



**The White House Conference for Trade
and Investment in Ireland**
Northern Ireland and the border counties of Ireland

Washington, D.C. • May 24, 25 and 26, 1995



**A STRATEGIC OVERVIEW:
BUILDING THE INFRASTRUCTURE OF PEACE**

I. INTRODUCTION

A STRATEGIC OVERVIEW: INTRODUCTION

With Northern Ireland now enjoying its ninth month of peace, the United States has an opportunity to assist in building a lasting peace founded on economic development and prosperity. President Clinton has stressed his personal commitment to help bring a peaceful end to a generation of conflict. The President is convinced that jobs and growing prosperity will help to prevent further violence and that economic opportunity provides both enfranchisement and hope for a better future. Economic growth will build upon the foundation of peace constructed by the leaders and people of Northern Ireland and the Republic of Ireland.

The dramatically improved business opportunities in Northern Ireland and the border counties of Ireland present American companies with a new commercial potential: to be in on the ground floor of an attractive means of reaching the emerging markets in Northern Ireland and the border counties, the islands of Ireland and Britain, and also the entire 15-nation European Union. Doing business in Northern Ireland and the border counties will not only assist Irish peace and reconciliation, but also will be good for American business in Europe.

Part I of the Strategic Overview summarizes the background and places the opportunities in context; Part II discusses the macroeconomic economic outlook; Part III presents economic information on Northern Ireland and the border counties; Part IV examines the comparative advantages of doing business in the region and explores the ways and means of investment and other business strategies; Part V discusses the high-potential sectors for sales and investment; and Part VI describes the public sector job programs.

Background

In December 1993, Prime Minister John Major of the United Kingdom and Prime Minister Albert Reynolds of Ireland signed a Joint Declaration, that set the stage for the end of nearly three decades of sectarian violence and terrorism in Northern Ireland. The two leaders pledged together "to lay the foundation for a more peaceful and harmonious future devoid of the violence and bitter divisions which have scarred the past generation." In August and October 1994 respectively, the Irish Republican Army (IRA) and loyalist paramilitary groups in Northern Ireland declared a cessation of hostilities.

President Clinton welcomed the ceasefire and pledged to seek ways in which the United States could encourage a permanent peace and fruitful political

dialogue. On November 1, 1994, the President announced a package of measures aimed "to ensure that peace brings to Ireland new opportunities for job growth and economic prosperity."

The President's November 1 initiatives sought to involve not just American business but also the American people in the process of restoring peace and economic health. Secretary of Commerce Ronald Brown was immediately asked to lead a delegation of U.S. business representatives to participate in Prime Minister John Major's Investment Conference in Belfast on December 13, 1994. The Prime Minister's conference marked a first step in the process of identifying the new possibilities for trade and investment in a Northern Ireland at peace.

President Clinton's initiatives included this White House Conference for Trade and Investment in Ireland for Spring 1995, increased funding for the International Fund for Ireland, an enhanced cooperation program in science and technology, a business information center, and a business intern training program to bring managers and business technical experts to train with U.S. companies. The President appointed former Senate Majority Leader George Mitchell to serve as Special Advisor to the President and the Secretary of State for Economic Initiatives in Ireland, and to coordinate all efforts for the White House Conference.

The White House Conference

The centerpiece of the effort to assist the peace and economic processes is the President's White House Conference for Trade and Investment in Ireland.

This conference is emphatically a business conference, and brings companies and individuals together to begin the process of expanded trade and investment. Economic development and return to prosperity will strengthen and deepen the commitment of all parties to a stable and permanent peace.

As a forum to foster economic development that will become the foundation on which to build a lasting commitment to peace, the Conference is structured to accomplish a number of concrete business objectives. Specifically, the Conference is intended to:

- 1) provide a framework by which the U.S. Government can stimulate and encourage greater U.S. private sector trade, investment, and commercial linkages with Northern Ireland and the border counties of Ireland for the benefit of the United Kingdom, the Republic of Ireland, and the United States;
- 2) identify prospects for enhanced bilateral commercial opportunities;

- 3) highlight U.S. Government initiatives for the region, undertaken by a range of cabinet-level departments and other agencies, that will complement and enhance actions by the British and Irish Governments, as well as the European Commission;
- 4) recognize the necessity to identify and target specific urban and rural disadvantaged areas and develop more fully community development programs, job opportunities, vocational training for individuals as well as technical assistance for small- and medium-sized firms in these areas; and,
- 5) serve as the commercial catalyst for additional, post-Conference trade and investment activities in the region.

The White House Conference demonstrates the business opportunities in Northern Ireland and the six border counties, opportunities that will bring profits to business and greater prosperity to the region. The Administration wants to ensure that American businesses are prepared to take advantage of new opportunities that will benefit U.S. companies' trade and investment interests and simultaneously promote peace and reconciliation. The Conference is intended to emphasize and facilitate private sector business relationships, including direct investment, strategic alliances, joint ventures, franchising, licensing, and sales representation agreements, as well as participation in infrastructure development in the region.

Purpose of the Strategic Overview

The Strategic Overview for American business is intended to provide information on the trade and investment opportunities in Northern Ireland and the Border Counties of the Republic of Ireland that, if properly developed, can assist in building the infrastructure of peace in the region. It is the beginning of a new Commercial Strategy that draws upon plans and projects already underway in the region as well as on supporting activities initiated by the U.S. Government.

The region's greatest need is for job creation and economic development. By strengthening and solidifying the commitment to peaceful solutions to differences, by creating new jobs and employment opportunities through expanded commercial activities, the United States can play a valuable role in sustaining peace in the region. The Commercial Strategy, then, is intended to provide focus and perspective to efforts - economic, commercial, social, and cultural - to stimulate private sector economic activity that will stabilize the ceasefire in Northern Ireland.

Therefore, the core of the strategy aims to assist the economic revitalization of the region by encouraging and assisting new initiatives and ongoing activities by the private sector. This objective will best be accomplished

by fostering new or stronger business links between the United States and Northern Ireland and the border counties of Ireland and by viewing the region in terms of its role as an entry point to the European Union.

The region's greatest need is jobs. Over the course of the "troubles" in the region, many multinational investors have looked and settled elsewhere. Thus the region has unemployment levels in excess of European averages -- or, looked at from an opportunity perspective, a large employable pool of highly trainable labor.

Peace in the region should spur the creation of new jobs. For example, the tourist industry, north and south, is expected to be a major beneficiary of the ceasefire. Adversely affected for the past 25 years, tourism accounts for only 1.5 - 2 percent of the Northern Ireland economy. There are expectations of 20,000 new tourism-related jobs being created in Northern Ireland. The much larger contribution of tourism to the Republic's economy (7 percent of GDP, or more than three times greater than in Northern Ireland) demonstrates the unrealized potential of the North potential.

The strategic overview includes economic profiles of the border counties and Northern Ireland as well as macroeconomic outlooks for the major markets served by Northern Ireland and the border counties. Incorporated in this overview are comprehensive overviews of the manufacturing and services sectors of both economies that exhibit comparative advantages and the greatest promise for development of internationally competitive industries and companies.

Entry Point Access to the European Union

Any strategy envisaging economic growth and increased employment in the region must regard Northern Ireland and the border counties as parts of larger European Union (EU) and global markets. The population and commercial bases of the Republic of Ireland and Northern Ireland do not provide sufficient domestic market demand to sustain by themselves mass production manufacturing. Therefore, inward investment directed at export-oriented industries is critical since EU growth will be the source of demand for local production, and the greater part of this new investment, technology, and management will come from abroad.

Investment in the region will not mean a loss of jobs in the United States. In today's world, global business increasingly is done through foreign investment -- not exclusively by exports. U.S. affiliates in Europe are a major factor in U.S. exports, having a strong "export pull" effect. In fact, over thirty percent of U.S. merchandise exports to Europe, our largest overseas market, go to U.S.-owned affiliates in Europe.

For example, the Republic of Ireland has been successful in attracting U.S. high-technology companies that utilize a manufacturing and/or assembly operation to gain access to the entire European Union market. Sales by U.S. companies producing in the Republic of Ireland increased almost four-fold from 1983 (\$4.8 billion) to 1992 (\$16.5 billion). Comparable U.S. exports to Ireland during the period more than doubled from \$1.1 billion in 1983 to \$2.6 billion in 1992. These exports are far larger than they would have been in the absence of U.S. investments in Ireland. In addition, these investments generate a revenue flow to the United States consisting of dividends, royalties, and licensing fees.

As the most important single source of foreign investment for Northern Ireland, the United States accounts for a substantial proportion of Northern Ireland's manufacturing and tradeable service sectors. About 40 U.S. companies are already operating in Northern Ireland. They have accounted for \$850 million invested in the past 5 years and provide almost 9,000 jobs. These companies include Dupont, Ford Motor Company, United Technologies, Fruit of the Loom, Federal Express, 3M, and Seagate.

The Republic of Ireland has approximately 400 U.S. investor companies. Of these, at least 33 U.S. firms have invested in the six border counties of Ireland, with the majority locating in Louth (15) and Sligo (7). U.S. investors in the border counties include Abbott Laboratories, Sherwin Williams, Bissell Inc., Harris Corporation, Key Tronic, H J Heinz, and Bose Corporation.

Both Northern Ireland and the Republic of Ireland are export-oriented economies. Northern Ireland exports 70 percent of its manufacturing output, with 33 percent going to Great Britain, 10 percent to Ireland, and 14 percent to the rest of the European Union (EU). Data show that 80 percent of Ireland's total output is exported. The United Kingdom, including Northern Ireland, accounts for 41 percent of Irish exports. Other EU countries account for 35 percent of Irish exports, while the United States accounts for 7 percent. Government authorities actively assist resident companies with export-related matters, including the preparation of export market research studies, both for cross border markets as well as other European markets.

Membership in the European Union, direct travel and communications links with London and other EU capitals, highly skilled labor and extremely competitive wages are attractive inducements for foreign firms seeking to invest in Northern Ireland or the border counties. In addition, inward investors are qualified to receive various incentives and financial supports from the host governments and the EU for manufacturing or R&D operations and training.

Economic Growth through Economic Cooperation

The ceasefire has had an immediate impact on business and a significant improvement in economic growth from cross-border cooperation is expected. Business confidence levels have been elevated among companies in Northern Ireland and the border counties, as have expectations that general business operations will benefit directly and significantly from the peace. Many firms expect to see improved cross border exporting and cite this prospect as a major impact of the ceasefire. In addition, companies indicate that among the positive results of the ceasefire are easier access to a skilled labor supply, better access to external funding at the individual business unit level, increased production, and reduced security costs.

The ceasefire is expected also to have other, equally significant, economic benefits. Already there has been a visible and impressive increase in the average volume of sales by Northern Ireland firms trading with Ireland. At the same time, there has been an increase in the number of companies in Ireland that have begun to import from the north and an increase in the volume of those imports.

Levels of two-way trade have been artificially low and marketing capacity underdeveloped. Maximizing the level of trade and economic cooperation on the island will be an essential part of the development of economic activity in the coming years. The potential for a substantial increase in the volume of two-way business beyond the current levels will be improved in a permanently peaceful political environment.

Prior to the 1960's, the north-south balance of trade was in favor of Northern Ireland. After a modest Irish trade deficit emerged in the 1960's and 70's, Ireland began to run a significant trade surplus with Northern Ireland. Today, the surplus amounts to between \$450 and \$600 million annually, or the equivalent of 1-2 percent of Ireland's GDP. Although Ireland's total exports have grown by a factor of more than 20 since it joined the EU in 1973, Irish exports to Northern Ireland have increased at only a factor of seven. But the Northern Ireland market is believed to offer positive opportunities for Irish companies not already selling there; companies that have neglected to pursue the market closest to them in geography, culture, and language.

The prospects of peace and political stability will increase the opportunities and incentives to cooperate for mutual gain between Northern Ireland and the border counties of the Republic of Ireland. That cooperation can cut across a variety of areas, including:

- infrastructure (transportation, energy, R&D activities);
- promotion (tourism, trade, agribusiness);
- environmental (pollution control and clean up, water management);
- general economic development; and
- new initiatives along the Belfast-Dublin corridor.

Cross-border cooperation and coordination have significant potential for new job creation and for the promotion of economic growth. Cooperative efforts in trade, tourism, and investment promotion will enable both sides to offer economies of scale and to minimize duplication of effort. In the tourism realm, for example, merging the promotion of a wider variety of tourist attractions on both sides of the border can enhance their appeal to a wider range of tastes, and expand the duration of visits. Cross community efforts in attracting investors will enable both parties to emphasize common supplier networks, transportation links, etc.

Cooperative efforts to increase cross-border trade have been underway for some time. Both sides are producing reports on 15 different consumer product markets on an all-Ireland basis, with support from the International Fund for Ireland. These studies will be valuable tools for companies, north and south, to build and defend markets, and to develop partnerships, as well.

The Northern Ireland export base is still fairly narrow, and thus holds promise for expansion. A small number of major Northern Ireland exporters are responsible for a large proportion of all exports. Recent statistics show that the three largest exporting firms accounted for 40 percent of all exports, and that the ten largest companies were responsible for 54 percent. Potential for greater cross-border trade and cooperation is indicated by studies that show that Northern Ireland manufacturers could sell as much in the south, in per capita terms, as they presently sell in their domestic market; and a similar calculation has been made about southern company sales in the north.

Improved cross-border cooperation will be beneficial to both sides. North-South trade in electricity, curtailed in the 1970's by terrorist attack, has been restored and will provide major cost savings to both sides. Transportation linkages, rail and road, between the two economies can be improved to promote greater economic interaction. It is also believed that industrial and agricultural development policies can be coordinated to exploit potential for faster growth in both economies through the promotion of "clusters" or networks of firms.

Examples of the cross-border benefits of infrastructure improvements are readily visible. Investment in Northern Ireland ports has also increased their competitiveness, and thus their attractiveness to exporters producing in border counties. A recent estimate suggested that 40 percent of all Irish roll-on, roll-off international loads are handled by Northern Ireland ports. The attractiveness of these port facilities to firms in Ireland has been enhanced over the past 25 years by the considerable resources that have been devoted to improving Northern Ireland's infrastructure. Today, Northern Ireland by some measures has better roads than Great Britain.

Community Development and Job Creation

The need to create and expand targeted community development programs to assist in reducing the high levels of unemployment in specific urban and rural areas is an important one. The Commercial Strategy seeks to foster the development of these programs by identifying and describing methods and means for greater cross-border community cooperation and development by local authorities.

Simply speaking, the problems of the people who are out of work can be compounded by certain characteristics of their community. Community development agencies are an integral part of the solution to that problem. Community development programs and groups are closely tied to job creation because of the local economic and social context of unemployment and the ability of such groups to influence or create conditions that stimulate new jobs.

The main objectives of such programs are to stimulate local enterprise and self-employment awareness, North and South, and to encourage businesses to grow, develop, and seek new markets, and so increase their competitiveness at home and abroad. Community development programs promote economic and social advances by deepening community confidence and so provide a basis for encouraging dialogue and reconciliation between "nationalists" and "unionists" throughout Ireland. These programs identify, encourage, and develop latent entrepreneurial talents, and stimulate existing small businesses that are capable of expansion and growth.

Through community development centers and programs, the creation of jobs by small businesses can be directly stimulated and facilitated. The border counties are participating fully in the Local Development Program, which forms a key element in the national strategy to support socio-economic development in Ireland. The Business Enterprise Program, for example, assisted the establishment of cross-community sponsored Local Enterprise Agencies, which help facilitate small business development through workspace accommodation and related support services, including locally managed Revolving Business Loan Funds to help entrepreneurs get set up in business. Other community development programs aid job creation by bringing vacant and derelict business properties back into productive use by providing assistance for their rehabilitation and regeneration, with priority given to center-city properties in the most disadvantaged areas.

The International Fund for Ireland (IFI) has been involved in training and reconciliation programs that bring together young people from different communities and different cities for vocational training as the vehicle for both future employment and present reconciliation. High quality training has ensured the commitment of those selected for the program and contributed greatly to the success ratio.

Approximately 75 percent of the program participants are now in full-time employment, with some having gone on to start their own companies. Almost 20 percent of the trainees went on to further education or training. The so-called "Springboard" project has been successful for a number of reasons. Businesses have been willing to employ trainees after completion of the program. The program is constructed so that trainees were able to develop personal bonds with one another. Of the 337 participants in 16 Springboard programs, 60 percent of the participants are holding jobs; only 5 percent are unemployed. The participants were evenly split, 40 percent Protestant, 40 percent Catholic, with the remaining 20 percent from coming from Dublin.