'The Case for Euro Membership'

Remarks by John Hume MP MEP

Silver Birch Hotel, Omagh, Co. Tyrone

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Fellow speakers, party colleagues, ladies and gentlemen,

The question of Euro membership is the single most important and most pressing issue for the economy of Northern Ireland. It is absolutely vital for creating jobs, restraining inflation and keeping interest rates low.

For that reason, I am delighted that the SDLP in Omagh is hosting this public seminar this evening to consider this matter this evening. It is clear that we have all learned much since the introduction of Euro notes and coins over 20 months ago, particularly in places such as Omagh and in my home city of Derry. With the problems of the North's ongoing exclusion from the Eurozone, at the behest of the UK government and British political interests, it is timely that we gather here this evening to ponder these difficulties and potential opportunities.

I am very enthusiastic about the Euro project. As far as I am concerned, it matters more what a currency is worth in terms of the purchasing power of ordinary citizens. We should not be distracted by the symbolic issues, such as the name or the decoration on the notes.

I regard this as a welcome and entirely positive development. Since 1992, we have benefited from the single European market. The logic of the single market demands a single currency throughout our Union.

Exchange rate fluctuations, the consequent uncertainty and the cost of changing money from one currency into another are all barriers to the single market.

We are all aware of the economic successes of the United States. But could Americans have achieved these successes if every state in the Union had a different currency? I do not think so. How would New York fare if you had to use a different currency as soon as you crossed the border into New Jersey? What would happen if people who work in Washington but live in Virginia or Maryland had to carry two sets of currency every day?

For the time being Northern Ireland is still outside the single currency. That is regrettable and ultimately unsustainable. But we have clearly been affected by the changeover. Indeed, the three member states remaining outside the euro, Sweden, Denmark and the UK, will continue to feel the impact of the euro but remain unable to influence its development. Non-euro countries have very little influence in the European Central Bank and even less of the Eurogroup Council of Finance Ministers.

The Euro is affecting all of the EU and beyond but those outside the club are without influence over it. As Margot Wallstrom, a member of the European Commission from Sweden, said after the Swedish rejection of the Euro in September, there is an "economic and political price for remaining outside". That price is not just paid by Sweden.

We face potential problems that will not be made any easier by the British government's decision to remain in isolation from the European mainstream.

Unfortunately we are members of a select club of European regions, a club to which I do not wish to belong. We share a similar status with only two other European regions, Southern Denmark and Northern Sweden. There is a new dividing line within the European Union between the single currency members (the eurozone) and the non-members. Of the outsiders, only these three regions share a land border with the eurozone.

In our case in Northern Ireland, we run the risk of compounding the problems of a peripheral location through our exclusion from the eurozone. As the major pro-European force in the political life of Northern Ireland, we in the SDLP have a particular responsibility to campaign for our early accession to the single currency.

Successive British governments have often missed opportunities in Europe. From the early steps towards European Union in the 1950s, Britain has usually remained aloof or has missed the boat. The decision not to join the European Community in 1957, the protracted wrangles over the decision to join in the 1970s, the various opt-outs negotiated in the Maastricht Treaty and now the decision to stay out of the single currency have all undermined the ability of British governments to influence the direction of the European Union.

Fortunately, I believe that there is now, at last, a Prime Minister who realises that second-class membership of the EU is bad for Britain, and bad for Northern Ireland. We will all be affected by the euro, but with less say on the process than those member states within the eurozone. Continuing to pursue illusions of sovereignty in fact undermines the ability to have influence in the real world.

Only through active participation in economic and monetary Union can we hope to have some influence on economic policy. We cannot hope to resist change, but we can organise it. We can attempt to make the economic system work in our favour. We are not at the mercy of impersonal forces, provided we work together.

No sector of the economy has been untouched by the introduction of the euro. Industry, commerce, tourism, agriculture and indeed public administration have had to adapt to the new monetary reality. Many shops in towns like Omagh accept Euros in shops and many businesses have bank accounts in both sterling and the new currency. To paraphrase the pro-single currency campaign in Britain - Northern Ireland can be kept out of the euro but the euro cannot be kept out of Northern Ireland.

I am pleased that this evening we are exploring further the impact the euro is having on the economy, and on people's daily lives. My intention is to raise some of the issues that Northern Ireland is having to address.

Although the single currency clearly has political overtones in terms of different views of the desirability and extent of European integration, it is essentially an economic project driven by practical rather than ideological concerns.

Let us look at some of those concerns.

Essentially the euro is designed to give the European economy the same kind of impetus the dollar gives to the American economy. It does this in a number of ways.

First, it reduces the barriers to trade within the European Union. By eliminating exchange rate uncertainty it makes it much easier to trade across borders. When a company in one country in the eurozone trades with another in a different eurozone country, it will know exactly how much a particular contract is worth.

Whether in terms of paying a supplier or of receiving payment from a client, there is no doubt about revenue and expenditure. A million euros is a million euros everywhere in the eurozone. The value will not change from day to day as happens with contracts drawn up in euros but where payment takes place initially in a non-euro currency. At the moment, a company in Northern Ireland that exports to Germany, for instance, is never sure exactly how much sterling it will eventually receive.

Second, the euro is underpinned by a constitutional and institutional framework that is dedicated to the maintenance of low inflation and interest rates. The European Central Bank is constitutionally bound to preserve these principles while the EU governments are committed to the same objectives.

The objective is to minimise the cost and maximise the advantages of investment. Given the collective commitment of the eurozone member states to these fundamental principles, it is obvious that the eurozone is investor-friendly.

Third, the euro eliminates a great deal of the transaction costs associated with trading across borders. There is no need to incur exchange costs in the single currency. The loss of income through the need to change money, whether for business or for tourism, is no longer necessary.

A study undertaken just before the introduction of Euro tender showed that a tourist visiting all the EU member states who started out with one hundred pounds would, after making the necessary exchanges, be left with less than twenty pounds in his or her pocket. That is without spending a single pound on anything else. Eliminating such costs will be a major saving for both individuals and businesses that will facilitate economic activity across Europe's frontiers into the future.

Fourth, the euro is clearly going to make it much easier to compare prices across borders. Price differentials will be very visible. We have already seen this in Northern Ireland and the situation of the petrol retailing industry. Everybody knows that petrol prices are much cheaper in the Republic, with the obvious effects on the industry in Northern Ireland. In future, the euro will make less obvious differentials in other industries more open to consumer scrutiny, not least here in Northern Ireland.

While consumers may benefit from increased competition, businesses and governments will have to adapt to their decreased ability to set different prices in different regions or states. For instance, the car industry, both as manufacturers and retailers, is having to address the reasons prices vary so much from member state to member state.

Finally, as countries individually abandon various instruments of economic policy, such as the manipulation of exchange and interest rates and firms are obliged to narrow price differentials between different markets, questions of quality, productivity and competitive advantage are likely to come to the forefront. As I have often argued, the real wealth of any society is in the talents and skills of its people. I firmly believe that enhancing the skills of our people is probably the most important factor in the economics of the 21st century.

Let me now turn to the specific problems and opportunities of Northern Ireland. What impact is the euro having on individuals and business in our region?

Our exclusion from the eurozone has a number of negative effects.

First, while most of the rest of Europe is busy eliminating various costs of, and barriers to, trade, in Northern Ireland we still have to confront fluctuations in exchange rates.

Increasingly Northern Ireland is an export-driven economy. But our exporters still have to live with uncertainty. How easy is it to obtain an export order when it is not clear what the price in euros means in sterling, or vice versa? Clearly to export to the eurozone, firms have to bill in euros. But what will those euros be worth in sterling when they are finally paid?

Indeed, this is not just a problem for exporters. Our farmers suffer the same uncertainty with respect to CAP payments. Furthermore, the value of our receipts from various EU programmes also fluctuates depending on the euro-sterling relationship. Government departments and other organisations, for example, involved in the administration of the PEACE programme and of the Structural Funds, are never entirely sure how much money they have at their disposal. And this unsatisfactory situation will prevail as long as we remain outside the eurozone.

Northern Ireland also remains subject to the costs of dual pricing. Clearly many businesses have to handle euros and sterling. Two sets of accounts, one in euros, one in sterling, are necessary for any firm that deals with business with the rest of the island, or with the European mainland.

Of course, many people are entirely familiar with such a state of affairs given the existence of two currencies on this island in recent decades. But the introduction of the euro has changed the situation completely. Before the euro, every region of the EU was subject to the same problem. With the euro, only a handful of regions like ours are subject to this kind of competitive disadvantage. We are no longer operating on a level playing field.

Northern Ireland, more than most regions of the non-euro zone, will also have to address the consequences of what has been described as "eurocreep" - the tendency of the euro to be used inside the non-euro member states. Major international centres, such as London, or border regions such as ours, have had to adapt themselves for customers using euros.

Even the most eurosceptic businessmen in Britain accept the euro in practice as they identify trading opportunities from the eurozone hordes visiting their shores and stores. As a border region with close economic, political and personal ties to the Republic, eurocreep has developed throughout our region, particularly in areas like West Tyrone.

The fact that the cost of such changes in business practice have already been incurred makes the cost of abandoning sterling less than would otherwise have been the case.

It is no wonder that a survey of business attitudes carried out in May of this year, Price Waterhouse Coopers found that 63% of businesses in Northern Ireland were in favour of the Euro, believing that it would be good for securing and creating jobs. The support levels for the Euro west of the Bann and amongst foreign-owned businesses here is even higher.

I would now like to make a few comments on the importance of the euro issue to one of the most important industries on our island, and indeed in the world as a whole - tourism.

Tourism is a sector clearly in a position to gain advantage from the single currency. This is particularly so in border regions where the absence of exchange costs makes it a lot easier to cross frontiers. Eliminating the inconvenience and the unnecessary costs makes it much easier to take a break across borders.

It is unfortunate that at a time we are making rapid progress towards developing a single tourism policy for the whole of this island, with the creation of Tourism Ireland, we still face all the difficulties caused by the existence of two currencies. It is hard to believe that this continuing complication will enhance Northern Ireland's tourist industry. When the official currency is the same in Donegal and in Dresden but not in Dunamanagh, yet another barrier to co-operation exists on our island.

Tourism in Northern Ireland is a major employer, and it has great potential for expansion. It is often forgotten that tourism and travel constitute one of the largest sectors of employment in the modern world. But tourism is a highly competitive and internationally mobile sector. Anything that undermines our competitive edge is not in our interests. By making it uncertain how much a visit to Northern Ireland costs for people from the eurozone, and through maintaining the inconvenience of two separate currencies, our exclusion from the eurozone hinders efforts to develop our tourism potential.

Northern Ireland and the Republic are now finally and quite rightly engaged in a process of developing North-South links. In particular, there are serious efforts going on in both parts of the Ireland to encourage trade links and to enhance economic co-operation. It is particularly unfortunate that at this time, the monetary frontier in Europe should run straight through this island. At the same time, let us remember that the Good Friday Agreement commits us to develop links throughout these islands. The monetary divide is therefore a negative factor in trying to promote co-operation between our peoples.

There is also one other major concern, the impact of the euro on inward investment into this region. The present situation means that there is a two-tier European Union, divided between eurozone members and the non-members. It is already clear that international companies are concerned by the UK decision to remain outside the core group of the EU. The reluctance to commit to long-term investment plans in the non-member states of the eurozone is already visible. Last year, France and Germany both attracted nearly four times the amount of foreign investment secured by the UK. This represented a slump in UK investment from $54 billion to only $12 billion in 2002.

It is obvious that regions within the eurozone will have first call on internationally mobile investment projects. Who wants to be in the outer circle when they can be in the inner circle? There is already a clear trend for international investment decisions to be influenced by the extent to which a country is a fully integrated, or a semi-detached, member of the

European Union. International firms want to be in the Champions League of the EU, not the Nationwide League.

The drive to create jobs is one of the major priorities of the SDLP, and is a primary purpose of the institutions of the Agreement. I am strongly in favour of eliminating barriers to inward investment. An attachment to go-it-alone economics is hindering that search. Quite simply remaining outside the single currency is a luxury we cannot afford.

I have already mentioned the fact that the real wealth of a country is to be found in its people. This is all the more true now as the existence of the euro has led towards an end to quick fix economics through exchange rate and interest rate manipulation.

Increasingly the key competitive advantage will be measured in terms of productivity. On the one hand, we will have to take research and development even more seriously to ensure that we benefit from a technologically advanced society. On the other, it is essential to ensure that our people have the right skills and training to compete successfully in such a society, especially here in the Northwest region.

This has obvious implications for industrial relations and the relations between the social partners. It will be increasingly necessary in collective bargaining between employers and unions to take non-pay issues into account. I believe that employers and unions will have to build genuine partnerships to ensure that everyone has the skills necessary to play an active role in a technologically advanced economy. Of course, pay and conditions are crucial issues but wider dimensions will also have to be considered. Issues such as access to education and training will have to be high on the agenda for government, unions and employers. I know that SDLP Ministers in the Education and Learning portfolio made great strides on improving access to further and higher education, on meeting skills gaps and in lifelong learning.

The SDLP has been a vigorous advocate of the case for membership of the euro, and will continue to do so. I hope our deliberations this evening will help to highlight the validity of our analysis. We have put the point strongly to a succession of Secretaries of State, and hope that the present incumbent will put the case within the British government.

When the referendum on membership takes place, as I hope it will sooner rather than later, we will be active campaigners in the pro-single currency campaign. The SDLP has always been the voice of Europe within Northern Ireland and the voice of Northern Ireland in Europe. That role will be as important as ever as we strive to put our region at the heart of Europe and to ensure that, in this century, we remain in the European mainstream. Becoming part of the eurozone is therefore a key economic objective for the new society we wish to build.