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Gus O'Donnell
Press Secretary
10 Downing Street

## NORTHERN IRELAND: ECONOMIC PROSPECTS

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

As you will see, it is in two parts; firstly, a number of bull points on the benefits to employment of a permanent settlement and secondly a number of cautionary notes. The short term impact of a settlement could be an <u>increase</u> in unemployment arising from a reduction in the number of people employed, either directly or indirectly, on security matters (excluded 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, 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. As you will see, Mr Atkins' comments avoided suggesting that Northern Ireland is, at present, anything other than a good place in which to do business.

# JONATHAN STEVENS

#### NORTHERN IRELAND: ECONOMIC PROSPECTS

- 1. A permanent cessation of violence could be expected to result in improved prospects for the Northern Ireland economy because:-
  - (a) inward investment would be easier to attract and IDB could capitalise on the many expressions of interest already existing. 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. Northern Ireland is a beautiful, green, unspoilt region and tourism could be expected to rise by up to a half, 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) <u>ability to build on NI advantages</u>. Northern Ireland is <u>already</u> a good place to invest because of:-
- (i) better educated workforce: GCSE pass rate 80%

  compared with 48% in England and Wales (1990/91)

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  - (ii) lower strike record; average days lost only two thirds of GB level
    - (iii) competitive wage rates; average is about 90% of GB average
    - (iv) green, unspoilt countryside
    - (v) good research facilities
    - (vi) top quality industrial infrastructure
  - (e) greater employment opportunities generally. It has been estimated that 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 101,000 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].

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) <u>fair employment</u>. 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) <u>business startups</u>. 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, the electricity systems could be joined.

The estimates of the benefits of greater North/South trade suggest at least 7,500 extra jobs.

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

#### NORTHERN IRELAND: ECONOMIC PROSPECTS

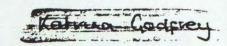
### **Cautionary Notes**

- (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 had any fundamental impact and no economic reason for believing that an end to violence will lead to a sea change in economic laws. (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 over 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 each year over the last 25 years. Peaks of migration have coincided with peaks of violence and the opposite can be assumed.

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# NORTHERN IRELAND Information Service



20 December 1993

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PEACE WOULD BRING A HUGE ECONOMIC DIVIDEND - MINISTER

Peace would bring tremendous economic benefits to Northern Ireland, the Minister for the Economy and the Environment, Mr Robert Atkins, MP, said today.

"I believe that if the peace that so many people are desperate to see, comes about, the scope for economic growth would be huge," Mr Atkins said.

"There is no doubt that an end to the terrible violence, which we have had to battle against over the past two decades and more, would make the task of developing our economy a much easier one.

"A period of sustained 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. I am convinced that the IDB with its contacts and resources, would find the task of promoting jobs and prosperity much easier.

"On the tourist front Northern Ireland also has great potential. I feel sure that people who are currently put off doming to the Province would return in their thousands and boost the industry here. A tranquil Northern Ireland with its natural beauty would attract tourists from all over the world.

"On these two fronts alone there is a fantastic opportunity to grow our economy, create jobs and prosperity and make Northern Ireland an even better environment for all its citizens.

"The Prime Minister made clear over the weekend the importance he attaches to bringing peace to Northern Ireland and the right of our people here to enjoy all the benefits which would flow from it.

"I think all of us involved in the business of economic development can only endorse that sentiment. Certainly the leaders of the IDB and the Northern Ireland Tourist Board take that view and they have told me they see boundless opportunities flowing from an end to the troubles."