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FROM: M T H MAXWELL
AS CENT SEC

DATE: 13 FEBRUARY 1995

cc PS/Secretary of State (B&L) - B
PS/Sir John Wheeler (DFP,B&L) - B
PS/Baroness Denton (DED,DANI,&L) - B
PS/Mr Moss (DOE,DHSS&L) - B
PS/PUS (B&L) - B
PS/Mr Fell - B
Mr Thomas - B
Mr Legge - B
NI Permanent Secretaries
Mr Watkins - B
Mr Steele - B
Mr Bell - B
Mr Williams - B
Mr Wood (B&L) - B
Mrs Devlin



Mrs Kenny
Could be useful.
LD 14/2



TO: PS/MICHAEL ANCRAM (DENI,B&L) - B

PEACE DIVIDEND SPEECH

1. I attach a copy of a speech which we prepared in Central Secretariat for a seminar on the peace dividend organised by INCORE (Joint International Programme on Conflict Resolution and Ethnicity).
2. Although the speech was prepared for a specific audience it contains several "good news" nuggets which Ministers may be able to use in forthcoming speeches.
3. PS/Secretary of State may also wish to consider whether the speech would be of interest to Rod Lyne at No 10.

(Signed: MTHM)

M T H MAXWELL

JG.15556

INCORE PEACE DIVIDEND WORKSHOP

OPPORTUNITIES OF THE PEACE PROCESS: A GOVERNMENT PERSPECTIVE

1. I very much welcome the opportunity to address this INCORE workshop on the so-called "Peace Dividend". The opportunities of the peace which have arisen as a result of the IRA and Loyalist ceasefires is an extremely important, and topical, subject, and INCORE are to be congratulated on their initiative in setting up this seminar. I was also extremely interested to hear from Mr Eren and Mr Morkel of the experiences of Israel and South Africa for, although circumstances may differ, I expect that there is much that we can learn from the experiences of others. And I look forward too to hearing the contributions from the speakers this afternoon.
2. It is also significant that this is the second conference on the Peace Dividend to be held this week, the first having been organised by the Northern Ireland Economic Council. The fact that the subject of the "Peace Dividend" is so much to the fore in the media, and at conferences and seminars such as this, testifies to the interest of people, both here and overseas, in what the future holds for Northern Ireland in the wake of the ceasefires.
3. But what does that future hold? Our minds are very much focused on the dividends of peace. What benefits will we reap from it, how will the quality of our lives improve, etc? Far be it for me to dampen these hopes and aspirations but could I suggest that we still have a long and difficult road to travel, in some ways, the most difficult part of the road. If you will forgive the analogy, it is like eating in a restaurant. We have tasted and enjoyed the starter; we are looking forward to the main course; and, ooh! but the dessert offers untold wonders. The

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only problem is the ingredients for the main course; have we got them all? How will they blend together? Will they taste all right? Will everyone enjoy the meal? And who's cooking it anyway?

4. As with any recipe there are certain key ingredients and, dare I say, as far as the peace process is concerned, perhaps the most important ingredient is the political situation and how this develops. But we must not lose sight of the fact that, although the Government is working on the assumption that peace will be permanent, there remain arms and explosives in the hands of people who have used them to terrible effect in the past and, God forbid, could use them again. We are anxious to see a return to normal policing as soon as that can safely be achieved and indeed we have witnessed changes in recent weeks, changes which would have been undreamt of this time last year. The appropriate level and form of security therefore remains an important ingredient, amongst many others.
5. But before exploring the nature, or substance of any peace, let me first reflect on some of the events which have taken place over the past 6 months which have brought us to the point where we can actually begin to feel "the peace".
6. There is no doubt that this is a time of unparalleled and unprecedented opportunity in Northern Ireland. Who could have imagined that one year ago the truly momentous developments which have taken place. We seemed to be still trapped in violence. At that time I recall that the media were preparing themselves to launch a plethora of articles, reports and programmes marking the 25th anniversary of the arrival of British troops on the streets of Northern Ireland in August 1969. The long war continued, and most people wondered for how much longer, not expecting substantial changes.

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7. But look at the changes which have taken place since then:

- for 163 consecutive days an IRA ceasefire, which the Government considers for working purposes to be permanent, has held;
- for 151 consecutive days there has been a similar ceasefire by the Loyalist paramilitaries;
- British officials are in political dialogue with Sinn Fein and Loyalist parties to explore the practical consequences of the peace, and to see how they can be involved in an inclusive political talks process;
- there is now considerable international goodwill towards Northern Ireland which is likely to translate into investment and assistance of various sorts. I will return to this later;
- funding is gradually being diverted away from security areas - such as the payment of compensation for bomb damage - towards much needed economic and social programmes in the more disadvantaged areas;
- a reduction in visible security presence on the streets of Belfast and in most other parts of the Province has served to create a greater air of normality in the country; and
- the British and Irish Governments are, I believe, close to finalising, as the Tanaiste said in the Dail on Tuesday, "Some creative thinking about avenues which the parties might explore" - avenues to a comprehensive political accommodation which is the essential basis for the sustenance of a permanent peace.

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The pace of developments over the past 6 months has indeed been astounding.

8. The ending of violence has already brought in its wake some short term and welcome economic benefits. For example:

- last month's unemployment figures showed that unemployment in Northern Ireland is now at a 13-year low, having fallen by 7,900 on a seasonally adjusted basis between December 1993 and December 1994;
- conversely, employment is at an all time high;
- Northern Ireland tourism enquiries are up by 300% and the number of tourist arrivals has risen by over 90% since the IRA ceasefire;
- the percentage of Northern Ireland exporters reporting increased orders rose by 75% in the last quarter;
- according to the most recent economic surveys (including the January Coopers and Lybrand review) there is a very high level of business confidence in the economy, and a high level of optimism about the impact of the ceasefire on the local economy;
- in the year ended November 1994 IDB landed 7 new investment projects estimated at over £250 million and up to 1624 jobs;
- at the December International Investment Forum the IDB announced an additional £74 million of investment, and are now pursuing 20 new leads;

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- the US and European Union announced significant aid packages to support the peace process in Northern Ireland; and
 - the latest report on the Belfast retail market by the Valuation and Lands Agency and the University of Ulster revealed that the "peace dividend" had not only brought people back to go to shops but has also boosted the value of city centre shop development after a static two years.
9. This spate of economic "good news" has also been supported by a recent Ulster Marketing Services survey about the mood of the people. This survey, which was published last week, showed that Northern Ireland people were much more confident about the prospects for themselves and for Northern Ireland generally in 1995 than in either of the two previous years, and that despite genuine fears that the current ceasefires might not in the event turn out to be permanent, there was a very positive outlook and atmosphere in the community. The survey reported a definite "feelgood factor" within Northern Ireland with confidence being lifted by the growing prospects of inter-party talks.
10. It would, of course, be misleading to attribute all of the recent positive economic developments to the peace process. In many ways the Northern Ireland economy, despite the violence, is much stronger than it was 25 years ago. It is an economy which has weathered the recent recession much better than the UK economy and better than most of the GB regions. We have a much more developed and modern communications system - internal and external - and a first class Telecommunications structure. We have excellent universities; sophisticated and well regulated financial institutions; several world-class indigenous companies; and a very considerable investment by foreign companies. This is indeed an economy which had many substantial economic assets even before the ceasefires.

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11. That is not, of course, to deny that we still do have economic problems. Unemployment, while it is continuing to fall, is still at high levels, and in particular we have an unacceptably high proportion of long term unemployment, disproportionately borne by males of the minority community. Our manufacturing sector is still relatively small compared with other parts of the UK, and our public sector is therefore too large by comparison. Our technological base is perhaps less well advanced than it should be. And while we would all pride ourselves on the Northern Ireland educational system, we still have too many people coming out of schools with no educational qualifications whatsoever. Everything is not rosy; equally everything is not disastrous.
12. Into this general scenario has entered the peace process. More than anything else the cessation of violence has captured the imagination of the local communities, and perhaps even more so the world at large. But can this peace process translate into a positive Peace Dividend. Is the dividend of which so many speak a reality or simply a myth?
13. Before answering that question it is necessary to be more precise about what is meant by "peace dividend", a term which is often used loosely. I understand it to cover three distinct aspects of the economic consequences of the peace, to borrow a phrase from Keynes.
14. First, a permanent end to terrorism will inevitably carry implications for Government expenditure plans. For some years, Law and Order has been the first Government expenditure priority, followed by Strengthening the Economy and Targeting Social Need. But the scope for redistribution of expenditure following the ceasefires may not be as great as some people assume. For instance, it must be remembered that military expenditure falls under the MOD, rather than the Northern

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Ireland block. Some savings, such as in compensation payments and RUC overtime, have already been identified, amounting to some £60m a year so far, and provided some welcome flexibility in the Government's future expenditure plans, which were announced last December. Permanent peace would, I expect, entail changes in the Government's three expenditure priorities with economic and social expenditure achieving even greater prominence. But further substantial savings in the law and order budget will also entail the loss of jobs in a range of security-related activities. That translates into both an economic and a political problem of some intensity. The experience of others may well be particularly valuable here. But public expenditure in Northern Ireland is also subject to the same macro-economic pressures as that throughout the United Kingdom. In the longer term, it may become increasingly difficult to make the argument to the Treasury that Northern Ireland is a special case, as it self evidently was during the years of the Troubles, especially as our expenditure per capita is so far above the UK average, even without security expenditure. It is therefore reassuring that the Prime Minister has said "I can assure you that the Government will take full account of Northern Ireland's special needs in setting future levels of public spending in the Province".

15. The second aspect of the "Peace Dividend" is the increased level of financial assistance from the European Union and, through the International Fund for Ireland, from the United States Government (though both remain dwarfed by Treasury transfers of over £3bn a year). Both these initiatives seek to give practical assistance in embedding the peace and both build on existing assistance mechanisms. The European Union, particularly, has been keen, in considering how best to spend additional assistance, on taking the mind of as wide a range of actors in economic and social development as possible. And Ministers want communities which have suffered so much in the last 25 years both to benefit most from the package and to be

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closely involved in its implementation. That will be a challenge for all of us here. We look forward to the Commission's proposals in this regard and working with them to maximise local influence on the implementation of the package.

16. The US aid package announced by President Clinton on 1 November is rather different in nature from the European aid package, but nevertheless welcome for all that. Starting from the same point of wishing to support peace and reconciliation, the Americans have devised a set of proposals which are predominantly business and investment oriented. Thus, the US Secretary of Commerce, Ron Brown, visited the Belfast Investment Conference in December, and the Americans will hold their own White House Trade and Investment Conference in Washington in late May. The Americans are also anxious to develop linkages between the US and Northern Ireland in the areas of Science and Technology - a Science and Technology agreement was signed at the Belfast Conference - in business training programmes, in trade links, in business enterprise programmes for small and medium size firms and in other areas. We regard the extension of the American influence and interest in the Northern Ireland economy as challenging and welcome, and we expect that it will produce many fruitful results for local businessmen and for the local economy.
17. The third aspect of the "Peace Dividend", and the one on which our long term hopes must be focused, is economic regeneration. Sustained expenditure by the Government, and the generosity of international partners, will have only a short to medium term impact. In the long run, we need to turn the Northern Ireland economy into a success story. Peace will involve readjustment for many. The areas where growth is anticipated are well known. There are signs already of enhanced cross border economic activity, encouraged by many in the business sector and by organisations such as Co-operation North. There are good grounds for hoping for an expansion in the tourist industry,

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which plays such a large part in the economy of the Republic of Ireland. Currently the local tourism industry employs some 10,000 people and contributes between 1.5% to 2% of GDP, and some commentators have suggested that at least double that number of jobs could be created in the medium term. There are also reasonable grounds to expect that Northern Ireland will become a more attractive target for inward investment, once the hazards of violence and political instability have been taken out of the investment equation.

18. The Prime Minister's Investment Conference held in December, which came about as a direct result of the ceasefires, stimulated considerable interest in Northern Ireland as a potential investment location, and if peace is sustained there is a definite window of opportunity over the next year to build on the interest generated at that Conference. But the world, in investment terms, is a much larger place than it was in the 1960s. Northern Ireland will often be competing for inward investment with economies in Eastern Europe and Asia. That competition will force us to maximise our assets in terms of a skilled workforce and reliable infrastructure.
19. We need to promote competitive growth by exporting, and here the valuable work of the Irish and British Governments to promote the initiatives of the private sector in boosting long-neglected north/south trade should expand export opportunities, just as a renewed strengthening of our trading and industrial links with north-west England and south-west Scotland is seen as of growing importance. Though the challenges are daunting, successful economic regeneration is essential, if Northern Ireland is to play its full part as a region of 21st Century Europe. That implies an outward looking business sector and workforce, and a healthier balance between the public and private sectors in the economy. These are the characteristics of successful economies in other parts of Europe and they are the characteristics which we should strive to develop over time ourselves.

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20. Our future economic development must, however, be founded on an equitable basis. This was by no means always the case in our history. That is why fair employment has a high priority in Government policy, and why its review next year will be so important. Future prosperity should be a goal which all sections of the community can contribute towards, and share in, with hard work and skill appropriately rewarded.
21. The Government will also continue to be committed to the type of pro-active social policies which it has developed over recent years. Peace may not, in the short term, make an immediately dramatic impact on the levels of deprivation in Northern Ireland, nor on the concentration of need in particular communities and areas, though, for example, the EU package is designed to focus quickly on those areas. This points to a continuing requirement for a policy priority such as Targeting Social Need and for the type of area based initiatives, such as Making Belfast Work, through which it has found expression. We are continually refining our tools for identifying and targeting need. In 1994 new data on area deprivation was published and this will provide a knowledge base for all Departments. MBW has been the subject of extensive local consultation to enable it to become more responsive and more sharply focused. DHSS pro-active policy towards the voluntary sector launched almost 2 years ago, also has a major contribution to make in bringing into partnership with Government and, where possible, with the private sector a segment of NI society which has much vibrancy, originality and sheer vitality to offer.
22. Since the ceasefires, we have developed further our approach towards the appalling problem of long-term unemployment by announcing a new Community Work Programme on a pilot basis in several parts of Northern Ireland. Additional financial assistance from the EU and IFI will give greater impetus to all these social programmes, which are seen by our international partners as of key importance in reinforcing the peace.

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23. Another Government programme, unique to Northern Ireland, which has been developed in recent years is community relations - an area of life which will now become, I suggest, more rather than less important. Accordingly, since the ceasefires, the Government has demonstrated its continuing commitment by increasing the levels of expenditure on community relations in coming years. The PM last month announced an extension of the District Council community relations programme, for it is at local level that progress must be made. Government support for community development will also become more apparent, with access to European Union financial assistance for community infrastructure.
24. The contribution which the local political community can make to economic regeneration generally has also been recognised recently by the Prime Minister. District Councils will as a result of initiatives announced by the Prime Minister on 23 January be better placed to promote local economic regeneration, tourism and as I mentioned a moment ago better community relations. The Prime Minister also announced a more than doubling of the rate income that Councils can spend on economic development. This will also increase Councils' leverage on European Funds to boost their own contribution to local economic development.
25. I believe that social programmes, such as the ones I have just mentioned, have contributed in recent years to the evolution of thinking at the grass roots in both the Unionist and Nationalist communities which created the pre-conditions for peace. They have assisted the empowerment of local communities which had hitherto been marginalised from the political and economic life of Northern Ireland. They are, to borrow a phrase without her permission from Mari Fitzduff, 'pre-political' measures, but with a clear and healthy contribution to essential political development. Of course, there is a long way to go. But promising first steps have been taken.

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26. I believe that peace does create opportunities both for the Government and for local communities. For the Government, it affords an opportunity to become more responsive and to earn the trust and respect of all sections of our people. For local communities, it will give them the chance to develop their own responses to social and economic changes, and to develop a real stake in a society which, perhaps for the first time in 70 years, will belong to all those communities in a real sense.
27. But as well as opportunities, peace also creates risks and imposes responsibilities. In becoming more normalised, more like neighbouring societies, there is a danger of developing some of the ills of those societies. One of the paradoxical side-effects of the Troubles was in creating a sense of solidarity in many local communities. Peace may see that superseded by greater individualism, not necessarily a bad thing in itself. But individualistic societies have their own ills - materialism, divisions between generations and a lack of concern for their weaker members. Many fear a growth in crime, particularly drug-related offences. The experience of other major cities in the 1980s should hold a warning for Belfast and Derry.
28. So in addition to bringing opportunities, peace also brings challenges. For those managing the economy the challenge will be to use the new situation to assist in the transition to a peacetime, and hopefully stronger, economy, generating higher incomes which can sustain more local services distributed fairly and effectively, taking particular account of the areas of greatest need. For the local communities the challenge will be to retain what is best in our tradition of social solidarity, but without perpetuating communal divisions, and without obstructing economic and social development.

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29. February 1995 sees us in a position we could scarcely have hoped for 6 months ago. But it's not all plain sailing. We are now entering perhaps the most testing phase: the public reaction to the Joint Framework Document and the Strand I proposals when they are published in a few weeks time will be crucial. We have had a glimpse of what peace may be like, but let us be clear - we have not yet achieved a lasting peace. All we have experienced so far is a virtual absence of terrorist violence; but we cannot say how long that may be sustained. We will achieve a permanent peace only if it can be underpinned by a comprehensive political accommodation addressing all the relationships, and by social and economic reconstruction which will give all in Northern Ireland, without distinction of religion, national identity or social standing, a working sense of comfort and ownership of this society.
30. For some, a dividend is received as a bonus on an investment, something obtained without much, if any, effort on their part. This peace dividend is not of that sort: it is one which we will receive only if we all work together for it. The alternative, however, is unthinkable.

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