

Northern Ireland's apparently satisfactory headline economic indicators mask serious underlying structural weaknesses. The economy is disproportionately reliant on high levels of public expenditure, with an unsophisticated private sector lacking critical mass to compensate for any reduction in public expenditure.

To move the current public sector dominated economy to one that is private sector sector-led requires a managed transition within a strategy that addresses the challenges facing Northern Ireland, in the context of both the UK and all-island economies.

Historic government strategies intended to stimulate private sector growth have been unsuccessful and indicators suggest current economic growth targets are not being met. However, solving the economic problems of Northern Ireland is a long-term process which cannot be planned and delivered without an active partnership between elected representatives, the business community and the social partners.

An economic strategy that provides jobs, skills, prosperity and the resources to eliminate deprivation and poverty is also essential to underpin Northern Ireland's existing political process. Without an economic strand, it will become increasingly difficult to secure wholehearted and enduring support for a political settlement in Northern Ireland.

Consequently, Northern Ireland must develop a radical new economic development strategy that is ambitious, flexible and challenging. This new strategy must be based on global best practice, challenging and stretching targets, the light hand of government and a tax and fiscal incentives regime that is compatible with EU policy.

As a first step to the development of such a strategy the political parties and Business Alliance believe it is essential to identify, define the fiscal environment, including tax regimes, that would best stimulate and sustain economic regeneration in Northern Ireland, specifically:

- increased levels of foreign direct investment (FDI);
- increasing levels of international competitiveness amongst indigenous businesses; *and*
- a dynamic and entrepreneurial small business sector.

A programme to identify and define this fiscal environment should be commissioned immediately and an economic steering group established to oversee its terms of reference and delivery.

The study should take account of international examples of dynamic business investment regions, including Ireland, and the role of fiscal incentives in facilitating FDI and indigenous investment and growth.

The study should examine the current structure of the Northern Ireland economy; specifically the areas of underperformance and disadvantage and the likely impact of international best practice on economic regeneration in Northern Ireland, in the context of the UK and all-island economies.