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① Mr Bell used 5/6
② Mr Russell 82/6



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c.c. PS/PUS (L & B)
Mr Bell
Mr Blelloch
Mr Marshall
Dr Quigley
Mr Buxton
Mr Burns
Under Secretaries
Mr Fell

MINISTER OF STATE (MR BUTLER)

ECONOMIC IMPACT OF CIVIL DISTURBANCES

1. We discussed this morning some aspects of the way in which the economic situation here is being adversely affected by the political and security situation.
2. It is now evident to me that one of the effects of the IRA campaign has been in effect to block off almost entirely what, in more normal circumstances, ought to be a major source of new industrial investment into Northern Ireland - that is to say, Great Britain itself.
3. I have been looking in detail at new inward investment projects promoted since 1975 in Northern Ireland and the Irish Republic respectively. In examining these figures it has to be borne in mind that jobs actually created are not the same as jobs promoted, and that new projects from outside the area do not represent the only source of new industrial jobs; there are also indigenous projects and expansions of existing concerns.
4. The inescapable fact, however, is that during a period of five years beginning with 1975 the Irish Republic promoted 55,411 through new inward investment while Northern Ireland promoted 6,301. Even more striking is an examination of the source of investment. In each case the United States was the best single source, providing 33,590 promoted jobs for the Republic and 5,504 for Northern Ireland. Our performance was poor compared with that of the Republic, but at least it represented 16.4% of the figure which they achieved. When one looks at cases coming from the United Kingdom to the Irish Republic, or to Northern Ireland from Great Britain, one finds a much more depressing comparison. While the Republic promoted 5,659 jobs from the United Kingdom (ie, more than we promoted during the same period from our best source, the United States), we promoted a derisory total of 191 jobs from Great Britain.

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Our performance here represented 3.4% of the Irish achievement.

5. It would be facile to attribute this poor promotion rate from Great Britain to the United Kingdom recession. Significant and useful numbers of jobs have been brought from the United Kingdom into the Irish Republic throughout the 1975/79 period (and we understand that in 1980 there were a further 30 UK projects accounting for some 2,000 jobs). Better incentive packages and better institutional arrangements might account for some of the difference in performance. But we have not compared nearly as badly in relation to the United States.

Surely there are also taxation advantages in setting up in a foreign country (ROI) in preference to a UK region (NI) which would

6. I therefore conclude that while we have been monitoring with great care the pimple represented by the direct involvement of the IRA in commercial activity, we have failed to observe sufficiently closely the cancer represented by the success of our enemies in diminishing confidence in Northern Ireland on the GB mainland to an alarming extent. When one bears in mind that, over the same period, some of the major UK firms previously involved in Northern Ireland have reduced or removed their interests, and that - for quite extraneous reasons - the substantial number of jobs provided here in former times by such defence establishments as the old Royal Naval Aircraft Yard have disappeared, the picture is indeed a bleak one.

lead one to expect NI to be less attractive than ROI to UK firms but not US firms?

7. We also discussed the way in which the more recent "hunger strike" situation and the resulting media publicity has led to a series of complications for industry. As evidence of this we have the direct attack upon property at De Lorean; the involvement of US personnel at Hyster in a stoning incident, leading to the return of some of them to the United States; the major question mark about the future of the Hollins shirt factory at Londonderry, caused by concern at Board level in the parent company in Great Britain about interference with deliveries and collections; the reluctance of English based buyers to visit firms like Debretta; the loss of valuable Ford orders by Kent Plastics at Enniskillen because of the reluctance of senior buyers and engineers to come to Northern Ireland; the

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expressed concern of Sirocco about security problems at their Mountpottinger works, and so on. In circumstances such as these it will no longer be possible to say with honesty that the troubles have had a minimal direct effect upon industry.

8. As you know, we have even had evidence of a reluctance on the part of those responsible for aspects of public purchasing to visit Northern Ireland, although action has now been taken at official level which will, I hope, deal with this.
9. Since it is important that there should be the widest understanding of the special problems we now face on the industrial scene, you may wish to consider bringing the conclusions reached in this note to the notice of the Secretary of State and other colleagues so that they in their turn may draw upon it in any way they deem appropriate.

K. P. Bloomfield

K P BLOOMFIELD
3 June 1981

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