

Irish Mr. Newton
J. G. / Carmel
TR.

How does the DUP issues raised at the meeting 'stack-up' against the briefing we provided against the agenda they provided? Please advise.

FROM: PS WILKINSON
PS/MR INGRAM
11 NOVEMBER 1997

- 1. Mr Tompkinson / to see.
- 2. Mr ~~Donohoe~~ / PA
- 3. Mr ~~Duffy~~ / PA

① Meetings with Econ Spokesman
 ② 9nv to Minister fob
 ③ NIGC ~~to be~~ to be undertaken + placed on NIGC file
 17/11
 13/11/97

cc PS/Secretary of State (L&B)
 PS/Mr Ingram (L&DED)
 PS/Mr Worthington, T&EA
 Mr Loughran
 Mr Briant
 Mrs Heron

[Signature]
 13/11/97.

Mr McCune

MEETING WITH DEMOCRATIC UNIONIST PARTY (DUP): 10 NOVEMBER

The Minister was grateful for your briefing for his meeting with Robert Newton and St Clair McAllister from the DUP. The meeting took place on 10 November and had been arranged following a response from the DUP to Fiona McCoy's letter of 28 July, offering meetings to all of the political parties involved in the Talks.

2. The Minister opened the meeting saying that Welfare to Work was a priority for the Government: the Government was tackling unemployment and trying to ensure that the Northern Ireland resource base was sufficient for the economy's future. The Minister stressed the important part that Northern Ireland Growth Challenge (NIGC) had to play in this context and told the DUP representatives that he had met with NIGC the previous week. However, the Government was pursuing policies in Northern Ireland which were consistent with those pursued by the Government within the rest of the United Kingdom.

3. Newton asked for the Minister's assessment of NIGC. Mr Ingram said that the work being undertaken by NIGC was very important. Although to be fair to NIGC, it was "early days" for the organisation, but NIGC was trying to face up to the hard questions that needed to be answered by businesses in Northern Ireland. The Minister was encouraged by NIGC's activities and approach. McAllister said that he

Wilkinson

wished NIGC every success but he found it hard to monitor the results NIGC achieved. Nevertheless, its general approach made sense. McAllister, who chaired the Economic Committee at the Northern Ireland Forum, said that the Committee had passed a resolution calling for an integrated approach to the Northern Ireland economy; this was an attempt to tackle the "political deficit" in Northern Ireland.

4. Newton said that he thought there might not be an emphasis placed upon the New Deal by the Government at a "sufficiently high level". Newton urged the Minister to consider the problems faced by unemployed people who fell out of the categories included in the New Deal: older, skilled, unemployed people. Newton also said that many manufacturing companies were concerned about the excessive legislative employment burden imposed on them in Northern Ireland: having to monitor employment trends and also to settle discrimination complaints out of court were inhibiting growth in the Northern Ireland economy. The Minister said that fair employment legislation was not going to go away. This legislation helped HMG, for example, in arguing persuasively in the USA against the McBride Principles. However, the DUP must understand that there was a significant (2:1) imbalance between long-term unemployment amongst young Roman Catholics and Protestants respectively. Newton claimed that such figures created a perception of an imbalance but rejected the statistics given by the Minister. The Minister said that the statistics were the reality and highlighted the pressure upon the Government to respond positively to the SACHR Report. However, he said that the Government would take its time to analyse the Report before deciding upon its response: it was not merely going to implement en masse all of the 160 recommendations overnight. On the wider issue of regulation, the Government was looking at the Better Regulatory Initiative undertaken by the DTI.

5. Newton criticised the "bureaucratic" nature of the demarcation between IDB and LEDU: this inhibited companies from expanding when they grew from small to medium-sized companies as companies had to present their arguments for Government assistance separately to both organisations. The Minister said that both agencies were doing very difficult jobs in difficult circumstances. Although there was no question that they could improve upon their performance, there was still a question of how this could be best achieved. Nevertheless, both organisations must remain very sharply focused. Tradeable services was one area of significant priority in this context; the Government was alert to the importance of this sector and NIGC was also placing particular emphasis on it. Newton asked the Minister whether he found it strange that IDB did not have an office based in China? The Minister said that the best advice he had received from officials indicated that there were minimal outward investment opportunities available from China. Four Northern Ireland trade missions had visited China in the past, but had achieved few results. Thus, the long-term benefits of opening an IDB office were uncertain.

6. Newton said that the textile industry in Northern Ireland employed hundreds of thousands of people and contributed greatly to Northern Ireland's export earnings. However, the sector of the economy was very competitive and, in order to survive, companies had to develop higher added-value products. It was a cause of concern, therefore, that there was no longer a facility in Northern Ireland to help the companies by providing research and development advice. The Minister said that he had not heard criticisms expressed in this area before. Newton said that there had been a research and development facility in the past, which had been closed down. Newton believed that this had been a retrograde step for the textile industry. The Minister said that centres of research excellence, across all areas of research, had been developed, concentrating particular skills at them. However, the Minister did not believe that Northern Ireland necessarily needed its own centre of

excellence in the textile industry; companies needed only to be able link into the centre of excellence. It did not matter where the centre of excellence was located - only that it could be accessed by Northern Ireland companies. Newton said that he disagreed with the Minister: there needed to be a research and development facility for the textile industry located in Northern Ireland.

7. Newton said that, several years previously, IDB had mounted a TV campaign which exhorted Northern Ireland business to "come on and pick themselves up". The purpose of this campaign was to motivate the Northern Ireland business community to grow at a visual level and mitigated against the view that it was difficult for them to succeed in Northern Ireland. Perhaps the Minister could give thought to running a similar campaign in the future?

8. Newton said that there was criticism of the growth in the retail sector. Many of the jobs created, and announced in a high-profile way, were merely substituting for other jobs which had been lost; and many of the jobs created were part-time jobs - "pin money for housewives"! The Minister said that he was aware of such criticism and that he accepted the points about job displacement and the quality of the jobs created but the expansion of the retail sector was inevitable. The Minister said that he had met with companies - such as Tesco's - who were coming to Northern Ireland and he had established that, for example, Tesco's was not opposed to local sourcing of supply. But such firms must have access to quality products; it was therefore down to local firms to be innovative. The Government was, however, alert to local sourcing strategy issues.

9. Newton was critical of the Government's TSN policy which, he alleged, treated TSN areas more favourably than other areas which also had very high rates of unemployment. For example, he said that the area at the bottom of the Newtownards Road had levels of unemployment

around 25%; by any analysis, this area should be designated a TSN area - but it was not. As it was not "visible", being surrounded by more prosperous areas such as Cherry Valley, Stormont etc, it did not receive the economic benefits of policies which Government-designated TSN areas did. The Minister said that he and the other Ministers were looking at the nature and consequences of the TSN and PAFT policies pursued by Government. It was, however, more important that jobs came to Northern Ireland than the specific locations at which those jobs were located: the Government's aim was to help the establishment of quality jobs in Northern Ireland.

10. Newton was also supportive of the establishment of a Free Trade Area in East Belfast; and critical of: the lack of Government support which was given to tradeable services; the proposed North-South economic corridor (which would not have as many benefits as the promotion of greater East-West contacts); high interest rates; and planning delays caused by shortage of town planners (which consequently caused significant delays in company expansion).

11. Prior to closing the meeting, the Minister said that the Government was committed to encouraging increased competition in the energy market, principally through expansion of the gas supply and the construction of the Scottish interconnector. Newton said that, in general, the DUP would support competition in the generation of energy supply. The Minister also expressed the Government's commitment to training and re-training, which was a vital part of any successful economy. Mr Worthington was currently looking at this issue. Newton said that he would be concerned if the Government was merely committed to expanding the numbers of individuals offered training places.

The Minister said that the important thing was to ensure the quality of such training.

12. The meeting closed after about 1 hour on a friendly note.

PSW.

**PAUL WILKINSON
PS/MR INGRAM
Ext: 6498**

Wilkes

IDB (Greg Kane) is doing:

- Competitiveness of NI's incentives package
- Concordat re inward investment.



DM
29/10

6568087
29/10

Mr Templeton
29/10

29 October 1997

cc Mr Hamilton (see para 2(ii)
-do you wish to make any
contribution?)

To: Mr Gamble, SPU
Mr Kane, IDB
Mr Camplisson, T&EA

From: Irene McAllister
Central Management Branch

cc Mr T.
See attached (and X above)
DM
- I have e-sent.
DM
3/11.
copied 3/11 GH

MEETING WITH DEMOCRATIC UNIONIST PARTY (DUP) RE: ECONOMY ISSUES

1. Mr Ingram proposes to meet with representatives from the Democratic Unionist Party who have responded to a letter from the Minister's office offering meetings to all political parties involved in the Talks.
2. The DUP delegation will consist of Robin Newton and St Clair McAllister. Mr Newton has indicated that they wish to discuss a number of issues with the Minister and I should be grateful for briefing in the form of a line to take and short background note on these issues as follows:-
 - (i) Why Northern Ireland's greatest natural resource, its manpower, is not being fully utilised (T&EA - New Deal?);
 - (ii) Is Northern Ireland being given the best possible treatment in respect of regional development? (SPU/IDB); and
 - (iii) Why IDB do not have an office in China (IDB).
3. I should also be grateful for details on officials from IDB and T&EA who would be available to attend the meeting at 10.30-11.30am in Parliament Buildings on Monday 10 November in support of the Minister.
4. Please let me have your responses (by e-mail to mcallisi@groucho) by close of play on Friday 31 October.

Irene McAllister

IRENE McALLISTER



DEPARTMENT OF ECONOMIC DEVELOPMENT
An Equal Opportunities Organisation

EC COMMISSION'S REGIONAL AID GUIDELINES

Line to take (if pressed)

- The EC Commission is in the process of re-writing its guidelines on regional state aid, in consultation with Member States.
- The Government is in discussions with the Commission; it is too early to say what the outcome will be.

Background

The EC Commission wants to see a reduction in national State Aid, of which regional aid accounts for over 50%. It is therefore revising its guidelines on how to interpret Articles 92(3)(a) and (c) of the EC Treaty which permit different levels of assistance to economically disadvantaged regions. Proposals involve reducing aid ceilings generally and reducing the geographical areas eligible.

Currently, Northern Ireland is an Article 92(3)(a) region, which enables us to offer high levels of aid. However, our recent economic progress threatens that status, and through DTI we are pressing the Commission for the best arrangement available. The Commission has indicated willingness to consider a special status for Northern Ireland and other EU areas with political/terrorist difficulties, and discussions on this are continuing with the Commission.

The outcome of these discussions may well affect future reviews of Northern Ireland's status as an Objective 1 region for the development assistance which the EU itself provides to disadvantaged regions throughout the Union.

AMALGAMATION OF IDB AND LEDU

Line to Take (should DUP suggest merging IDB and LEDU)

- This is a perennial issue which has been examined often in the past. There will always be debate about the best institutional structures for delivering agreed objectives.
- The most recent thorough examination of the issue was in 1991 when the Department's overall structure and operational framework were reviewed.
- Both organisations have developed their own strong separate identities, with which the business community is well acquainted. The bodies each serve distinct business sectors; they have different client companies; and they have developed a depth of expertise in their respective operations.
- Above all, the existing arrangement works well, as the results of the agencies continue to demonstrate.

Donamalg.