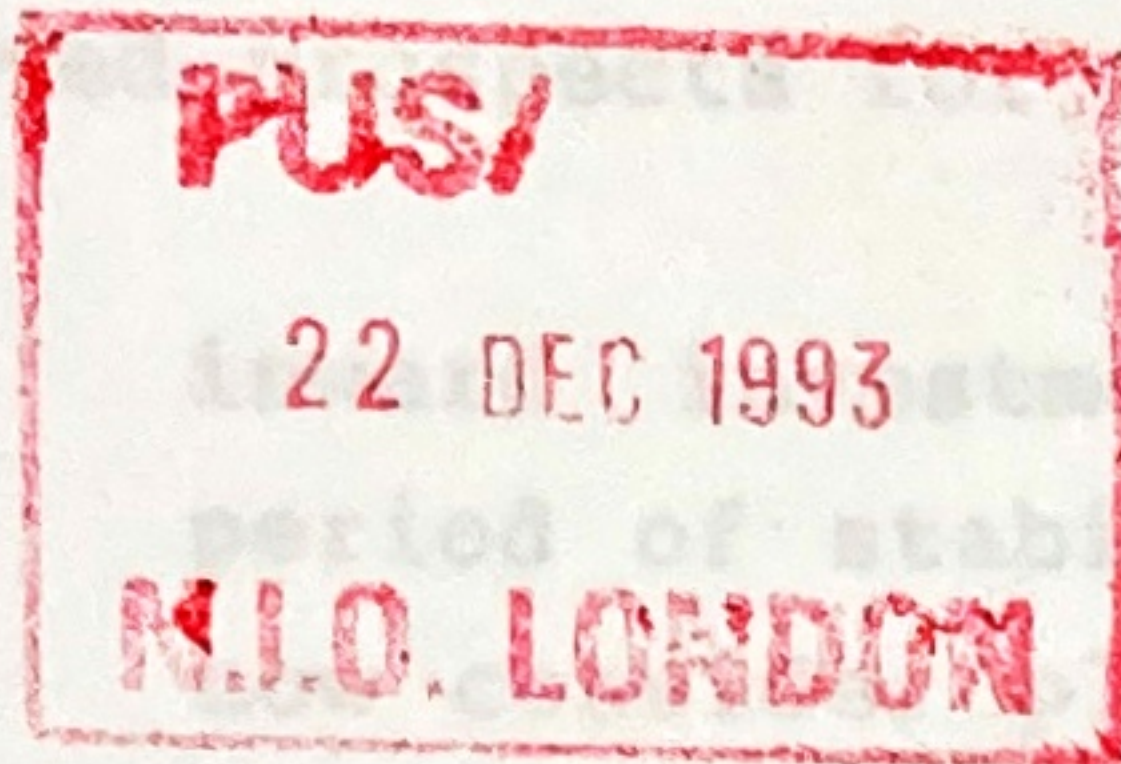


MM/25/12

FROM: M T H MAXWELL
AS CENT SEC
DATE: 21 DECEMBER 1993

cc PS/Mr Atkins (DED, DOE & L) - B
PS/PUS (B & L) - B
PS/Mr Fell - B
Mr Loughran, DED
Mr Gibson, DED
Mr Watkins - B
Mr Wood (B & L) - B
Mrs Kenny



PS/SECRETARY OF STATE (B & L) - B

NORTHERN IRELAND - ECONOMIC PROSPECTS

1. You asked for urgent briefing on Mr O'Donnell's letter of today's date about the Prime Minister's wish to push during an interview with the Daily Telegraph this evening the theme of a possibility of improved prospects for the Northern Ireland economy in the event of a permanent cessation of violence.
2. The briefing is attached in the form of a series of positive bull points, together with some cautionary notes highlighting the possible economic downside of an outbreak of peace. We are extremely grateful to DED for providing the bulk of this material.
3. Also attached is a draft letter for you to send to Mr O'Donnell.

[Signed: MTHM]

M T H MAXWELL
CENTRAL SECRETARIAT

RC/12109

NORTHERN IRELAND: ECONOMIC PROSPECTS: POSITIVE BULL POINTS

1. A permanent cessation of violence could be expected to result in improved prospects for the Northern Ireland economy because:-
 - a. inward investment. NI is already doing well, but a period of stability would mean that those who would not now consider placing a project in Northern Ireland would once again look seriously at the Province as a location for investment. It would be easier to persuade inward investors to go to areas of greatest need which have been subject to high levels of violence in the past;
[NOTE: 1992 figures show that inward investment to Northern Ireland already compares well with other UK regions and ROI (pro rata)]
 - b. tourism. On the tourism front Northern Ireland has great potential. A tranquil Northern Ireland, with its natural beauty, would attract tourists from all over the world, and tourism could be expected to rise to the same level as Scotland or the Republic of Ireland, thus creating up to 3,000 jobs in that industry;
 - c. trade. An end to violence will give a boost to Northern Ireland exporters. Overseas buyers will not be deterred by a threat of disruption to supplies and buyers will be more willing to travel to Northern Ireland. Joint ventures with overseas companies will be facilitated;
 - d. ability to build on NI advantages. Northern Ireland is already a good place to invest because of:
 - i. better educated workforce: GCSE pass rate 80% compared with 48% in England and Wales (1990/91);

- ii. lower strike record; average days lost only two thirds of GB level;
- iii. competitive wage rates; [average is about 90% of UK average]
- iv. green, unspoilt countryside;
- v. good research facilities;
- vi. top quality industrial infrastructure;

e. **greater employment opportunities generally.** It has been estimated that a gross 35/45,000 jobs have been lost over the last 25 years due to violence. A cessation of violence could enable us to aspire to GB levels of unemployment. This could yield 15/30,000 jobs;

[NOTE: NI has 103,000 unemployed; 13.4% of the workforce. The GB rate is 9.8 % and, for the North, the next highest region, is 11.9%]

f. **lower operating costs.** The direct and indirect costs to industry (eg travel delays, etc) of violence would be removed and industry's competitiveness correspondingly improved;

[NOTE: insurance costs are not higher because NIO bears the terrorism risk]

g. **immigration and the brain drain.** An end to violence could be expected to lead to a return to the Province of some of the best entrepreneurial minds who have left over the years and been successful in industry in GB, the USA and other fields. It will also stop the current loss of some of the brightest young people. Only 10%

of those who go to GB universities (around 4,250 per year) return to Northern Ireland on graduating;

- h. fair employment. The creation of new jobs is essential to securing more balanced participation in employment by the two communities and will enable us to secure our fair employment targets more quickly.
- i. business startups. Achievement of GB levels could lead to an extra 1,500 businesses being started each year (but would also lead to increase in failure rate);
- j. trade in Ireland. An end to violence would facilitate movement and trade in Ireland generally. The railway would become more reliable; cross border roads could be opened; and the electricity systems could be joined. The estimates of the benefits of greater North/South trade suggest at least 7,500 extra jobs;
- k. reduced security costs on both sides of the border would free Government resources, at least in part, to be re-directed to other areas eg health and education;
- l. the European Commission, in the form of M Delors, has already stated that the achievement of peace would bring many social and economic benefits not only to Northern Ireland but to the European Union as a whole. The Commission wishes to discuss with the two Member States most directly concerned how best this can be done;
- [m. the possibility exists to trade Northern Ireland public sector expertise. This is already happening, but might be accelerated through eg prisons by sub-contracting this to the rest of the United Kingdom, or possibly to the Irish Republic. Another possibility might be to

sell Northern Ireland's expertise in policing a divided community through the establishment of an international police college.]

Contemporary Notes

n. CBI and Northern Ireland Chamber of Commerce and Industry have confirmed these points in general terms in recent statements.

Unemployment in Northern Ireland (and in ROI) has been higher than in any other country as long as records exist. There is little evidence that violence has any fundamental impact and no economic reason for believing that an end to violence will lead necessarily to an immediate improvement in economic prospects. (Indeed economic forecasters have predicted threats to Northern Ireland employment arising from more open markets (GEM/GATT) especially in clothing and textiles - 25% of Northern Ireland manufacturing employment).

a. Direct and indirect employment in security amounts to about 30,000 jobs, many of which would be lost.

c. Unemployment in Northern Ireland would be a lot higher but for net migration of 7,000 people over the last 25 years. Peaks of migration have coincided with peaks of violence, and the opposite can be assumed.

NORTHERN IRELAND: ECONOMIC PROSPECTS

Cautionary Notes

December 1993

- a. Unemployment in Northern Ireland (and in ROI) has been higher than in GB for as long as records exist. There is little evidence that violence has any fundamental impact and no economic reason for believing that an end to violence will lead necessarily to an immediate improvement in economic prospects. (Indeed economic forecasters have predicted threats to Northern Ireland employment arising from more open markets (SEM/GATT) especially in clothing and textiles - 25% of Northern Ireland manufacturing employment).
- b. Direct and indirect employment in security amounts to about 20,000 jobs, many of which would be lost.
- c. Unemployment in Northern Ireland would be a lot higher but for net migration of 7,000 people over the last 25 years. Peaks of migration have coincided with peaks of violence, and the opposite can be assumed.

I am also attaching a statement which was issued last night by Robert Atkins which addresses the same theme as that being planned by the Prime Minister.

JONATHAN STEPHENS

DRAFT LETTER FROM PS/SECRETARY OF STATE TO:

Gus O'Donnell Esq
Press Secretary
10 Downing Street
LONDON

December 1993

NORTHERN IRELAND: ECONOMIC PROSPECTS

Your letter of today's date sought briefing on the theme of the improved prospects of the Northern Ireland economy in the event of a permanent cessation of violence; this is attached.

As you will see, it is in two parts; firstly, a number of bullet points on the benefits to employment of a permanent settlement, and secondly a small number of cautionary notes. The short term impact of a settlement could be an increase in unemployment arising from a reduction in the number of people employed, either directly or indirectly, on security matters (excluding armed forces, over 20,000 are employed in the RUC, Prison Service and private security), and from an upsurge in immigration to the Province. Of course, this freeing up of human resources should be beneficial in the long term, but we cannot escape the fact that, at least in the short term, this is a two edged sword.

I am also attaching a statement which was issued last night by Robert Atkins which addresses the same theme as that being planned by the Prime Minister.

JOHNATHAN STEPHENS

RC/12109