

dodging bullets

**a comparative case study of regional instability and devolution
in the basque country and northern ireland**

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INTRODUCTION

Significant ethnic and religious strife have long been present in both the Spanish Basque Country and Northern Ireland, creating unique challenges for both the central and regional governments charged with administering the two subnational regions. In an effort to quell such strife, both central governments have attempted to create devolved regional governments with significant policymaking capabilities. These attempts have come during periods of economic transition as heavy industry, traditionally vitally important to both regions, began a precipitous decline. The success of the industrial re-conversion of the two regions was thus tied to the economic policy, or lack thereof, made at the regional level. This paper will examine how each region approached the problem of political instability in the context of economic modernization, focusing on the causes and effects of devolution.

RESEARCH QUESTION

In order to effectively study such a vast topic, this paper will focus specifically on two main questions. Firstly, this paper will address the following question: “Does economic planning by a regional government positively affect economic performance?” In examining this question, this paper seeks to make a normative conclusion based primarily upon qualitative research within both regions.

Moving beyond the relatively simplistic first question, this paper also asks a second question of a much more descriptive nature: “What conditions allow devolution to lead to sustained policy-making in an unstable region?” This question seeks to understand how and why devolution is successful or unsuccessful. As Northern Ireland and the Basque Country have varying history and cultural factors while sharing a legacy

of prolonged identity conflicts, these regions make an excellent comparison for such a descriptive case study.

LITERATURE REVIEW

Economic development is often argued to be more successful when policy is made at the regional rather than the national level because it fosters greater administrative efficiency, creates stronger electoral incentives for politicians and encourages synergistic links between business, interest groups and government.

The principle of subsidiarity – that policy should be made and implemented at the most efficient level – implies that the greater familiarity of regional politicians with local economic conditions (economic history, geography, and socio-political state) causes regional economic planning to be more efficient. When given fiscal flexibility, these politicians can tailor budgetary allocations to the special needs of their regions in order to maximize economic growth.¹

While national politicians can ignore specific regional needs without serious political consequences, because a great percentage of the constituents of regional politicians are affected by all regional policy it is in their electoral interests to pay much greater attention to locals' policy preferences. As a result, local policymaking is often perceived as both more transparent and more accountable, thus bolstering public confidence in government policy and facilitating links between local government, business and other interest groups.

Synergistic ties in which “actions of public agencies facilitate forging of norms of trust and networks of civic engagement among ordinary citizens” are essential to successful economic development.² Regional politicians' greater availability often makes

for better relations with both local businesses and unions and so can help to facilitate business contracts. For regions in which citizens and local business severely distrust the national government, synergistic ties become essential: the belief that local politicians have the region's best interests at heart and will provide a stable economic environment creates business and investor confidence.

The wealth of literature lauding the efficiency of regional policymaking is, however, contradicted by a number of recent studies showing either a negative or a statistically insignificant correlation between regional economic planning and economic performance.³ It is possible that goods and services may be provided more cheaply at the national level because the state can make use of greater economies of scale in their provisions.⁴ Overlap between regional and national competencies can also cause bureaucratic inefficiency and public confusion,⁵ and because regional governments have only "soft budget constraints" they can overspend on potentially inefficient (but politically popular) programs.⁶

Regional or national political instability may also impede the proper functioning of a regional devolved government. If political parties are unwilling or unable to cooperate with each other in economic planning and cannot form strategic alliances to create majorities, effective governance may require the re-institution of national rule. Likewise, a region's economic hands may be tied if its government is not granted sufficient autonomy to implement their economic programs or if they are unable to fund these plans due to (often malignant) neglect in the national government's budgetary allocations.⁷

Unstable regions are particularly handicapped in fostering economic

development. Businesses are often leery of investing in areas where employees or property may be damaged. Unstable regions can also be late bloomers in infrastructural development,⁸ lessening their appeal in the eyes of foreign investors.⁹ When political unrest leads to regional terrorism, budgetary allocations are diverted from the promotion of economic development to security, defense and infrastructural repairs. These regions are also deprived of much of their tourism because of the inconveniences caused by damaged infrastructure as well as the natural reluctance of vacationers to travel in dangerous locales; such a 'damaging' image is hard to shed, even after conflict dies down.¹⁰ The regional economy is hurt even by its residents, who are more likely to either save their money or invest it elsewhere when the local economy is unstable. In addition, the local reaction to periods of relative stability could even be over-consumption because of public anticipation of future negative fluctuations in the political and economic situation, leading to potentially damaging trade imbalances.

Although the proper functioning of a regional devolved government is often impeded by this kind of social unrest, often only devolution can quell it. The national granting of increased regional autonomy often successfully decreases terrorism by lessening popular separatist sentiment and mollifying terrorist groups. However, foreign governments often object to devolution in response to regional terrorism, perceiving it as legitimating political terrorism by acceding to terrorist demands.¹¹

ARGUMENT

In light of the literature, it seems that the obvious argument to be examined is that increased regional decision-making does indeed benefit local economies. By the very nature of being close to the local economic problems, local governance allows for more

appropriate policy that should manifest itself in better regional economic performance.

The second important question that must be examined addresses the underlying conditions that influence the formation and quality of regional governance. This question is especially important in the cases of Northern Ireland and the Basque Country where each region is plagued by both political and social instability. Our goal is to assess the similarities and differences in each case to provide a better understanding of the underlying characteristics that lead to the successful devolution of policy-making to regional governments and the subsequent emergence of the principles in the first question – namely the creation of more regionally appropriate and successful economic policy.

In order to examine the facts of question 1 in both regions, we conducted interviews and historiographical analyses of the political economic situation to ascertain how regionally appropriate policies have been when made by devolved regional governments. We compared what we found both horizontally across the two regions, as well as longitudinally along the historical development within each region.

REGIONAL ECONOMIC POLICY IN THE BASQUE COUNTRY

In the Basque Country, one of the key factors that has influenced the economic growth and development is the region's tax policy. The Basque regional government has the power to set its own income and corporate tax rates independently from the central government in Madrid. While the income taxes in the Basque region are somewhat higher than the rest of Spain, the corporate taxes are 2.5% lower,¹² creating a welcoming environment in the Basque region for firms looking to invest in Spain.

The Basque government also has the discretion to distribute the revenue collected from taxes as it sees fit, after a negotiated quota goes to the central government.

Distributive power has played a huge role in the region's development as regional officials have a much clearer idea than those at the national level of where funding would be most efficient. The central government in Madrid has historically funded industries most important to the Spanish economy as a whole, such as the long struggling steel industry. The regional government, however, prioritized regionally significant industries like machine tool manufacturing.¹³

In the years since autonomy was granted to the region, the regional and provincial governments have directed funds at developing and modernizing the Basque Country in order to make it more attractive to potential investors. Urban planning projects have been a large part of that revitalization. The city of Bilbao, in the province of Bizkaia, is a case in point. Projects such as Ría 2000, Metropoli-30, and Puerta Abierta are partially funded and organized by the provincial and municipal governments and focus on the revitalization of the metropolitan area of Bilbao, with a specific goal of modernizing the area and making it compatible with and attractive to hi-tech industry. These projects focus on transforming old industrial or run-down areas in the city into environmentally clean cultural and economic centers while also working to improve the various means of public transportation, including the metro and bus systems, car parks, and the airport.

To further promote the Basque region as an economic powerhouse and to enhance its attractiveness to foreign investors, the regional and provincial governments have tried to shed the region's image of instability and violence. The placement of the Guggenheim museum in Bilbao exemplifies the efforts of the regional government to change this turbulent image into one of a modern cultural center, thus providing a boost to the region's formerly ailing tourist industry.

Another initiative aimed at modernization of the region is the creation of science parks and business incubators. The provincial governments within the region fund science parks that mostly focus on the creation of local SME's. The overarching goal of these parks is to reduce unemployment within the region by capitalizing on the culture of entrepreneurship and offering low-cost property and resources for start-up firms. They also provide links between the developing businesses, local universities, and regional banks. There has been some concern over banks in the Basque provinces moving to Madrid, the financial center of Spain. However, the Basque economy's recent success has created an atmosphere conducive to retaining such institutions.

The Basque regional government funds tech parks that tend to focus more on attracting larger multi-national corporations to the region. They also create links between enterprise, university, research and development, and, to some extent, venture capital. The proximity to the regional universities has been particularly important in the development of the science parks, their links with the region, and the goal of limiting unemployment.

The Basque region's relationship with the central government in Madrid has sometimes proven to be an obstacle on the road to economic prosperity. Multi-national corporations looking to invest in Spain must first go through the central government. Madrid can use this power to punish the Basque Country's aspirations of independence by promoting the region's image of instability and the threat of terrorism. The central government can also thwart attempts at attracting investors by refusing to improve the region's infrastructure. The central government is in charge of funding infrastructure projects in the region, and has conspicuously ignored the Basque region, particularly in

terms of the rail system. Some funding for infrastructure projects had come from the European Union, but with the accession of the ten new member states, the funds have been redirected to Eastern Europe.

Despite such setbacks from the central government and the decline of the antiquated steel and shipbuilding industries in the 1980s, the Basque Country has flourished throughout the past two decades. The devolution of the early 1980's contributed to the region's successful industrial re-conversion, as the regional government had the capacity to help the transition and diversification of the economy to hi-tech sectors.

REGIONAL ECONOMIC POLICY IN NORTHERN IRELAND

Northern Ireland's history and identity center on the historically bloody and tumultuous relations between the Scots-Irish Protestant Unionist majority and the Irish Catholic Nationalist minority.¹⁴ The United Kingdom occupied Ireland beginning in the 11th century, and often brutally discriminated against Irish culture by banning Irish,¹⁵ and by discriminating against Irish Catholics in access to goods, services and employment. The early twentieth century saw the emergence of an Irish nationalist movement and after the 1919 rise of the Irish Republican Army (IRA), Southern Ireland became independent of the UK, and devolved government was implemented in the 6 counties of Northern Ireland which featured a protestant majority.¹⁶

The Ulster Unionist Party controlled Northern government until the late 1960s, when the violence and instability that coincided with the rise of the Catholic civil rights movement¹⁷ resulted in a restoration of Direct Rule. This period, "the Troubles," continued until the IRA's 1994 ceasefire. On April 10, 1998, the Good Friday

Agreement (Belfast Agreement) was signed by all the political parties in NI except the Democratic Unionist Party (DUP).¹⁸ The agreement laid forth the conditions for creating a Northern Ireland Assembly, devolved significant policy making powers to this new assembly, and stipulated the complete decommissioning of all paramilitary organizations in NI.¹⁹

Distrust plagued the new Assembly from its first session in December, 1999 to its last in 2002, when political gridlock led the head of the Northern Ireland Office to restore Direct Rule from London. Inter-party distrust was compounded by the failure of loyalist paramilitaries and the IRA to fully disarm. The Assembly did pass some legislation while in session, mostly social policy focused on children and the elderly.²⁰

Westminster currently controls all legislation affecting NI. Historically, its response to the growing industrial crisis in NI has been to throw money into an ever-more bloated public sector (which now employs between 50 and 60% of the region) in an effort to maintain stability.²¹ However, since the return to Direct Rule in 2002 the new Labor government has made a concerted effort to play a more active role in regional policymaking; this has led to an increasing focus on a switch from the public to the private sector and on sustainable growth policies.²² Yet local initiatives must be approved by the London Treasury Department and are still often turned down in favor of London initiatives; this can result in inefficient or ineffective regional policy.²³

Labor's new economic strategy in Northern Ireland has become increasingly necessary in the wake of the region's growing industrial crisis. Northern Ireland had traditionally been an industrial stronghold in shipbuilding, linen and aircraft factories. However, in the past fifty years heavy industry has increasingly declined; Labour has

accordingly engineered a gradual change in fiscal policy in an attempt to lessen regional reliance on the public sector and facilitate industrial re-conversion.²⁴ Government – both central and local – has recently begun creating organizations like Invest NI and Investment Belfast in an effort to improve the region’s violent international image and to attract investment.²⁵ While the region is attempting a slow move to a knowledge-based economy, the growth of a privatised and entrepreneurial culture has been painstaking due to its 30-year reliance on the public sector.²⁶ Tourism in the region is also increasing, but it still makes up a significantly lower percentage of GDP than elsewhere in the UK or in the Republic of Ireland.²⁷

The NI case study provides inconclusive findings when probing the relationship between economic planning at the regional level and economic growth. The region had a devolved government for only 18 months out of the past 30 years, which is not a significant period of time to analyze. Although the Assembly had power to control how money was invested at the regional level, it failed to reach consensus and pass significant legislation; moreover, the socialist bent of all four parties as well as their inexperience with fiscal responsibility raises the question of whether proactive economic policy will always emerge from regional governance. Northern Ireland’s failure to retain devolved powers (as well as the related failure of its devolved government to make significant and sustained policy) spring from the inability of its people to forget the region’s violent history.

CONDITIONS ALLOWING FOR SUCCESSFUL DEVOLUTION IN THE BASQUE COUNTRY

The Basque government has been able to make substantive coherent economic policy since the 1978 Constitution gave it the competences to do so. The main political

parties in the region, the nationalist PNV²⁸, the socialist PSE-EE²⁹ and the conservative PP³⁰ have largely been able to put aside their differences regarding the political status of the Basque region in order to focus on making regionally-tailored economic policy.

As was discussed earlier, the Basque region was in desperate need of a new economic plan following the collapse of the mining and steel industries that had long fuelled the regional economy. This need coincided with the death of Franco and the broad granting of competences to Spain's seventeen autonomous communities, among the most important of which was the power of the regional government to set tax rates and collect taxes. The regional government took advantage of these competences by creating an environment where dynamic economic growth could occur by encouraging Basque entrepreneurship with semi-public agencies designed to aid start-up small businesses. Utilizing a corporate tax rate that was among the lowest in Spain, the Basque regional government was able to make the Basque region one of the most competitive in all of Spain.

The key factors that allowed the Basque regional government to make substantive economic policy from its inception include regional socio-ethnic unity, the resulting culture of consensus among the political parties, and past experience with significant regional autonomy. These three factors, which are not present in Northern Ireland, created an environment conducive to the formation of successful economic policy at the regional level.

Firstly, there is widespread agreement within the population of the Basque region that the Basques are a culturally distinct people in need of autonomous government. This sentiment was fostered by the brutal repression of the Francoist regime aimed at

suppressing, and even eliminating Basque culture. Thus even the people in the Basque region who feel as much Spanish as they do Basque (a sizeable portion of the population)³¹ recognize the need for some level of autonomous regional government in order to protect their Basque heritage and culture. This is reflected by the fact that the PNV, a moderate nationalist party, has controlled the regional government since 1979.³² The widespread agreement creates a broad base of popular support for the regional government, one that is not present in Northern Ireland. This popular support legitimises both the ruling nationalist party and the policy made by the regional government. This stands in stark contrast to the divided public sentiment regarding the importance of devolved government in Northern Ireland.

Secondly, this broad base of support for the regional government is augmented by the perception that the Madrid government works to impede the economic development of the Basque region. Particularly under the rule of the PP during the 1990s, the national government preferred to see investment go elsewhere in Spain as a way of punishing the Basque separatists.³³ Thus the responsibility for stimulating investment during the period of industrial re-conversion in the region fell to the regional government. This reinforced the us-against-them mentality of the Franco era, as the people living in the Basque region (even if they did not identify themselves only as Basques) realized that in order for the region to thrive, economic policy would have to come out of the regional government. As was evident in the previous section detailing the success of Basque economic policy, the political parties, led by the nationalist PNV, were able to make sustained, coherent, successful economic policy partially as a result of the popular demand to do so.

Finally, the history of autonomous government in the Basque region dating back

hundreds of years has contributed to the success of devolved government. Until 1876, the Basque region enjoyed significant autonomous powers, which, even though curtailed by dictatorships of the 20th century, still left the region with a legacy of self-governance. This legacy survived the brutal repression of the Francoist regime through the persistence of informal community ties, as well as the PNV-led Basque government in exile operating in France.³⁴ Once Franco died and the Basque region regained much of its former autonomy, there were thus institutional networks in place supporting the culture of self-governance long present in the Basque region which led to its government being able to make practical policy.

CONDITIONS IMPEDING SUCCESSFUL DEVOLUTION IN NORTHERN IRELAND

The cultural divide between Catholics and Protestants is at the center of Northern Ireland's inability to regain devolved powers and to make sustained and informed policy. This divide has spawned deformed institutions, enabled the success of viciously cyclical political strategies and protected hidebound and extremist party leaders and policies. Until 2002, it kept British 'direct rule' at a careful and ineffective distance and it twisted the 1999 process of legislative devolution into an exercise in peacekeeping at the expense of legislation. Yet this same divide, paradoxically, has created a network of community organizations and a political situation which may provide an opportunity to bridge it.

Because Northern Ireland is populated by 'two tribes,' each equally suspicious and equally threatened by the cultural identity of the other, "there would still be tensions between the two communities no matter what wider framework was adopted for the region."³⁵ Protestants would "rather eat grass in the North than soup in Dublin," and the opposite is true for Catholics.³⁶ This cultural split hugely affects Northern Irish public

opinion on the question of devolution. Change is viewed “through the prism of whether it advances a united Ireland.”³⁷ Compromise is difficult, since any political action that does not aim for either a united UK or a united Ireland is objectionable to both parties; any that does is unacceptable to one. Devolved government is neither side’s priority;³⁸ each is instead concerned with protecting itself from the machinations of the other.³⁹ Because devolved government is simply not in line with either group’s ultimate political goals, 60% of protestants and 50% of Catholics are indifferent to it.⁴⁰ The Good Friday Agreement did not foster “an overarching Northern Irish identity” but merely “copper-fastened the old traditional...divisions”⁴¹. Moderates have become politically apathetic, moreover, by the failure of the devolved Assembly to successfully operate within its organizational structure, and it is this non-participation that has allowed the parties’ increasing polarization.⁴²

Governmental structures in Northern Ireland both before and after the Good Friday Agreement were organized not to facilitate policymaking but to encourage stability, hence the British government’s pre-1998 habit of simply throwing money at an ever-more-bloated public sector. As a result of this passive direct rule, regional parties developed strategies of politico-rhetorical “oppositionalism,” instead of policy, to win seats. When the parties finally did gain legislative power in the 1999 Assembly, they “were simply not accustomed to constructive thinking about day-and-daily political issues.”⁴³ Most Assembly politicians had also hitherto been local politicians;⁴⁴ their experience had thus been limited to the sparse local competencies of “bogs, bins and burials” – that is to say, waste disposal. Too, the parties’ lack of historical experience with legislation caused a definite trend in the few policies presented towards a populist,

often inefficient “politics attenuated by ethno-nationalism” and resulted in “an impoverished political debate.”⁴⁵ The Labour government in charge since 2002 is by contrast “young and forward looking;” many businesses would rather deal with them than politicians unused to accountability and thus “willing to spend public sector money all over.”⁴⁶

The way devolved government was structured in the Good Friday Agreement also reflects the prioritisation of symbolic negotiation and again places regional stability above an effective legislative body.⁴⁷ The Good Friday Agreement engendered “the constitutionalism of radical nationalism.”⁴⁸ By attempting to be consociational and inclusive, it entrenched in the system NI’s “communal politics”: for example, it required each politician to designate himself as ‘unionist’ or ‘nationalist’.⁴⁹ Each majority party retained “tools to press its points” and both exploited the “party card” to the disadvantage of constructive compromise.⁵⁰ Voting procedures were based on ‘parallel consent’ and required “concurrent majorities of ‘unionist’ and ‘nationalist’ assembly members,” while times set aside for legislative negotiation “often descended into ritual abuse.”⁵¹ Early on in devolution, legislators’ tendency to focus on social policy to the exclusion of economic actors⁵² also caused “an extension of networks to include social ... groups and business felt rather distanced, tending to look to the UK level.”⁵³

The strategies of regional politicians since the Good Friday Agreement reflect both public opinion and these organizational constraints. Devolution increased, instead of lessening, “the salience of culture and identity in politics and policy.”⁵⁴ As a result politicians presented symbolic political negotiation to the electorate instead of actual legislative proposals. None of the parties “have really focused on economics.”⁵⁵

Because of the deep mistrust between Catholics and Protestants, the two extreme parties – SF and the DUP – have been able, over the past five years, to increasingly successfully exploit this divide by presenting themselves as the only party able to protect their ethnic constituency against the other.⁵⁶ Both, moreover, still rely on their ‘dangerousness’ for clout at the negotiating table. For Sinn Fein, it was the IRA’s threat of war that caused the UK to negotiate during the 1994 ceasefire; for the DUP, delaying devolution is most likely politically expedient and certainly politically affordable; compromising with SF is neither.⁵⁷ Symbolic politics affect actual policy choices as well: while Northern Irish businesses favor the Euro because it would facilitate all-island trade, unionist politicians insist on the pound as a symbol of the UK.⁵⁸

In effect, because of Northern Ireland’s longstanding cultural divide, the Good Friday Agreement installed devolved government not to ameliorate regional policy but to promote peace: “Traditional public policy concerns – increasing welfare, generating economic growth and tackling poverty – were important but secondary.”⁵⁹ While chronic inability to reach efficient political consensus is not a good image to project to businesses, it has been accepted in conjunction with the even more economically vital image of relative stability.⁶⁰ This emphasis on stability is reflected in public opinion: despite indifference to devolved government, both groups are widely “grateful for the peace....the Agreement has brought.”⁶¹ Devolution has been made a political symbol because it keeps “the [] disagreement...tolerably civilized” by so busying “both sides that they have not the opportunity to dwell and act on [their] beliefs.”⁶²

Despite the web in which NI Assembly politicians have entangled themselves, there are some hopeful signs for future political compromise and economic prosperity.

One of these is the region's changing relationship with the central government. The British government is increasingly focusing on actively implementing policy in NI, which, if it ameliorates the economic situation, may in fact facilitate a compromise. If, on the other hand, the British take an active hand in policy and are unsuccessful, there may be still greater impetus for regional politicians to compromise with each other in order to have a say in policymaking.

The more moderate regional parties, the UUP and SDLP, have also become increasingly more involved in bringing in both foreign fiscal support and private investment. One of that party's major accomplishments is the 1985 international Fund for Ireland, which has so far created 42,000 jobs, is partially funding the NISP and supports business and community initiatives. The SDLP also has links to Invest NI and its long-term leader, John Hume, set up the European Peace Fund for community-based economic regeneration.⁶³

Despite the regional government's inability to promote economic progress, Sinn Fein, having recognized the need for "community work on the ground" both to build the economy from the ground up and "to change minds" before a successful political deal can be made⁶⁴ is directly and indirectly involved in a many cross-community job retraining, employment and education programs.⁶⁵ Sinn Fein also remains active, together with the other three parties, on all employment boards and equality commissions.⁶⁶ There are five job assist centers in Belfast to help local people find education and employment, and two of the areas in which local re-education schemes have been most successful are in tourism and in computer skills.⁶⁷

Somewhat paradoxically, the current predominance in government of the two

extreme parties (SF and the DUP) may actually create an opportunity for a lasting compromise: they are now, at least, both seated at the negotiating table.⁶⁸ According to the UUP, “Now that the DUP has won, they are either going to accept direct rule, and they won’t contribute, or they must compromise.” Perhaps “the pleasant taste of power” and the DUP’s emergence as “the dominant voice of Unionism” will give it an incentive to restore the executive.”⁶⁹ While devolution failed politically, it has become “a basis for discussion which parties are prepared at least to engage in.”⁷⁰

Perhaps the most promising sign for future economic prosperity in the region is a growing all-party focus on the necessity of a well-educated workforce to a competitive knowledge economy.⁷¹ This focus is strengthened by SF and the SDLP’s historic community ties to education,⁷² and the preference for seeing “local people doing really well” than foreign “businessmen...tak[ing] the money back to their country.”⁷³ The Northern Ireland Science Park, which is “partnered by Queens University and the University of Ulster” and can access their graduates, was also a City Council initiative – the viability of which was initially highly doubted by London.⁷⁴ As Belfast “produces over 2000 graduates with technology qualifications every year,” this link encourages the growth of a local and stable skills base.⁷⁵ Since a region too dependent on large multinational corporations may be badly hurt if these corporations follow the race to the bottom somewhere else, a pool of independently skilled labor is essential to regional economic success.⁷⁶

CONCLUSION

After extensive research in both the Basque Country and Northern Ireland, we draw the conclusion that economic planning at the regional level by regional

governments does indeed positively impact economic performance. The Basque Country in Spain is an excellent case study demonstrating the validity of our theory. We further argue that Northern Ireland is not a failure, but rather has not yet engaged in such substantive regional planning.

That specific cases of Northern Ireland and the Basque Country lead us to our secondary conclusion, which is that the primary enabling factor for substantive planning to come about is regional ethnic homogeneity. Ethnic homogeneity creates an environment in which regional political parties have incentives to compromise in the interest of presenting a united front against the national government, while regional ethnic conflict causes politicians from the warring ethnic groups to combatively pursue symbolic, impractical policy. The negative effects of this combativeness on devolved governments' ability to make practical policy are augmented in regions where a significant portion of the public is indifferent to, or even opposed to, the idea of devolution, as is the case in Northern Ireland. Thus while the Basque regional government has been largely successful in pursuing necessary industrial re-conversion, Northern Ireland, even when granted specific economic policy-making competences during the recent brief periods of self-rule, has failed to make any form of coherent, sustained economic policy.

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The Economist. 2004. "Paisley's Game." (December 9).

The Economist. 2005. "A New Offensive." (March 3).

Trench, Alan. 2004. Forward. "Has Devolution Made a Difference?" *Has Devolution Made a Difference?* ed. Alan Trench. London: University College London.

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Wilford, Rick and Robin Wilson. 2004. "Northern Ireland: Renascent?" *Has Devolution Made a Difference?* ed. Alan Trench. London: University College London.

APPENDIX B: INTERVIEWS

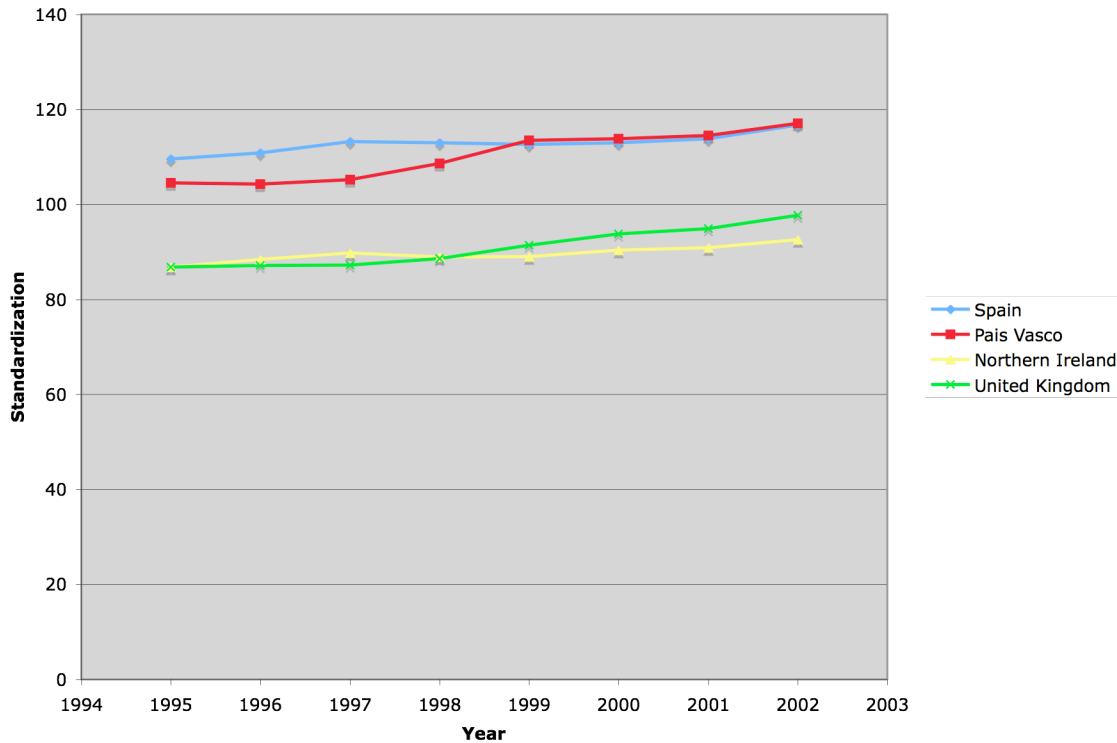
- Apsley, Norman, Executive Director of the North Ireland Science Park, May 19, 2005, Belfast, Northern Ireland.
- Arrue, Juan, BEAZ Sondika, May 24, 2005, Bilbao, Spain.
- Atwood, Tim, SDLP Councilman, May 19, 2005, Belfast, Northern Ireland.
- Barry, John, Director of Governance, Public Policy and Social Research, Queens University, May 13, 2005, Belfast, Northern Ireland.
- Copeland, Michael, MLA, DUP, May 19, 2005, Belfast, Northern Ireland.
- Crawford, Andrew, personal assistant to Jim Allister, MEP, DUP, May 19, 2005, Belfast, Northern Ireland.
- Cueva, Idoia Mendia, representative to the Basque Parliament, Basque Socialist Party (PSE-EE), May 24, 2005, Bilbao, Spain.
- del Rio, Carmelo Moreno, professor of political science, University of the Basque Country, May 23, 2005, Leioa, Spain.
- Dowds, Frances. 2004. "Don't Pay Twice – the future of water in Northern Ireland." *Sunday People* (October).
- Etxebarria, Goio, professor of economics, University of the Basque Country, May 19, 2005, Leioa, Spain.
- Etxebarria, Jose Maria, International Affairs Representative, Basque Nationalist Party, May 23, 2005, Bilbao, Spain.
- Guelke, Adrian, Professor of Comparative Politics, Queens University, May 13, 2005, Belfast, Northern Ireland.
- Kelly, Cormac, Director of Technology and Enterprise Development, Investment Belfast, May 18, 2005, Belfast, Northern Ireland.
- Larrinaga, Patxi Juaristi, professor of political science, University of the Basque Country, May 18, 2005, Leioa, Spain.
- Lopez, Jose Manuel Mata, professor of political science, University of the Basque Country, May 23, 2005, Leioa, Spain.
- Maskey, Paul, city councilman, Sinn Fein, May 18, 2005, Belfast, Northern Ireland.

Paniagua, Alfredo Retortillo, professor of political science, University of the Basque Country, May 23, 2005, Leioa, Spain.

Wilford, Rick, professor of politics, Queens University, May 17, 2005, Belfast, Northern Ireland.

APPENDIX C: ILLUSTRATIVE DATA

Figure 1: Gross Domestic Product Per Capita (Standardized) Comparison



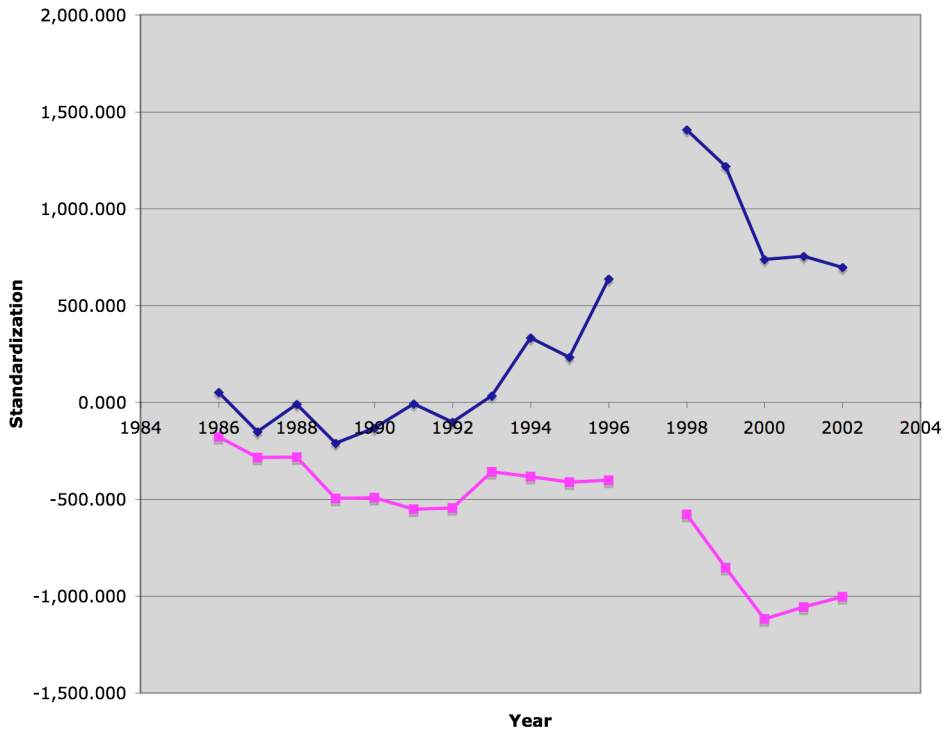
Source: Eurostat ⁷⁷

This graph illustrates not only the disparity between the two regions in this case study, but also shows the difference in their growth rates. Note that the Spanish GDP growth rate has been relatively stagnant, increasing only relatively little throughout the period shown. The Basque Country (Pais Vasco) has, on the other hand, increased much more, especially after the ETA cease fire and opening of the Guggenheim Museum in the late 1990s. The counterexample is Northern Ireland and the United Kingdom, where the latter increased steadily yet Northern Ireland stagnated. This paper argues that the lack of regional economic control, due to a variety of factors discussed, assisted to further this stagnation.

Figure 2: Basque and Spanish Trade Balance Data and Standardization⁷⁸

Year	Basque Country Trade Balance (€ * 1000)	Spain Trade Balance (€ * 1000)	Spain Population	Pais Vasco Population	Pais Vasco Trade Balance Per Capita Standardization	Spain Trade Balance Per Capita Standardization
1986	110,446	-6,844,300	38,473,418	2,136,100	51.704	-177.897
1987	-322,691	-11,056,200	38,725,115	2,142,631	-150.605	-285.505
1988	-22,676	-11,056,200	39,218,820	2,155,844	-10.518	-281.911
1989	-456,484	-19,604,400	39,541,782	2,157,598	-211.571	-495.789
1990	-286,783	-19,639,900	39,887,140	2,159,701	-132.788	-492.387
1991	-15,809	-21,468,800	38,872,268	2,104,041	-7.514	-552.291
1992	-213,765	-21,318,500	39,137,979	2,112,659	-101.183	-544.701
1993	71,335	-14,282,500	39,790,955	2,127,972	33.523	-358.938
1994	710,591	-15,384,100	40,229,598	2,130,447	333.541	-382.408
1995	496,936	-16,630,600	40,460,055	2,130,783	233.218	-411.038
1996	1,338,462	-15,967,100	39,669,394	2,098,055	637.954	-402.504
1997	3,005,028	-16,049,400				
1998	2,951,269	-23,006,200	39,852,651	2,098,628	1,406.285	-577.282
1999	2,557,042	-34,304,500	40,202,160	2,100,441	1,217.383	-853.300
2000	1,546,951	-45,290,500	40,499,791	2,098,596	737.136	-1,118.290
2001	1,585,852	-43,439,100	41,116,842	2,101,478	754.636	-1,056.479
2002	1,466,417	-42,000,200	41,837,894	2,108,281	695.551	-1,003.879

Figure 2.1 : Plot of Basque and Spanish Trade Balance Data Standardization



Source: Eustat, Spanish Statistics Office⁷⁸

A conclusion can be drawn between these varying results that the Basque Country has been exceedingly successful in becoming an export-rich economy, rather than relying on imports to be successful. It is apparent, however, that the export figure peaked in 1998. We attribute this to a mellowing-out of the devolution that had been occurring over the past twenty years. Since 1998, the numbers have been stable but still very much on the export side of the scale.

APPENDIX C: ENDNOTES

¹ One example of subsidiarity in practice is the Basque region's tax system, which has been crafted to encourage local entrepreneurship and foreign investment while also providing greater funds for local infrastructure.

² Evans, Peter B. 1997b. "Introduction: Development Strategies Across the Public-Private Divide." In Peter Evans, ed., *State-Society Synergy: Government and Social Capital in Development*. Berkeley: IAS/University of California at Berkeley. As cited by Alfred P. Montero. 2002. *Shifting States in Global Markets: Subnational Industrial Policy in Contemporary Brazil and Spain*. University Park: Pennsylvania State University Press.

³ In fact, in many countries, economic policy devolution has resulted in negative trends. In other regions, there has been no statistically significant association between devolution and economic growth. Where there has been positive growth in regions, such growth cannot usually be directly related to the regionalist economic structure. Rodriguez-Pose, Andres and Adala Bwire. 2003. "The Economic Inefficiency of Devolution." Department of Geography and Environment. London School of Economics (August). URL: <http://www.lse.ac.uk/collections/geographyAndEnvironment/research/Researchpapers/rp86.pdf>

⁴ Prud'homme, R. 1994. "On the dangers of decentralisation." *World Bank Policy Researching Working Paper*. No 1252.

⁵ Breton, A. 1983. "Federalism versus Centralism in Regional Growth." In *Public Finance and Economic Growth: Proceedings of the International Institute of Public Finance Tokyo*, eds. D. Biehl, K. W. Roskamp, and W. F. Stolper. Detroit: Wayne State University Press.

⁶ Rodden, J. 2003. "Soft Budget Constraints and German Federalism." In *Fiscal Decentralization and the Challenge of Hard Budget Constraints*, eds. J. Rodden, G. Eskeland and J. Litvaek. Chapter 6, MIT Press (forthcoming).

Rodden, J. 2002. "The Dilemma of Fiscal Federalism: Grants and Fiscal Performance Around the World." *American Journal of Political Science*. Vol 46 No 3: 670-687.

⁷ McAllister, Richard and David Hunter. 1980. "Local Government: Death or Devolution." *The Outer Circle Policy Unit*.

⁸ As employees and property are too frequently damaged to provide a stable infrastructure

⁹ Piscitello, Lucia and Sergio Mariotti. 1995. "Information Costs and Location of FDIs within the Host Country: Empirical Evidence from Italy." *Journal of International Business Studies*. Vol. 26, No. 4. (4th Quarter): 815-841. Stable URL: <http://links.jstor.org/sici?sici=0047-2506%28199534%2926%3A4%3C815%3AICALOF%3E2.0.CO%3B2-P>

¹⁰ Ross, Lee Ann and Tilak Samaranayake. 1986. "The Economic Impact of the Recent Ethnic Disturbances in Sri Lanka" *Asian Survey*, Vol. 26, No. 11. (November): 1245-1246. Stable URL: <http://links.jstor.org/sici?sici=0004-4687%28198611%2926%3A11%3C1240%3ATEIOTR%3E2.0.CO%3B2-B>

¹¹ Sederberg, Peter C. 1995. "Conciliation as Counter-Terrorist Strategy." *Journal of Peace Research*. Vol. 32, No. 3 (August): 308. URL: <http://links.jstor.org/sici?sici=0022-3433%28199508%2932%3A3%3C295%3ACACS%3E2.0.CO%3B2-U>

¹² Etxebarria, Jose Maria, International Affairs Representative, Basque Nationalist Party, May 23, 2005, Bilbao, Spain.

¹³ Etxebarria, Goio, professor of economics, University of the Basque Country, May 19, 2005, Leioa, Spain.

¹⁴ A brief definition of common terms is necessary to fully understand the region's history. Unionists are Protestants who support NI as a part of the UK. Nationalists (and Republicans) are Catholics who support a united island of Ireland.

¹⁵ Gaelic

¹⁶ "Conflict and Politics in Northern Ireland (1968 to the Present)." 2005. CAIN Web Service (Conflict Archive on the Internet). URL: <http://cain.ulst.ac.uk/index.html>.

¹⁷ Specifically for an end to discrimination in housing, employment and education.

¹⁸ The DUP, the extremist protestant political party, felt the Good Friday Agreement gave too many concessions to Republicans.

¹⁹ The new Assembly was given competencies in policy related to education, health, agriculture, enterprise, trade, investment, the environment, regional development, transport, water, culture, arts, and leisure.

“Northern Ireland Assembly.” The decommissioning “‘acts of completion’ were spelled out in paragraph 13 of the Declaration. The exhaustive list included military attacks, training, targeting, intelligence-gathering, the acquisition or development of arms or weapons, other preparations for terrorist campaigns, ‘punishment’ beatings and attacks and involvement in riots. In addition, the practice of ‘exiling’ had to cease, those who had already fled had to be free to return and sectarian attacks and intimidation aimed at vulnerable communities had to end. Such activities had to be brought to an ‘unambiguous and definitive conclusion’, ‘immediately’, and ‘in a manner that is conducive to creating public confidence’.

Wilford, Rick and Robin Wilson. 2004. “Northern Ireland: Renascent?” *Has Devolution Made a Difference?* ed. Alan Trench. London: University College London.

²⁰ Wilford and Wilson 24

²¹ Ibid. Also, see *The Economist*. 2004. “In Place of Strife.” (October 14).

²² Currently the NIO is trying to reduce the number of civil servants in an effort to apply Gordon Brown’s “you only invest to reform.” A new loan facility has been created with the treasury, but these loans have to be repaid; this has led to the institution of water rates and a change in calculating tax rates, both of which are immensely unpopular (Wilford). In effect, “during the latest—and most protracted—suspension the expanded team of direct-rule Ministers has been proactive, expediting legislative proposals bequeathed by their devolved predecessors and taking forward new, though well flagged, policy initiatives....It was made apparent by Mr Murphy, and his immediate predecessor, [Dr. Reid]...in a statement to the Commons on 15 October 2002...that

[W]e will carry on the process of government in Northern Ireland proactively ... this cannot be a matter of mere care and maintenance. We owe it to the people of Northern Ireland that effective government should be moved forward. We will not duck the difficult issues. (Wilford)

²³ Authors’ interview with John Barry, Director of Governance, Public Policy and Social Research, Queens University, May 13, 2005, Belfast, Northern Ireland.

Michael Copeland MLA of the UUP emphasized this as well; funding had been refused his own regional initiatives. Authors’ interview with Michael Copeland, MLA, UUP, May 19, 2005, Belfast, Northern Ireland.

²⁴ Ibid

²⁵ Authors’ interview with Cormac Kelly, Director of Technology and Enterprise Development, Investment Belfast, May 18, 2005, Belfast, Northern Ireland.

²⁶ Authors’ interview with John Barry, May 13, 2005.

²⁷ “Tourist numbers are up 50 per cent in just one year to 5.3 million. However, Americans still prefer to travel to more traditional areas...it is proving difficult to persuade them Northern Ireland is safe. The same is true for many business people.” Suiter, Jane. “Belfast and the new Ireland.” *The Irish Times: Investment Belfast*: 4.

²⁸ Partido Nacional Vasco, the Basque Nationalist Party.

²⁹ The regional branch of the Partido Socialista Obrero Español (the Spanish Socialist Worker’s Party).

³⁰ Partido Popular (People’s Party).

³¹ PSE-EE Parliamentarian Idoia Mendia Cueva exemplifies this view as she is not in favor of Basque independence, but still sends her daughter to a Basque school and thinks that it is important for the regional government to protect Basque culture. Authors’ interview with Idoia Mendia Cueva, representative to the Basque Parliament, Basque Socialist Party (PSE-EE), May 24, 2005, Bilbao, Spain.

³² In the 1979 regional parliamentary elections the two nationalist parties, the PNV and HB got a combined 58% of the vote. Too, the referendum on the 1979 Statute of Autonomy was approved by 94.6% of the voters. Basque Government. 2005. File of Electoral Results. June 6, 2005. URL: <http://www9.euskadi.net/q93TodoWar/q93Desplegar.jsp>.

³³ Authors’ interview with Goio Etxebarria, professor of economics, University of the Basque Country, May 19, 2005, Leioa, Spain.

- ³⁴ Basque Government. 2005. President. June 6, 2005. URL: http://www.lehendakari.euskadi.net/r57-4075/en/contenidos/informacion/predecesores/en_3919/predecesores.html.
- ³⁵ Whyte, J. H. 1990. *Interpreting Northern Ireland*. Oxford: Clarendon Press: 258.
- ³⁶ Authors' interview with Michael Copeland, MLA, UUP, May 19, 2005, Belfast, Northern Ireland.
- ³⁷ Authors' interview with Adrian Guelke, Professor of Comparative Politics, Queens University, May 13, 2005, Belfast, Northern Ireland.
- ³⁸ "People on the streets aren't crying out looking for devolution." Authors' interview with Andrew Crawford, personal assistant to Jim Allister, MEP, DUP, May 19, 2005, Belfast, Northern Ireland.
- ³⁹ For them the question is simply, "why should we be a minority in your country when you could be a minority in ours?" Authors' interview with Adrian Guelke May 13, 2005.
- ⁴⁰ *The Economist*. 2004. "Paisley's Game." (December 9).
- ⁴¹ Keating, Michael and John Loughlin. "Nations and Regions Project 1: Dynamics of Regional and National Identities." *Report for 2002–2003*. Project Duration: October 1999–October 2004. www.ucl.ac.uk/constitution-unit.
- ⁴² Authors' interview with Tim Atwood, SDLP Councilman, May 19, 2005, Belfast, Northern Ireland.
- ⁴³ "The combination of a generation of direct rule before devolution and Northern Ireland's self-contained, sectarian politics, lubricated by significant public-expenditure largesse from London—throwing money at the problem—resulted in an entrenched political culture based on clientelism and oppositionalism" (Wilford 31). Norman Apsley, the Executive Director of the North Ireland Science Park, pointed out that historically British ministers had a "disinterested, somewhat colonial" attitude to Northern Ireland which fed into this habit of inefficient public funding. The main aim of the London government, in the opinion of Michael Copeland of the UUP, was to "give people jobs to keep 'em from fighting." Authors' interview with Norman Apsley, Executive Director, North Ireland Science Park, May 19, 2005, Belfast, Northern Ireland.
- Authors' interview with Michael Copeland, May 19, 2005.
- ⁴⁴ Ibid.
- ⁴⁵ Ibid. For example, during a post-election "crash course in the governance of Northern Ireland," in which "A series of seminars covered the various departmental responsibilities, including two on health," the Northern Irish ministers were described as "'a blank sheet' except on local issues—when 'one by one these angry men got up to criticise civil servants for closing their hospitals'". Wilford and Wilson 2004.
- ⁴⁶ Authors' interview with Norman Apsley, May 19, 2005.
- ⁴⁷ The resulting "'over-government' associated with the politically driven inefficiencies of the Belfast Agreement, allied to the general amateurism of Northern Ireland's political class" continued to affect public opinion: it "led to deep disaffection over the 'value for money' devolution offered.... The discovery that OFMDFM had 424 staff—the Scottish First Minister's office had just 18—excited widespread public annoyance. (Wilford and Wilson 43)
- ⁴⁸ Alonso, Rogelio. 2005. "Attempting to End Violence in North Ireland and the Basque Country." *Terrorism and Political Violence*. Vol 17 (Spring): 1.
- ⁴⁹ Bradbury, Jonathan and James Mitchell. 2004. "Devolution: Comparative Development and Policy Roles." *Parliamentary Affairs*. Vol 57, No 2 (April): 12.
- ⁵⁰ Wilford; Stevenson. "Unionists retain the power to withdraw from the executive and collapse the devolved assembly... the IRA has not forsworn the use of violence." Stevenson, Johnathan. 2002. "The Long Spoons of Ulster." *National Interest*. Is. 68 (Summer): 89.
- ⁵¹ Wilford 2004.
- ⁵² A 'Children's Commissioner' was appointed in 2003 (an idea taken originally from Wales) to act as an advocate for the rights of children and young people. School 'league tables' were abolished (this was copied in Wales)—though this means educationalists have no output data by individual schools to assess their 'value added' *vis-à-vis* their catchment area. Free 'nursing' care (but, unlike in Scotland, not free 'personal' care) for the elderly was confirmed, while free fares for senior citizens were introduced on public transport, as in the Republic (ironically, by a DUP minister, Gregory Campbell)—though the evidence is that elderly people are more likely to be excluded by lack of access rather than by cost.
- ⁵³ Loughlin and Keating.
- ⁵⁴ Ibid.
- ⁵⁵ Or really very many social issues. Authors' interview with Cormac Kelly, May 18, 2005.

For example, “Scrutiny of the party manifestoes for the 1998 Assembly elections showed that only the small centre parties had anything significant to say on health: Alliance’s manifesto betrayed a close understanding of the issues, while the Women’s Coalition proposed a radical restructuring of the department. Of the main ethno-nationalist parties, the DUP managed just two sentences on the subject”(Wilford). The British director of the NISP pointed out to Mr. Kelly that this was a reason why businesses would rather deal with the UK. Mr. Kelly (an Irishman) shrugged and said he didn’t think so.

⁵⁶ “Just as Sinn Fein’s Gerry Adams and Martin McGuinness marginalised moderate nationalism by exploiting their party’s close relationship with the terrorists, so Mr Paisley undermined and then destroyed his political rivals—not just the brave and decent Ulster Unionist Party (UUP) leader, David Trimble, but also independent unionists opposed to the Good Friday Agreement who might one day have outflanked him”(The Economist, “Paisley’s Game,” 12/09/05). The DUP Manifesto clearly demonstrates the kinds of strategies that the party uses so successfully: It boasts a message from Ian Paisley stating that “It is also vital that Sinn Fein/IRA is thwarted in its ambition to top this Province-wide poll. Only the DUP candidate can do so.”(5) and thumbs its nose at negotiations: “Our mandate at the Assembly election means we cannot be ignored and our principles mean we will not be pressurized in negotiations...”(10). It also takes a swipe at the UUP: “The Ulster Unionists had their chance to lead unionism and failed. No self-respecting unionist will consent to go back to the failures of the past. No one should be conned by the Ulster Unionists’ tough election talk. When the crunch comes they always buckle to republicans”(10). DUP MANIFESTO 2005: *Leading for Ulster*. www.DUP2win.com.

⁵⁷ Paul Maskey, a Sinn Fein Councilman, noted pointedly that when during the 1994 ceasefire “no political parties would talk to Sinn Fein, the IRA went back to war” until the UK decided to negotiate. Andrew Crawford of the DUP pointed out smugly that “No party can delay devolution more than the DUP – we have 9 MPs, and it is political suicide to go into politics with Sinn Fein.” Authors’ interview with Paul Maskey, tourist development coordinator, city councilman, Sinn Fein, May 18, 2005, Belfast, Northern Ireland.

⁵⁸ Authors’ interview with John Barry, May 13, 2005. It should be noted that even distributive policies “are dominated by debates on the extent of discrimination” rather than debates on actual policy (Mitchell and Bradbury 15).

⁵⁹ Bradbury and Mitchell 1. Devolution has in effect “been about process[,] politics without policies” (Bradbury and Mitchell 10).

⁶⁰ “The fortunes of Northern Ireland depend most of all on a continuation of the peace process. Business surveys since the suspension of Stormont in October 2002 have been getting gloomier...government and business are able to work quite happily without the assembly...But so long as there is a question mark over peace, some businessmen and foreign investors will pull back.” *The Economist*. 2004. “In Place of Strife.” (October 14).

⁶¹ *The Economist*. 2004. “Paisley’s Game.” (December 9).

⁶² Stevenson 2002.

⁶³ The Peace Fund is used, interestingly, by many local community groups run by members of Sinn Fein. Authors’ interview with Tim Atwood, May 19, 2005.

⁶⁴ Authors’ interview with Paul Maskey, May 18, 2005. Mr. Tim Atwood (SDLP) also pointed out the necessity of improving the economy “in working class areas, so people have more hope.”

⁶⁵ This is in keeping with SF’s strong ties to Catholic communities and its history of spearheading community initiative schemes. For example, Irish-speaking schools in the region have historically been run by such community fundraising schemes(because of the UK’s refusal to fund – sometimes even to allow – these schools); interestingly, their students often test higher than those in publicly-funded schools.

⁶⁶ This is important because Sinn Fein often sits out of boards because it objects to the way these boards have been set up, which generally prevents it from having much say in policymaking (not that there is that much to have a say in). One such example can be found in the policing boards, where Sinn Fein refuses to participate because no police officers known to have colluded with Protestant paramilitary groups have ever been punished. Interestingly, the policing boards have effectively used their advisory and symbolic powers to encourage Catholic enrollment in the police force – it is now up to 15% from 8%, and this small success perhaps means that cross-community compromise is not utterly doomed.

⁶⁷ Mr. Maskey has been involved in both: he “Skilled up 180 people to further their abilities in the tourism industry” and has coordinated with other community organizations as well as cross-border groups to bring tourism into Belfast. Authors’ interview with Paul Maskey, May 18, 2005.

⁶⁸ Despite the disastrous electoral defeats the UUP suffered as a result of its compromises in the Good Friday Agreement, Mr Michael Copeland (MLA UUP) took a positive view: though they “got whacked for it, it was worth it because now the two other parties are at the table.” Authors’ interview with Michael Copeland, May 19, 2005.

⁶⁹ *The Economist*. 2004. “Paisley’s Game.” (December 9).

⁷⁰ Bradbury and Mitchell.

⁷¹ Mr. Copeland said frankly that “The knowledge economy is bull---. India and China aren’t just cheap labor, they’re cheap smart labor.” Authors’ interview with Michael Copeland, May 19, 2005.

⁷² This is because traditional Irish education was outlawed until very recently. Thus, while there is “no center ground in politics at the moment...there may be some common ground like...educational spending”(Richard Wilford). In fact, educational spending was the one area for which the devolved assembly did manage to come up with a coherent policy: “An interesting exception to this trend [of populist and rather ineffective policy] was the more progressive (in the sense of needs- and ability-to-pay-based) régime on student finance established by the then SDLP Minister for Employment and Learning, Séan Farren. Dr Farren avoided the temptation of ‘no fees’ grandstanding, in the context of a finite budget and the absence of tax-raising powers, appreciating that within these constraints the latter would have actually sustained middle-class subsidies”(Wilford).

⁷³ Authors’ interview with Paul Maskey, May 18, 2005.

⁷⁴ Authors’ interview with Norman Apsley, May 19, 2005. See also www.nisp.co.uk

⁷⁵ O’Halloran, Barry. “Investment Potential.” *The Irish Times: Investment Belfast*: 12. Also encouraging is that 60 percent of the workforce is going on to further education and that one of the large “emerging cluster[s] in the region] is around mobile telecoms where specialist technologies have been developed by local companies such as Aepona, Openwave and Mobile Cohesion. This cluster has been further underpinned by Queen’s University through the establishment of a E57 million (L40m) Electronic Communications and Information Technology Centre.” Forward. “City of the Future.” *The Irish Times: Investment Belfast*: 3.

⁷⁶ As the Malmö Group pointed out.

⁷⁷ This graph was standardized by European Union’s statistics agency, Eurostat. Their explanation of the standardization follows: “Gross domestic product (GDP) is a measure for the economic activity. It is defined as the value of all goods and services produced less the value of any goods or services used in their creation. The volume index of GDP per inhabitant in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU-25) average set to equal 100. For the calculation of regional GDP at level NUTS2 the same purchasing power parity is used for all regions of one country. If the index of a region is higher than 100, this region's level of GDP per inhabitant is higher than the EU average and vice versa. Basic figures are expressed in PPS, i.e. a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries and regions. Please note that the index, calculated from PPS figures and expressed with respect to EU25 = 100, is intended for cross-country comparisons rather than for comparisons over time.”

⁷⁸ This data was gathered through a variety of sources, and then standardized in order to make an accurate comparison. We are primarily concerned here with the Basque (Pais Vasco) line, but we wanted to compare it with the Spanish figure to make sure there was not a larger undiscovered trend. The standardization was conducted by making the trade balance figure into a trade balance per capita figure. In this figure, a positive value is an export and a negative value is an import.

The Spanish Statistics Office, <http://www.ine.es/inebase/cgi/um#17>, June 1, 2005.

EUStat, <http://www.eustat.es/>, June 1, 2005.