUPB) under the EU INTERREG programme. It was published in March, 2012. None of the above institutions is in any way responsible for the content of the report. That responsibility rests solely with its two authors: Professor Michael Best of the University of Massachusetts at Lowell and myself. The full report is available on the CCBS web site (<http://www.crossborder.ie/pubs/2012-economic-report.pdf>).

By way of placing our report in the context of economic development within Northern Ireland, may I draw the Committee's attention to statements from PWC, issued very recently (March 14th) when it became known that London's decision on the issue of a low rate of corporation tax for Northern Ireland was to be deferred to the aftermath of the 2014 Scottish referendum. The writer, Dr Esmond Birnie – a former member of this Assembly – said:

*"Northern Ireland is gradually slipping behind the rest of the UK in just about every measure of employment, growth and productivity and **there is no obvious solution that will arrest this slide**" (emphasis added).¹*

It seems that there are three strategic policy choices open to policy makers in Northern Ireland. First, presume with Dr Birnie that there is no obvious solution and so do nothing. Second, presume that London will eventually say yes to Northern Ireland's corporation tax request and do nothing other than continue to press for that to happen. Or third, to start searching out other options by looking deeply into the as yet unrecognised and unrealised potential of the Northern Ireland enterprise sector and to acknowledge that while Ireland as a whole is an island, Northern Ireland is not.

The overall theme of our research was the apparently narrow one of reviving the border region economy in a new era of devolved government. However, this vantage point served two broader purposes. It permitted us to examine aspects of the more peripheral sub-regions of Northern

¹ <http://pwc.blogs.com/northern-ireland/2013/03/northern-ireland-slipping-behind-the-rest-of-the-uk-pwc.html>

Ireland and the Republic of Ireland, on the one hand, and simultaneously permitted us to explore cross-border linkages and synergies between North and South, on the other hand.

The challenge of designing internal regional policies in any state is made more complicated by the presence of geographical features or international borders which, by their very nature, introduce additional barriers that serve to impede the normal operation of markets within and between regions. In the post-*Belfast Agreement* era of peace and devolved government in Northern Ireland, and in the context of a range of functioning cross-border institutions, the cross-border area in the island of Ireland has now begun to resemble more closely other “normal” cross-border regions of the EU.

This onset of normality has brought considerable benefits and has been accompanied by a growth of interest in the economy of the immediate cross-border region and its performance relative to other, more central, regions of the entire island. We wanted to study whether the Irish cross-border region still faced any development challenges that were more serious than those experienced by more centralised regions, or regions more closely linked to spillover benefits from dynamic activities in larger, urbanised centres of population on the island. The study ranged across all relevant issues, including national policy making, enterprise strategy, cross-border commerce, tourism, and global economic influences.

I should stress that our research is entirely complementary to the work of Mr Michael D’Arcy, who has already spoken to this committee about his seminal report on *Delivering a Prosperity Process: Opportunities in North/South Public Service Provision*. Mr D’Arcy’s perspective was mainly that of the public sector. Ours is mainly that of the world as seen from the perspective of the private or enterprise sector.

I have come to believe that there are essentially two parts to all big challenges like cross-border renewal or the efficient functioning of the economy of the island of Ireland. The first part is to try to understand what is actually going on. The second part is to try to come up with smart ways of improving what is going on if it needs change. In an ideal world you would have to complete the first part before you embark on the second. But that almost never happens, since finding out what is actually going on is either too difficult or too divisive, or usually both at the same time.

There is usually an impatient desire to push ahead quickly to policy prescription, often with an incomplete or even flawed understanding as to what exactly is the problem. The admission that previous policies have failed to deliver desired goals is never a comfortable situation to be in. The open and frank discussion of the roots of failure is even less comforting. I recall the humorous aside made by the late Sir George Quigley in his seminal Sir Charles Carter Lecture in 1992 when he told of the wife of the cannon of Worcester Cathedral who asked her husband: “Are we really descended from the apes?”, and the cannon replied: “My dear, we will hope it is not true, but let us pray that, if it is, it may not become generally known”.²

Our project set out to try to understand what made the border region economy distinctive and how it might overcome its three disadvantages: peripherality, rural demographics and its location on a policy fault line. We first explored the wider context of the border economy, where international

² *Northern Ireland: A Decade for Decision*, Annual Sir Charles Carter Lecture, Northern Ireland Economic Council, 25 February, 1992.

and island issues heavily condition outcomes and prospects for the region. We then tried to use official data to examine the characteristics of the border region economy from the outside and uncovered just how neglectful Belfast and Dublin have been in gathering regional facts or in evolving much by way of useful regional strategic thinking.

It was not until we moved to the local level of individual enterprises and people that we began to understand how small, innovative firms can start up, survive and thrive in the border region; the methods that these entrepreneurs use to grow their businesses; and how they often manage to turn what initially looked like border-related disadvantages into gateways to opportunities.

We gradually came to realise that the public rhetoric on this island has come to be dominated by the view that industrial and wider business strategy is the responsibility of central government and state agencies. Yet even with active public policy making, the indigenous enterprise sector in Ireland finds it difficult to mobilise itself in the way of many successful European regions and this difficulty also dominates thinking in the border region.

This is very serious because it is what goes on inside firms that really matters, in terms of new firm creation, survival, growth, diversification, partnering and internationalisation. The main realisation that emerged gradually from our work was that we actually understand much less of these processes here in Ireland than we confidently believe.

I confess that the study prepared by Professor Best and myself is more focused on “what-is-going-on” questions than on “how-to-fix-things” proposals. This coloured our project, which had multiple aims, some of which only emerged after we started to work!

- i. We wanted to take a fresh look at the Border Region Economy, standing outside the perspectives of national bodies like the IDA, Enterprise Ireland and Invest Northern Ireland; regional bodies like Country Development Boards; and all-island bodies like InterTradeIreland.
- ii. We wanted to examine how the presence of the border affected economic activity in regions close to the border, but in a wider context where key policy decisions were always going to be taken at national levels, in Dublin, Belfast, London and Brussels.
- iii. Our first port of call was “official” regional data sources, which would be a measure of how much thought national bodies gave to the border region.
- iv. And finally, where “official” data sources were scarce or missing, we wanted to do our research in the best traditions of good business leaders, i.e., by walking about, observing, asking pertinent questions, listening to the answers and reflecting on their implications.

In a study as ambitious and wide-ranging as ours, there is a danger that one becomes lost in the detail. But one needs to cut through this complexity and try to identify what were the main findings of the research that we considered most relevant, most surprising or even most shocking.

Without any doubt, the most shocking finding was the dawning understanding of the fragmented and disorganised way regional policy is carried out on this island, both within and between North and South. Until this problem is addressed, there is little hope for the emergence of effective development policies in the border region.

Of course, this kind of negative finding calls for some justification. How were we driven to it?

- 1) Starting at the most basic level, we found that official data describing how regional economies function were barely adequate in the South, but almost entirely absent in the North. Regional policy was being made in a thick fog;
- 2) At the regional level, the individual County Councils and District Councils struggled to implement vague regional strategies handed down from the national level, with woefully inadequate financial and human resources;
- 3) At the national level, it was difficult to identify exactly what were the main features and modalities of regional policy. It did not come as any great surprise to us when all pretence that there was a spatial strategy guiding regional development policy in Ireland was formally abandoned in February of this year.
- 4) With respect to cross-border co-operation, there was only very limited real co-operation between state agencies on either side of the border. At the level of deep strategy, the agencies were competitors and the resulting competition had many of the characteristics of a negative sum game (i.e., a process from which all participants were likely to emerge less well off than they were at the start).
- 5) We came first to InterTradeIreland thinking that it was a cross-border body, in the sense of being focused on the border region economy. Quickly we discovered that its remit was all-island, and it functioned very effectively in bridging the border with smart, focused, modestly funded collaborative projects that were targeted at small and medium-sized enterprises. However, it appeared to be skirmishing in the flanks of the big national battalions, with limited power to determine outcomes;
- 6) The main driving force of development North and South, foreign direct investment in manufacturing and internationally traded services, simply did not function well in more peripheral areas like the NW region of the island;
- 7) Perhaps most surprising was that we found many excellent small firms in the border region who appeared to thrive in spite of the official agencies, rather than because of them, but there were no organised ways in which local centres of excellence could be facilitated to grow up around these enterprises;
- 8) On tourism, a crucial sector with a self-evident all island dimension, we were surprised to learn that this was not a N-S Implementation Body. Although there was a high degree of marketing co-operation, neither region featured seriously in the strategic thinking of the other, except in terms of a source of demand for tourism services.

We had started our research on the cross-border region with the belief that this region was probably uniquely disadvantaged by the presence of the border. Only gradually did we realise that this view was both flawed and misleading. However you define it, the cross-border region constitutes a rather large proportion of the entire island that lies mainly outside the two largest, east coast, metropolitan city regions of Belfast and Dublin.

A development policy that is focused on attracting inward investment through low rates of corporation tax – the actual strategy in the South and the desired strategy in the North – is doomed to bypass many peripheral sub-regions in both jurisdictions. But the policy initiatives that would build on the isolated islands of enterprise excellence that we found in our work are far more challenging and complex. What we found was that very little effective effort was being directed at this objective. One should be asking deeper, more searching questions. For example:

- i. Can InterTradelreland evolve into a flexible interface between the Northern and Southern development agencies, serving to maximize the adoption of mutually beneficial cross-border co-operation in the area of stimulating the growth of indigenous SMEs in peripheral sub-regions of the island? Or will InterTradelreland be doomed to remain a substitute for a higher level of N-S co-operation that will be forever beyond our desires or capabilities?
- ii. How do the present relatively N-S functions fit into an increasingly complex, wider, and much more important East-West context? Scotland will hold a referendum on independence next year, and irrespective of the outcome, there is likely to be a movement towards greater regional autonomy for the UK's devolved regional administrations. Northern Ireland is actively seeking greater fiscal autonomy in order to compete on a more level playing field with Ireland to attract inward investment. Perhaps the time is now right to bring Strand 2 and 3 thinking more to centre stage?
- iii. How should the N-S institutions evolve? To a very large degree, N-S co-operation was inspired and driven by social and political goals of peace and reconciliation, while East-West relations are influenced more by business and economic goals that are much more important for Ireland today. As conditions are normalised on the island, the N-S bodies will either have to evolve, or they will become increasingly irrelevant to the massive task of economic regeneration, both North and South. That is what attracted us to the notion of a Cross-Border Economic Development Zone, first proposed by former IDA CEO, Padraic White. This had at its core an organising framework made up of existing bodies, but with a remit to break out of the narrow, cautious and inward-looking form of co-operation that has characterised the past.

The existing cross-border institutions and bodies were formed at a specific point in history, now fifteen years ago. But just as the European Coal and Steel Community of the early 1950s evolved into the European Union of today, the N-S bodies need to evolve similarly. If there is no political will to facilitate such a logical and necessary evolution, then the N-S institutions will risk becoming increasingly isolated from the needs of the peoples of this island.

There are two paradigms for the future of the border region economy and the wider sub-regional economies of both jurisdictions. One leads in the direction of dependency through compensation for perceived threats and weaknesses. It is pushed by state agencies and creates a comfort zone for regional actors. The other seeks to identify existing strengths and opportunities and to shape distinctive regional development strategies that require much greater local inputs and makes greater calls on local imagination and implementation.

Our project led us to think about regional development in the cross-border area – and elsewhere on the island – in some new and exciting ways. However, we have become accustomed to expecting such work to produce a long list of worthy projects for which an already overstretched government would be expected to pay. So we make no apology for the absence of such a list from our work. A better way to look at regional development is to ask the following question: “If there appear to be so many worthy projects lying around waiting to be executed, what is stopping them?” In other words, we need to understand better what is, rather than dream ineffectively about what we would like to be.

In a previous era in 1919, after the Great War, John Maynard Keynes wrote the following:

“The events of the coming years will not be shaped by the deliberate acts of statesmen, but by the hidden currents, flowing continually beneath the surface of political history, of which no one can predict the outcome. In one way only can we influence these hidden currents – by setting in motion those forces of instruction and imagination which change opinion”.

Professor Best and I changed our opinions of the border region economy as our work illuminated just a few of these hidden currents. We hope that our report will be an input into a wider review of the future of the border region economy which may be peripheral to thinking in Dublin and Belfast, but is at the very centre of our island economy.

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