G8 Economics

The Northern Ireland experience

Introduction

County Fermanagh, Northern Ireland is an ideal location for the 2013 G8, which will bring together heads of state from some of the world’s richest countries. Portrayed as a tranquil and romantic region, the lake-studded county is described by Discover Ireland as one of “Northern Ireland’s best-kept secrets.”

And so it is. But the secret that County Fermanagh (and indeed the whole of Northern Ireland) is keeping is not an aesthetic one — it’s an economic one. Northern Ireland has swallowed the G8’s economic ‘medicine’ for post-conflict regions hook, line and sinker, believing the line that it would bring peace and economic prosperity for all. It seems there was little need for the usual “political machinations required to force unsavory economic policies on resisting countries” as described by Joseph Stiglitz, former Chief Economist at the World Bank. All five main political parties signed up, in a bid to emulate the neighbouring (but now struggling) ‘Celtic Tiger’, the Republic of Ireland.

Economic policies are thus focused on using scarce public funds to attract foreign direct investment — especially in the notorious finance, investment, and real estate (FIRE) sectors — and slashing public spending at all costs. These include:

- the transfer of public resources into private hands, including reliance on ‘Private Finance Initiatives,’ as a means of creating or updating infrastructure such as schools and hospitals, which are to be established and operated by the private sector.¹
- a programme of significant financial inducements for corporations, including tax cuts and subsidies, to attract foreign investors and investment;
- relaxation of environmental and other regulations that are thought to impede corporate activity.

Private Finance Initiatives (PFIs)

The ongoing PFI debacle is perhaps the clearest example of how misconceived, illogical and expensive the whole ‘development at any cost’ agenda really is. The use of PFIs has been likened to putting one’s mortgage on a credit card\(^3\) - Northern Ireland’s 37 PFI contracts have a total value of just over £1 billion, but the cost to the taxpayer will be about ten times this amount\(^4\). This includes a bill for £132 million for Invest NI’s new headquarters (which cost £25 million to build).

Attracting foreign investment

Invest NI’s focus on attracting foreign investment has also been highly questionable\(^5\). It has spent £1.5 billion ‘promoting’ jobs, the majority of which have been low quality jobs in call centres. Furthermore, its total spend has been £58.200 per job created, and an average of £2 million has been offered to each inward investment project. Perhaps these figures would be acceptable if they had actually delivered the promised prosperity. But they have not. Furthermore, sectarian tensions are still simmering away just below – and recently just above – the surface; and poverty and inequality remain endemic. In 2012, for example, when compared to other UK regions,\(^6\) Northern Ireland had:

- the lowest rate of employment
- the lowest proportion of households deriving income from wages and salaries
- the second lowest score for average annual earnings
- the second fewest high earners
- the second highest claimant count\(^7\)
- the highest proportion of households with no bank accounts, and
- youth unemployment at 23.8%  
- *but* — a higher proportion of multi-millionaires than any other UK city except London and oil-rich Aberdeen.

It also had a huge gap in life expectancy between the most and least deprived areas — 11.6 years. In addition, 44% of households are suffering fuel poverty, three times as many as in England.

Critically, the proposal to cut Northern Ireland’s corporation tax rate from 24% to 12.5% (the headline rate in the Republic of Ireland) is not likely to remedy this situation. Research shows that unless Northern Ireland’s economy can expand by a third and grow faster than China’s, a corporation tax cut will reduce the funds paid into the public coffers, rather than increase them\(^8\). In other words the taxpayer will be subsidising incoming corporations and there will be even less money available for public spending than there is now. Furthermore,

\(^1\) PFI: the conjuring trick exposed, Tom Clark, The Guardian, 21 August 2011,
\(^5\) This is the 34\(^{th}\) consecutive month that Northern Ireland has had the highest or second highest rate on this measure.
\(^6\) Corporation tax in Northern Ireland: the policy debate, 14 March 2013, Andrew Baker and Richard Murphy, Sheffield Political Economy Research Institute, http://speri.dept.shef.ac.uk/2013/03/14/corporation-tax-northern-ireland-policy-debate/
a reduced corporation tax rate would create a tax haven within the UK, despite Cameron’s G8 protestations that he plans to put an end to tax havens elsewhere.

**Relaxation of environmental and other regulations**

Northern Ireland’s cultural and natural heritage is also being sacrificed in the political scramble to attract foreign investment. The region is currently characterised by the rapid and seemingly out-of-control development of commercial, tourism and transport infrastructure; a fossilised energy policy that prioritises the needs of the energy industry even while it neglects climate change; and a weak approach to enforcement allowing illegal mining, huge illegal landfill sites, burgeoning cross-border waste crime, and persistent pollution from sewage, industry and agriculture.

Economic interests are even being prioritised by those officials charged with responsibility for Northern Ireland’s environment and social development. For example, the Department of the Environment has supported plans for a world-class golf resort, incorporating a 120-bed hotel, spa and 75 lodges, just 550 metres from the boundary of the Giant’s Causeway World Heritage site in County Antrim — even though UNESCO has protested and requested that the project be halted.

In the same vein Social Development Minister Nelson McCausland recently rejected the widely supported Green New Deal, which was designed to encourage low-carbon housing, tackle fuel poverty and create jobs. McCausland claimed that ‘the economists’ assessment of the business case meant his decision was made for him — in spite of the fact that the Confederation of British Industry was firmly behind the Green New Deal.

Minister of Enterprise, Trade and Investment, Arlene Foster, has also championed plans to roll out risky shale gas ‘fracking’ operations, in Fermanagh and elsewhere in Northern Ireland, even though fracking is highly controversial. Foster has also been central to the DUP’s staunch opposition to the establishment of an apolitical independent regulator in Northern Ireland, effectively condoning continued political interference in Northern Ireland’s environmental policy-making and enforcement. This situation is compounded by the fact that there is no transparency concerning who funds Northern Ireland’s political parties.

G8 policies are also being embraced enthusiastically by farming leaders and food processing businesses. However, although the export focus being pursued by the Department of Agriculture and Rural Development and the Ulster Farmer’s Union may improve the bottom line for a few large farmers and processes, it is also likely to leave the majority of Northern Ireland’s small family farms behind. The absurdity of exporting 70% of Northern Ireland’s food and drink, whilst importing the majority of foodstuffs will inevitably contribute to land grabs in developing countries. Land grabbing is a major obstacle to food security and development: estimates suggest that since 2009, between 80 and 200 million

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hectares of large scale land acquisition deals were struck, displacing thousands of local communities.\textsuperscript{11}

**Power sharing or duopoly?**

Finally, it has to be acknowledged that the carefully constructed power-sharing process is also contributing to this panoply of problems. The current political model includes numerous rules designed to ensure that power is shared, especially between the DUP and Sinn Fein. An unfortunate consequence is that the DUP and Sinn Fein have a duopoly of power, with decision-making processes becoming increasingly inscrutable. In addition Ministers can find it exceedingly hard to make any political headway without cross-party support; and dissenting Members of the Legislative Assembly (MLAs) find it virtually impossible to influence the Northern Ireland Executive’s agenda. For example, even though the Assembly voted for a moratorium on fracking\textsuperscript{12}, Minister Foster insists that shale gas production could be a replacement for importing fossil fuels.

Even more shockingly, an irreplaceable archaeological treasure trove, the Drumclay Crannog, has been demolished to make way for a 2.1 km link road in Enniskillen, costing £5.45 million\textsuperscript{13}. This has been constructed specifically with the convenience of G8 summiteers in mind.

All in all, there is clearly a systemic failure unfolding in Northern Ireland, in which corporate welfare is being prioritised over and above the needs of its people and the environment. This is symbolised by the way in which economic interests will be prioritised in the 2013 Planning Bill, This Bill is intended to make sure that economic considerations prevail. Instead of ensuring that planning decisions consider economic, social and environmental issues in a balanced way, taking into account local impacts, it requires the Department of the Environment (DoE), the Planning Appeals Commission, and ultimately the new local authorities,\textsuperscript{14} to place additional weight on national economic development. It would also open the doors to developers promising jobs and other economic benefits, even if these are not ultimately fulfilled.\textsuperscript{15, 16}

Furthermore, the fragile peace that exists may not last: research shows that the initial impression that peace has been achieved in a region can dissolve into renewed violence, even when a national economy is growing, once it becomes obvious that the benefits are not ‘trickling down’ to everyone\textsuperscript{17}.

\textsuperscript{11} Several institutions have reported on size and impacts including the World Bank, the NGO GRAIN, the International Land Coalition (ILC), the International Food Policy Research Institute (IFPRI), Land Matrix and Oxfam International.

\textsuperscript{12} Gas fracking is put on hold by Northern Ireland Assembly, Belfast Telegraph, 7 December 2011, www.belfasttelegraph.co.uk/news/local-national/northern-ireland/gas-fracking-is-put-on-hold-by-northern-ireland-assembly-28689729.html


\textsuperscript{14} There are plans to reduce the number of councils to 11.

\textsuperscript{15} The NI Planning Bill 2013: A goldmine for lawyers, a field day for objectors, and a mess for the rest of us?, 1 February 2013, http://sluggerotoole.com/2013/02/01/the-ni-planning-bill-2013-a-goldmine-for-lawyers-a-field-day-for-objectors-and-a-mess-for-the-rest-of-us/

\textsuperscript{16} For a detailed explanation of Friends of the Earth’s objections to the 2013 Planning Bill please see: http://www.foe.co.uk/resource/consultation_responses/ni_planning_bill_2013_response.pdf

\textsuperscript{17} For example see Nostrum or Palliative: Contesting the Capitalist Peace in Violently Divided Societies, John Nagle, Civil Wars, Taylor & Francis online, Volume 12, Issue 3, 2010, www.tandfonline.com/doi/abs/10.1080/13698249.2010.509556
There are alternatives

From an economic perspective, policies intended to bring about peace should be focused on local production for local needs, reducing poverty and inequality, and building resilience to food, fuel and climate shocks. Developing a low carbon future is also essential, and Northern Ireland could drive this forward in its construction, engineering and agricultural sectors in particular. The Green New Deal is another important solution to the triple crunch of recession, unstable fuel prices and climate change. Effective planning and environmental enforcement processes are also critical to healthier, happier societies.

Ultimately, however, people need the space to create solutions that are tailor-made by and for Northern Ireland, rather than imported from Washington and London via the G8. It's time for a new political and civic landscape, with sustainable development in Northern Ireland at the core. This will involve articulating a fresh relationship between people and the environment, holding the government to account on its sustainable development performance, and creating a new and shared narrative about Northern Ireland's cultural, social and ecological renewal.

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