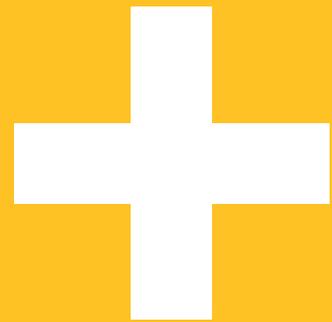


for **Peace + Prosperity**

The Economic and Social Benefits of the
Belfast/Good Friday Agreement



Foreword



The Belfast/Good Friday Agreement (BGFA) will mark its 25th anniversary in April 2023. Over that period, it has brought an incalculable benefit in terms of the reduction in violence and deaths both on the island of Ireland and in Britain. There have also been other benefits to peace too through a growing prosperity and improved quality of life as a direct result. This peace dividend has been witnessed by Ibec members through the last two and a half decades in substantial ways, which have benefitted their ability to invest and grow on the island and globally.

It is also a useful time to reflect on the role of business in growing commercial, cultural and social ties across the island of Ireland. For the last five decades, since 1973, Ibec has been involved with the all-island business community, including through our Joint Business Council with CBI Northern Ireland, in facilitating the dialogue between business leaders in both jurisdictions. Our focus continues to be on leveraging the all-island economy to promote strategic investment and the growth of employment and prosperity across the entire island.

In the five decades since, the joint work of the business communities, has constructively informed and supported the development envisaged in Strand Two of the BGFA for North/South cooperation to develop trade, critical transport and infrastructure, skills, supply chains, regulatory regimes and markets in order that both jurisdictions would fully benefit from the scale of the all-island economy.

Businesses have long recognised that there were North/South opportunities of mutual benefit. In 1992 Sir George Quigley, at a Confederation of Irish Industry (CII) conference, promoted the idea of the all-island economy. He suggested that following the creation of the Single Market “the European Community should regard the island of Ireland as one economic area... and support the idea of developing a Belfast/Dublin Economic Corridor”. Following the ceasefires and the BGFA, it became increasingly possible to explore and deliver on these opportunities of mutual benefit.

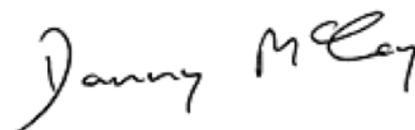
In previous reports, Ibec has set out that the functioning of the island as a ‘natural economic zone’ would bring enhanced competitiveness by creating

integrated investment, recruitment, production, marketing and supply chains. It would also allow universities and firms across the island to collaborate more closely through their research and development programmes, supported by EU funding. For individuals and households, it would bring greater employment opportunities with the chance to seamlessly work in one jurisdiction and live in the other.

The creation of high-quality employment opportunities would help raise the standard of living across jurisdictions as economic conditions improved. Citizens on both sides of the border were expected to benefit from more ‘joined up’ and efficient public service provision in fields such as health, education and security. A larger population was also predicted to attract additional investment (both foreign and indigenous).

This report seeks to draw together the available evidence on the success of that vision over the past two and a half decades. We show that by making the island a more attractive place to live and work; a more stable place to invest; by allowing for the growth of all-island trade and brands; and by integrating infrastructure in key areas – the island has benefitted economically from peace, although Northern Ireland has still to realise the full potential dividend. Whilst it is impossible to put a single number on the scale of the peace dividend the results are clear; the peace and consequent stability which has followed the BGFA allowed for greater prosperity across the island.

Whilst that peace dividend is significant, there remains further opportunities of mutual benefit which the Irish business community will continue to pursue in the coming decades. Peace on the island underpinned by the BGFA has been central to prosperity and the success of many businesses. Business must therefore play a central role in the further development of an all-island economy which has the evolving principles of the BGFA at its core.



Danny McCoy
CEO, Ibec
January 2023



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1.

The Belfast/Good Friday Agreement Explained

On Friday, 10 April 1998, after two years of intensive negotiations, the British and Irish Governments and most Northern Ireland political parties concluded the Belfast/Good Friday Agreement (BGFA) because it offered “...a truly historic opportunity for a new beginning”.

The BGFA is an extraordinary achievement that ended large scale political violence in these islands after 30 years of ‘The Troubles’ in which over 3,700 people died and 47,541 were injured.



Today it is recognised worldwide as one of the most successful conflict resolution agreements of its time because it has delivered peace, relative stability and evident, but not equally shared, prosperity. Throughout that dark period in the islands' joint history there was little hope and no devolved institutions that supported and enabled the building of reconciliation, tolerance, and mutual trust. Northern Ireland suffered terror, fear and sectarian violence and was governed under Direct Rule.

In both the Ireland and Britain, society and business lived with the constant presence of this violence, and uncertainty as to when political effort and agreement would end it. The worst loss of life was one day in 1974 when 33 people died and almost 300 were injured in Dublin and Monaghan bombings.

To stop the tragedy and suffering all parties committed to a "fresh start.....within the framework of democratic and agreed arrangements", and working the BGFA's Three Strands in a spirit of "...partnership equality and mutual respect as the basis of relationships within Northern Ireland, between North and South and between these islands".

The BGFA is a short document of 35 pages in English and Irish which addresses Constitutional Issues, Rights Safeguards and Equality of Opportunity, Security, Policing and Justice. It includes a 'Declaration of Support' and, crucially, an Agreement between the UK and Irish Governments to "develop still further (our) unique relationship(s)."

With extraordinary care, consideration, and negotiation these sections agreed:

- Core principles
- Devolved administration
- North/South and East/West institutions
- Citizenship rights; police reform
- Recognition of Northern Ireland as a Sovereign part of the UK along with a democratic path to unite Ireland
- Commitment to European level human rights principles, protections, and processes.

Implemented in a spirit of unprecedented institutional innovation, inter-governmental collaboration and a shared determination these new institutions included:

- A Northern Ireland Assembly elected by proportional representation
- An Executive appointed to provide guaranteed all party and community representation of Ministers serving under a Joint and Deputy Joint Minister
- Cross Border Bodies operating North and South in trade and business development, EU Funding, food safety, inland waterways, loughs management, language promotion and international tourism promotion
- A British/Irish Council of representatives from all the administrations in these islands; a British/Irish Inter-Governmental Council of both sovereign governments
- A De-commissioning Body to oversee and report the destruction of paramilitary weapons
- A new police force - the Police Service of Northern Ireland (PSNI) to replace the Royal Ulster Constabulary (RUC).

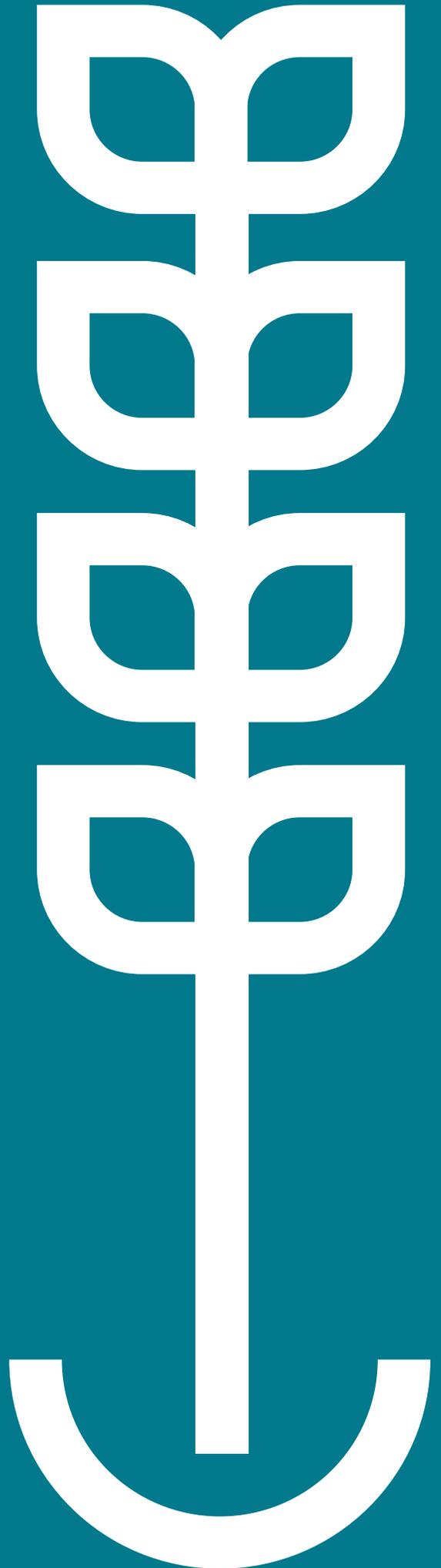
Simultaneous referendums on the BGFA were approved by 71% acceptance in Northern Ireland and 94% in Ireland. The Constitution of Ireland was changed so that 'unity' will only be by peaceful means and democratic consent.

Subsequently these provisions were enacted by a joint 'British/Irish Agreement Act 1999' passed by both Parliaments in Dublin and London and registered with the United Nations as an international agreement and were supported by the EU with Peace Funding and proactive policy initiatives.

On its 25th Anniversary the BGFA's core tasks have been accomplished while others continue to evolve as work in progress. Its resilience to protect peace and stability for citizens, society and the economy in both jurisdictions remains intact as "the success of each (part) depends on that of the other".

2.

The Peace
Dividend



The immediate and primary benefits of peace which the BGFA and the broader Peace Process brought to the island are substantial – in terms of the reduction in violence and improvements in people’s day-to-day lives. What are less appreciated are the implications these had for prosperity on the island.

While the impacts of the Peace Process are too complex to disentangle into a single number, there are clear ways in which business understands the benefits which have been delivered through peace, stability and less uncertainty.

The peace ‘dividend’ from the BGFA is not simply the sum of rising cross-border trade, but the growing impact stability and certainty, both in Ireland and in Britain had on economic growth and investment. The Peace Process has allowed us to leverage our collective economic capacities across the two islands in ways which would not have been fully realised in its absence.

In short, the Peace Process has helped to create:

A more attractive place to live and work

An end to violence made the island of Ireland a much more attractive place to arrive to or stay in. It helped end decades of outward migration and allowed the island to attract record numbers of young talented workers.

A more stable place to invest

Certainty is the key ingredient for companies investing and the Peace Process gave more certainty for companies placing key assets, infrastructure and teams in Ireland and Northern Ireland.

Growth of all-island trade and brands

Recent years have seen record levels of all-island trade and business. The Peace Process and membership of the EU Single Market have brought tangible benefits in the scale, spread and intensity of N/S economic interaction across the island.

Whether it be in the Experience Economy, in manufacturing, in Irish Whiskey or in dairy production, the growth of all-island business, brands and supply chains has been enhanced by peace.

More joined up all island policy and planning

The Peace Process has allowed us to better integrate all island planning of projects to implement crucial policies - particularly for physical infrastructure in energy and transport on the island – avoiding duplication, better leveraging assets, reducing costs for consumers. It has also enabled the delivery of an optimum return on investment by enhancing both jurisdictions’ ability to leverage intangible assets like research ties, the mobility of people and ideas and the all-island tourism brand.

3.

The Benefits
of Peace



3.1 A more attractive place to live and work

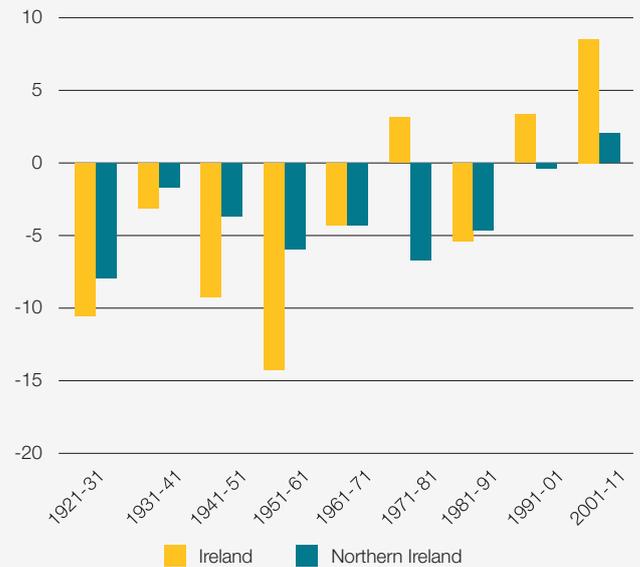
The period of ‘The Troubles’ coincided with significant outward migration from both Ireland and Northern Ireland. This was linked both to economic difficulties in both countries but also the growing and disruptive threat of violence throughout the period. The decline in violence and growth in economic opportunity in the 1990s, up unto the present day, has helped reverse decades of consistent emigration from the island.

There is more to do in this space, however. For example, around 17,000 students leave Northern Ireland each year to study in Britain. A further cohort of just under 2,000 go to university in Ireland. This is compared to an average of around 25,000 undergraduate students in Northern Irish universities. Of the 17,000 who go to third level in Britain, only around one-third return home immediately post-graduation.

A survey by the Pivotal PPF think-tank suggested difficult community relations in Northern Ireland and improved graduate opportunities elsewhere were the main drivers of this brain drain. However, recent research by the ESRI (2022)¹ has highlighted a number of structural issues in the education system at all levels including an absence of joined up courses in both jurisdictions at third level which are also contributing to this situation.

Peace is a crucial ingredient of certainty from a business perspective where increasingly the future of economic growth is tied to skilled and talented people wanting to live and work in a given location. The traditional industrial model of the 20th century typically saw capital locate close to raw materials and transport routes. Workers and the businesses serving them were then attracted to these towns and cities.

Net migration by decade, per 1,000 population



Source: Trew ‘Leaving the North’²

That model is no longer dominant in the 21st century in highly developed economies. The move toward a digitised, intangible economy means companies are now more reliant on intellectual rather than physical capital. Mobile labour now dictates the location of economic activity to a greater extent than the decisions of corporates.

Workers are much more mobile than in the past. Peace and security are key inputs to overall quality of life and are key factors in the decision of workers where to locate. There is strong evidence of this in pre and post BGFA conditions. Besley and Muellerr (2009)³ show a strong link between violence in Northern Ireland and house prices. House prices are a strong proxy, in turn, for the attractiveness of an area as a place to live.

1 Smyth, Devlin, Bergin, McGuinness; ‘A North-South Comparison of Education and Training Systems: Lessons for Policy’

2 Trew; ‘Leaving the North: Migration and Memory, Northern Ireland 1921-2011’

3 Besley, Mueller; ‘Estimating the Peace Dividend: The Impact of Violence on House Prices in Northern Ireland’

Frey et al. (2004, and 2004)^{4 5} show that violence linked to 'The Troubles' had a materially large impact on life satisfaction not just in Northern Ireland but also in Ireland and Britain between 1975 and 1998. They also calculate a hypothetical willingness-to-pay of a resident of Northern Ireland for a reduction in violence levels to the average level of Britain and Ireland. They found that an average household would have been willing to pay around 41% of their income for a material reduction in violence.

Peace has had a material impact on the attractiveness of not just the island of Ireland but also Britain as a place to live. The highest value firms often choose to locate where talented workers want to live rather than the other way around. In the absence of peace and security it is highly unlikely that as many highly mobile and skilled workers would have chosen to make this island their home over the past 25 years.

3.2 Direct investment

Direct investment by both indigenous companies and foreign multinationals requires an absence of exceptional risks to the safety of their staff and security of their investments. The ability of both jurisdictions in the period after the BGFA was signed to reduce uncertainty is also a fundamental shared benefit in attracting investment and competing against other locations.

Without those basic protections, the levels of investment on both the island of Ireland and in Britain would be damaged. This is particularly the case in a world where highly integrated and lean supply chains cannot afford to risk delay or interruption at key 'points of failure'. Major parts of economic and corporate infrastructure are unlikely to be placed in proximity of the danger of political violence and the risks it entails of damaged infrastructure, supply chain disruption and, most

importantly, to staff and colleagues. An atmosphere of fear and intimidation disincentivises legitimate business.

Muckley (2011)⁶ shows that there were significant impacts on both Foreign Direct Investment (FDI) and tourism flows from the intensity of the violence associated with The Troubles. A direct relationship exists between the scale of violence and the levels of investment and inflows into the economy. Brownlow (2021)⁷ argues that the conflict "removed any prospect of an inward investment and tourism-based approach". This was because civil unrest compounded a weak economy. Whilst Teague (2016)⁸ says that the rise in violence in the early 1970s caused many multinational firms to turn their backs on Northern Ireland or fail to invest. He shows that multinational jobs created fell from 11,000 between 1966 and 1971 to only 900 between 1972 and 1976. Bradley (1995)⁹ suggests part of the failure of Northern Irish manufacturing in the 1970s was a strong reliance on British FDI which was in decline, and an inability to attract FDI from elsewhere due to ongoing civil unrest.

Whilst the direct impact of violence on investment is clear in Northern Ireland, the overall impact is much broader. The conflict created levels of uncertainty and risk for both the Irish and British economies which reduced their attractiveness as places to invest. Abadie and Gardeazabal (2008)¹⁰ show that across the globe, the risk and proximity to political violence can reduce FDI levels by up to 5% of GDP. Moreover, the same authors show (2003)¹¹ that it can impact incomes even more significantly, similar to what Enders and Sandler (1996)¹² show for periods of political violence in Spain and Greece. However, these studies also show that credible and sustained ceasefires resulted in significantly stronger performance for business and higher incomes.

4 Frey, Luechinger, Stutzer; 'Valuing Public Goods: The Life Satisfaction Approach'

5 Frey, Bruno S.; Luechinger, Simon; Stutzer, 'Calculating tragedy: assessing the costs of terrorism'

6 Muckley, 'Terrorism, Tourism and FDI: Estimating a lower bound on the Peace Dividend in Northern Ireland'

7 Brownlow, 'Industrial Policy in Northern Ireland: Past, Present and Future'

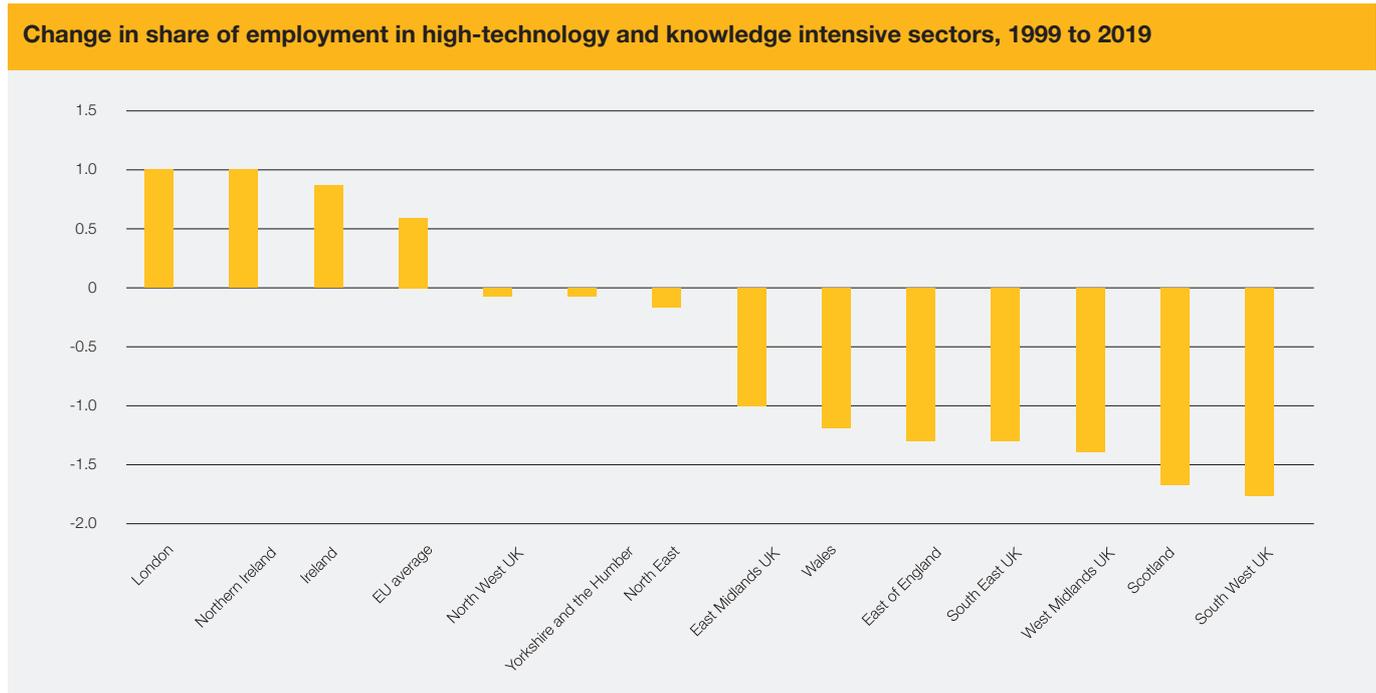
8 Teague, 'Northern Ireland: The Political Economy of Peace'

9 Bradley; 'Symposium on the Economic Implications of Peace in Ireland'

10 Abadie, Gardeazabal; 'Terrorism and the world economy'

11 Abadie, Gardeazabal; 'The Economic Costs of Conflict: A Case Study of the Basque Country'

12 Enders, Sandler; 'Terrorism and Foreign Direct Investment in Spain and Greece'



Feedback from Ibec members is clear that the Peace Process helped allay fears and made major investments more attractive to global decision makers. In the years since 1998, we have seen record investment on the island of Ireland. Measured by their share of employment, high-technology sectors on the island of Ireland have grown as fast as London and have far outpaced other UK regions and Europe as a whole.

The high-technology, BioPharma and Tech sectors in Northern Ireland are now 2.5 and 4.5 times larger than they were in 1998. In Ireland, the same numbers are 2.5 and 2.6. Whilst there are issues which still provide barriers to investment, peace has allowed both jurisdictions on the island to close this gap – of 13 Irish and British regions, Ireland has gone from 2nd to 1st in terms of high-tech employment between 1999 and 2019. Whilst Northern Ireland has moved from last of 13, by some distance, to 6th. Despite persistent productivity challenges across the island, there have been significant improvements in FDI flows in recent years.

McGuinness and Bergin (2020)¹³ show that much is still to be done in Northern Ireland with its “relatively poor economic performance ... heavily related to its industrial structure”. Their findings also suggest that this productivity gap might better be framed as a

regional problem on the island, rather than narrowly a jurisdictional one. With both Northern Ireland and Ireland’s Border, Midlands and Western regions seeing similar levels of productivity and lagging relative to the Eastern and Southern regions.

The McGuinness and Bergin 2022 paper¹⁴ shows the gap in productivity between Ireland and Northern Ireland standing at around 40%. More worryingly they find that key drivers of productivity across most developed economies, such as education and investment, do not seem to drive productivity in Northern Ireland. Both their paper and Jordan and Turner (2021)¹⁵ identify a variety of casual factors led by skills deficits, a lack of trade openness, peripherality, lack of intangible intensity, and institutional and governance factors.

McGuinness and Bergin (2022) conclude:

“It is possible that the impacts of The Troubles, a relatively closed economy in terms of international trade, peripherality, limited results from regional policy and a historical reliance on public sector employment have all combined to subdue the impact of market forces among Northern Ireland firms.”

13 McGuinness, Bergin; ‘The political economy of a Northern Ireland border poll’

14 McGuinness, Bergin; ‘Modelling Productivity Levels in Ireland and Northern Ireland’

15 Jordan, Turner; ‘Northern Ireland’s Productivity Challenge: Exploring the issues’

Case Study 1

Organisation:

Citi

Industry:

Financial Services

The Story of Citi

Citi was founded in New York over 210 years ago and almost 100 years later, began expanding outside the US.

In 1965, Citi was one of the first foreign banks to open an office in Dublin. Its numbers grew rapidly to over 1,500 employees in the mid-to-late 1990s. It later became Citibank Europe plc now the main bank subsidiary for Citi in Europe, employing c.13,000 staff in the EU

Citi opened its doors in Belfast in 2005 with 375 staff delivering technology services to Citi's Global Institutional Clients Group.

Since 2016, Citi has hired hundreds of people in both locations. Citi is now a significant employer in Ireland and one of the largest employers and the largest provider of financial services in Northern Ireland.

The unstable political environment that existed prior to the BGFA would have made it difficult for any global business to plan a long-term growth strategy in Northern Ireland. Following the BGFA, Citi saw the opportunity to establish a presence in a talent rich area as a pioneering employer in the Financial Services industry. This was a significant factor in Citi's decision to locate a major site in Belfast.

Short-term impact of the BGFA on the business

Access to talent was the key motivator for companies to setting up in Northern Ireland after the BGFA. This was certainly the case for Citi who in 2005 chose Belfast based on this and other factors, including proximity to Dublin and London which allowed greater collaboration and connection for Citi, fostering stronger opportunities for growth.

Initially sourcing and recruiting local talent from universities from 2005, it was evident that such a high standard of education meant that there was a broader talent pool from which Citi could draw on to grow its Belfast operations.

The talent pool continues to be a key asset to Northern Ireland, putting it on the map of global business. The value proposition of the Belfast site created a snowball effect for both the bank and the wider industry in Northern Ireland. There are considerable number of other firms in the Financial Services industry who have replicated parts of the Citi model.

Case Study 1- continued

Organisation:

Citi

Industry:

Financial Services

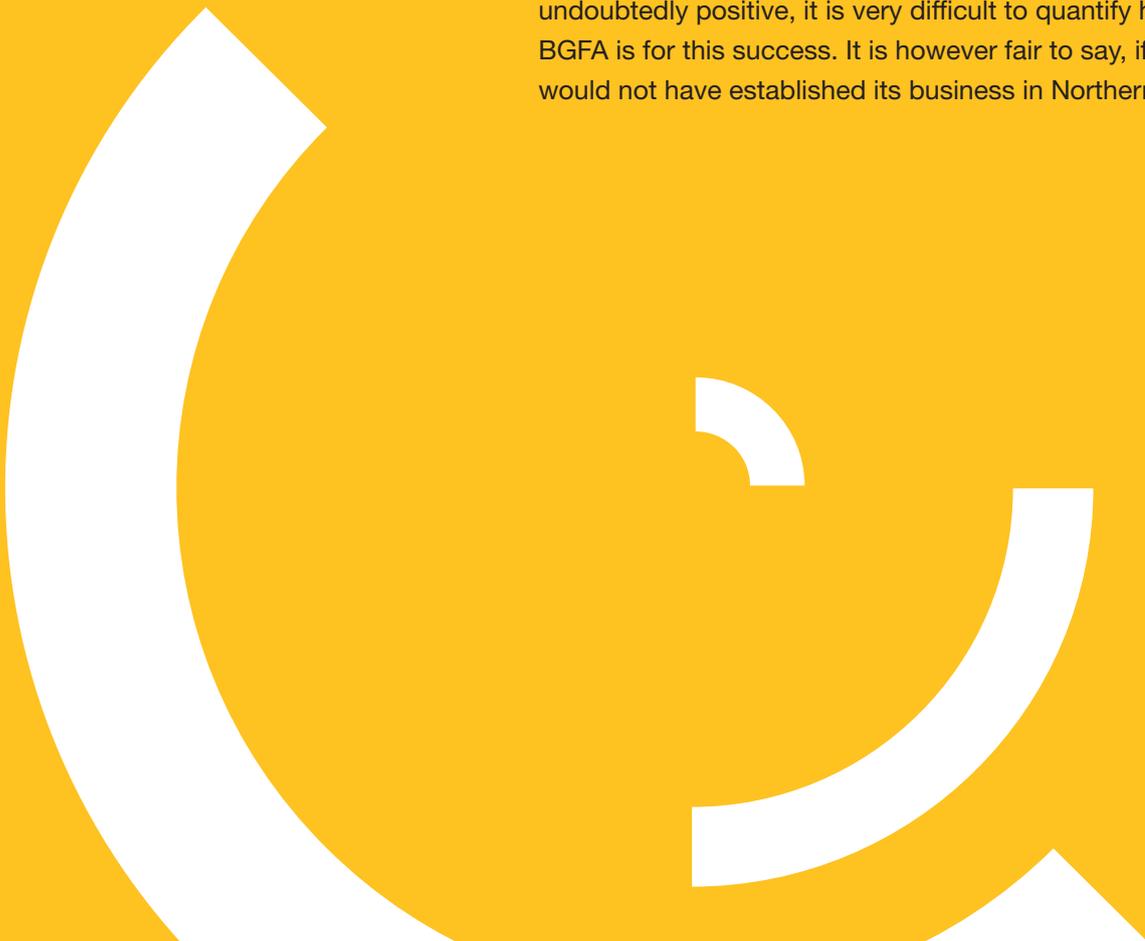
Long term positive impact of the BGFA on the business

Citi has expanded its footprint in Northern Ireland nearly tenfold in under twenty years – from 375 in 2005 to over 3500 employees today. It continues to grow and build upon its footprint as the only global investment bank to operate in Northern Ireland.

Citi Belfast offers a wide variety of roles particularly in markets operations, legal, compliance, HR and technology. There has been similar growth in roles in these key areas in Dublin, which has allowed for greater connection between the two sites.

Citi has also expanded in Ireland and now employs 2800 people in Dublin, following the announcement of 300 new jobs in 2022. Dublin is also now home to a Citi Innovation Lab, the first of five global labs for Citi (established in 2009) and the location of Citi's Artificial Intelligence Centre of Excellence established in 2021. In 2023 Citi announced it has purchased a new site at the Waterfront South Central in the Dublin Docklands, where it will develop a new modern office building which will emit zero carbon in normal operations. This is a further reinforcement of Citi's long-term commitment to the island of Ireland.

While the development of the financial and business services sectors is undoubtedly positive, it is very difficult to quantify how responsible the BGFA is for this success. It is however fair to say, if not for the BGFA, Citi would not have established its business in Northern Ireland.



3.3 The growth of all-island business sectors and brands

The growth of major all-island business sectors and brands has been a major and very visible benefit of peace. The advent of the EU Single Market, the Peace Process and removal of border infrastructure has all allowed for greater integration of the all-island economy.

Lawless, Neary and Studnicka (2019)¹⁶ show that the border had a particular impact on trade across the island. With its removal having a positive and significant impact on trade volumes. Their results suggest growing impacts of integration across the border over time and that exports from Ireland to Northern Ireland grew significantly relative to other destinations from 2011 onwards.

This has since accelerated in more recent years. Between 1996 and 2000, cross-border trade in both directions grew by almost 60%. Whilst between the Brexit referendum and today, it has almost tripled to €9.5 billion.

This positive impact of integration is typified by the dairy industry on the island of Ireland. This is examined in more detail in case study 2.

16 Lawless, Neary, Studnicka; 'South-North trade in Ireland: Gravity and firms from the Good Friday Agreement to Brexit'

Case Study 2

Industry:

Dairy

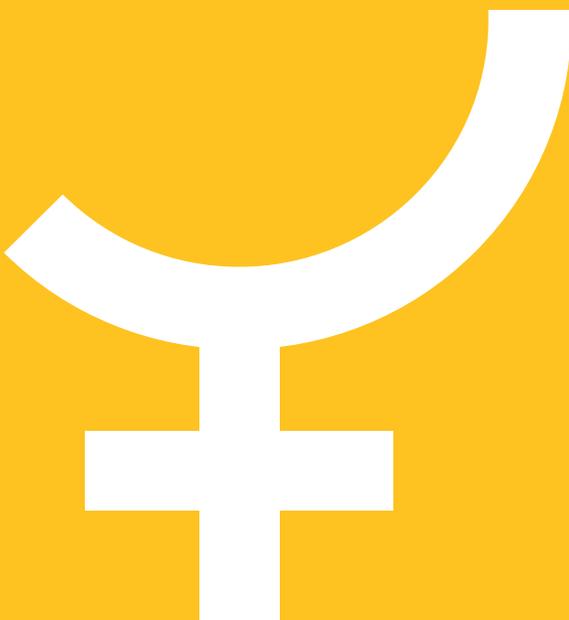
The dairy industry on the island of Ireland acts as a single entity, facilitated by the free movement of milk, product and staff, which has been underpinned by the BGFA for the last 25 years.

Intra and inter-company movements of milk have been developed over time, in collaboration with authorities in both jurisdictions. This is driven by the need to generate efficiencies, improve productivity and added value, facilitated by common EU standards, labelling and free movement of product and people. Raw milk and product cross over and back with ease across the border. About a third of Northern Ireland's milk output (800 million litres) is exported to Ireland.

What has been created is an all-island value chain for dairy, which operates to the ultimate benefit of dairy farmers, rural communities, companies and the overall economy in both countries. Today it is the island's biggest native industry with a value approaching €16 billion, concentrated in rural areas.

Dairy has emerged as a key economic driver for both parts of the island and is a sector that serves as a key supplier and customer of Great Britain (GB). The island of Ireland produces almost 11.5 billion litres of milk, with that raw product contributing to the provision of around 80,000 direct and indirect jobs, with 93% of the dairy industry's output exported, delivering about €7 billion export revenue annually to both jurisdictions.

Recent times have seen the industry take its place as a global hub for the development of specialised nutrition and functional foods. The health and nutrition portfolio of products includes sports nutrition, infant formula, elder nutrition, foods for special medical purposes. Island of Ireland dairy output is now the source of many health products for citizens across the globe.



As noted by D’Arcy and Ruane (2018)¹⁷ the nature of trade across the border is that “much of it is small value, high volume and mostly conducted by micro and small firms treating the all-island market as their local market. The benefits of ease of access to nearest neighbour markets include gaining valuable experience of exporting across the border in their near market where often there are accessible networks of trust.” This trust in turn has benefitted from peace on the island. The growth of trade and economic linkages on the island is predicated on the accumulation of such social capital.

From a business perspective, we have seen substantial growth in the all-island dimension of supply chains of Irish companies. In sectors such as dairy, Irish whiskey, tourism, arts, media and the experience economy, companies increasingly think of the all-island economy as a single brand, market and business ecosystem. This is not just about trade but about greater integration of business operations and interactions that benefit from economies of scale and proximity.

A prime example of this is the all-island whiskey geographic indicator (GI). From 2008 to 2014, the then Irish whiskey producers in Ireland worked together to define the distinctive types of Irish whiskey and their unique production methods to secure ongoing GI status for Irish whiskey and its distinctive styles: Malt Irish Whiskey, Pot Still Irish Whiskey, Grain Irish Whiskey, and Blended Irish Whiskey.

The Irish whiskey technical file/product specification defines the processes involved in the production of Irish whiskey, protecting the traditional practices of production which give Irish whiskey its unique character. This technical file/product specification was adopted by the Department of Agriculture and then filed with the European Commission in 2014 and remains the responsibility of the Irish, UK and EU competent authorities – including HMRC and Irish Revenue.



17 D’Arcy, Ruane; ‘The Belfast / Good Friday Agreement, the Island of Ireland Economy and Brexit’

Case study 3

Industry:

Irish Whiskey

Ireland is the home of whiskey and where whiskey got its name. From the heyday of the 1800s when there were distilleries scattered across all parts of the island; to the nadir of the 1980s when there were only two distilleries left, one in Northern Ireland and one in Ireland; Irish whiskey has always been an all-island industry – the embodiment of our shared economy.

Irish Whiskey is a protected Geographical Indication (GI), equally recognised and protected by both the EU and UK, and in laws of many countries around the world. This means a product can only be labelled and sold as Irish whiskey if it has been fully distilled and matured in wooden casks on the island of Ireland. The Irish whiskey industry depends on seamless cross-border supply chains. Every year, millions of litres of Irish whiskey spirits cross the border to be matured or blended or bottled by distilleries or businesses on the other part of the island.

Today, the island of Ireland is home to over 40 distilleries, distilling over 110 million litres of whiskey spirit every year with global sales having reached an estimated 16 million cases – over 190 million bottles in 2022. Exports of Irish whiskey are now worth over €1 billion to the all-island economy. The gross value added (GVA) per employee in the Irish whiskey industry was estimated to be €412,756 in 2019.

The BGFA also led to the establishment of Tourism Ireland as an all-island body to promote Ireland as an international tourist destination. Tourism Ireland has worked closely with The Irish Whiskey Association to promote IrishWhiskey360° and Irish whiskey tourism generally. Across the island, Irish whiskey distilleries attracted over one million visitors in 2019, with a strong post-Covid rebound in 2022. Irish whiskey tourism is delivering substantial multiplier gains for local economies, with visitors to Irish whiskey distilleries spending €63 million in local communities in 2019.

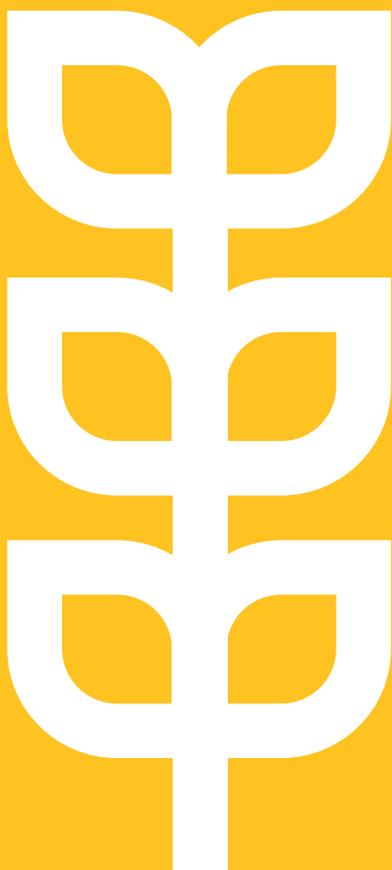
“There is and always has been co-operation and exchanges between distilleries across the island – and so it should be and must continue to be. The ingredients that make Irish whiskey a unique product - air, water, grains and an island location don’t see boundaries.”

John Teeling,

Executive Chairman of Great Northern Distillery, Dundalk

“The distinctive all-island nature of the Irish Whiskey industry highlights the opportunity for Irish Whiskey tourism. For those of us in border counties the ease of movement for tourists to visit distilleries in routes that could combine elements of the Antrim coast and the Wild Atlantic Way or from major tourist centres like Belfast and Derry/Londonderry through into Ireland’s hidden heartlands. It plays to what we know tourists love and the stories we all want to share - creating economic benefit for all our communities.”

James Doherty, Chairman, Irish Whiskey Association
Managing-Director, Sliabh Liag Distillers, Co. Donegal



Finally, as we noted in the Ibec/CBI report ‘Business on a connected island’¹⁸ the island has benefited economically because of the improvements brought about by the Peace Process and the invisible border which have included offering potential investors a bigger consumer market, a larger labour pool, smooth logistics between jurisdictions, more efficient sourcing of inputs and ultimately the potential for a greater return on their investment. Over the past 25 years, the all-island consumer market has been the fastest growing when compared to other regions across the UK.

3.4 Leveraging all-island infrastructure

The advent of peace on the island, along with the EU Single Market allowed both jurisdictions to better leverage the physical and intangible assets of the island to their benefit. This is clear in the use of ports and airports across the island. For example, over 920,000 visitors to Northern Ireland in 2019 (15% of the total) came through Dublin Airport, an increase from 560,000 in 2013.

Another example of shared infrastructure benefitting the all-island economy is the Single Electricity Market (SEM). The SEM was created in 2007 in part due to EU Regulations. However, the work on the SEM preceded these changes (as early as 1999) and would not have been possible without the reciprocal trust and mutual obligations provided by the Peace Process¹⁹ which allowed work to continue between the British and Irish Governments. The SEM, which is included as a case study below, is an excellent example of how working in collaboration has provided proven benefits for citizens and businesses in both Ireland and Northern Ireland.

Similarly, health and education have seen significant leveraging of assets on the island to better provide services to households. Discrete examples in the health sector include the North-West Cancer Centre and before Brexit the joint treatment across the border under the EU Cross-Border Health Directive (CBHD). Whilst all-island emergency and urgent paediatric cardiac surgery takes place in Dublin. Data from the All-Island Congenital Heart Disease Network Conference shows 60% of Northern Irish Children who need cardiac surgery now have it performed at Children’s Health Ireland in Crumlin. Although greater opportunities for leveraging such infrastructure exist (Heenan, 2021, NESCC 2022).^{20,21}

18 Ibec, CBI; ‘Business on a connected island’

19 Even though energy is not specifically included in the list of areas for N/S Cooperation set down in Strand Two of the Belfast/Good Friday agreement the creation of the SEM was enabled by the spirit principles and processes of this constituent part.

20 Heenan; ‘Collaborating on Healthcare on an All-Island Basis: A Scoping Study’

21 National Economic & Social Council; ‘Council Report, No. 157, April 2022’

Case study 4

Name:

The Single Electricity Market

Organisation:

System Operator for Northern Ireland (SONI) and EirGrid

Industry:

Energy

In 2007 Northern Ireland and Ireland came together to establish the world's first cross border dual currency wholesale electricity market. While energy itself was never specifically included in the list of areas for cooperation in the BGFA, the creation of the Single Electricity Market (SEM) was enabled by underlying spirit and principles of the agreement.

The SEM functions as a single market for the wholesale trade of electricity generation. All major generators on the Island are required to participate in the market. Generators bid in their power to the market and suppliers buy from the pool to sell on to electricity consumers. In any given year, the SEM manages financial flows of approximately €3.5 billion.

The SEM was designed with citizens and businesses first in mind. Collaboration through the SEM enables greater economies of scale that is more attractive to investors, improves competition – thereby lowering costs –and improves security of supply thus providing benefits for customers in Ireland and in Northern Ireland. The Single Electricity Market Committee (SEMC) is the decision-making authority for all SEM matters. The committee consist of three Commission for the Regulation of Utilities (CRU) and three Utility Regulator (UR) representatives along with an independent and a deputy independent member.

The operation of the SEM is facilitated by a sharing of network infrastructure. By leveraging electricity infrastructure on an all-island basis, SONI and EirGrid, as operators of these networks, can utilise the combined strength of both grids to enhance security of supply. This means that if generation availability in one jurisdiction is not sufficient to meet demand, access to power in the other will help to keep the lights on for all users.

The physical sharing of electricity between the networks of Northern Ireland and Ireland takes place via grid connections called interconnectors. At present, there is one primary and two smaller interconnectors between the two jurisdictions. Work is also underway to develop a new larger 400kv interconnector – the North South Interconnector (NSIC). This will help further reduce electricity costs, enhance security of supply, and improve the sustainability of electricity supply.

The ESRI (2022)²² in recent research show that continued co-ordination of the market and of renewable electricity targets on an all-island basis along with the delivery of the N/S Interconnector has the potential to unlock future benefits in terms of efficient infrastructural investment and reduced costs. More broadly, it is only through continued operation of the all-island market that key environmental and low carbon goals can be delivered efficiently. This is particularly the case given Northern Ireland remains, post Brexit, a part of the Internal Energy Market (IEM) and the EU Emissions Trading Scheme (ETS).

22 Menton, Longoria, Farrell and Lynch; 'All-Island Co-Ordination of Energy Infrastructure and Renewable Energy Supports'

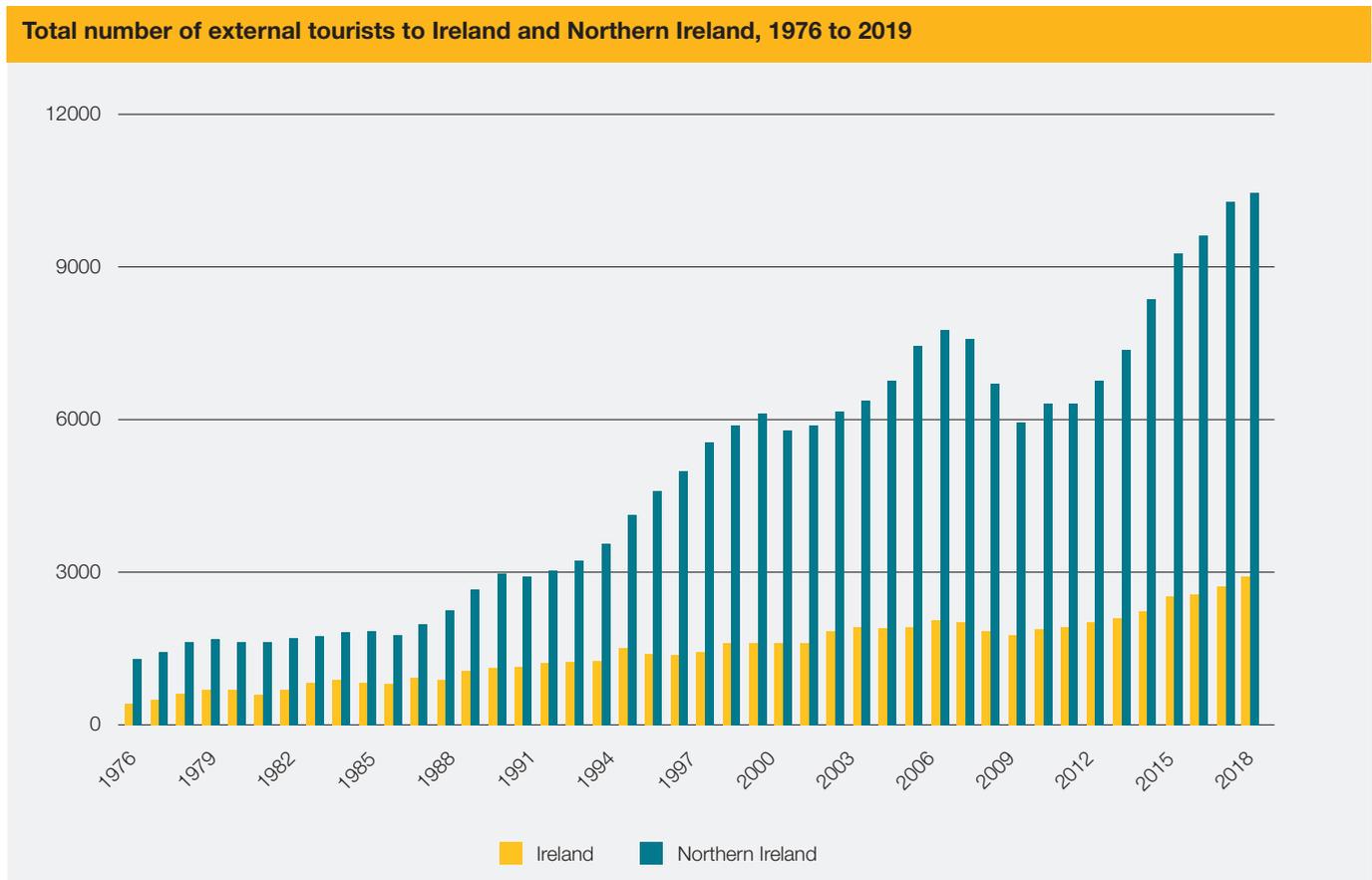


There are also strong examples of peace allowing the island to leverage intangible capital like research co-operation, the pooled labour market in the border region and the all-island tourism brand. Tourism was perhaps the most ambitious inclusion in the annex to Strand Two of the BGFA as an area of growing North/South co-operation given the negative perceptions in the global tourism market created by ‘The Troubles’ and reflected in visitor numbers at that point. The need for signature tourism projects was identified as an important part of the BGFA and Titanic Belfast was one of these signature projects.

In relation to the all-island tourism brand – a single point of marketing through Tourism Ireland is particularly pertinent. An ‘island of Ireland’ theme was used to advertise the whole island in 1995, though tourism had been a primary area of cross border co-operation since partition (Zuelow, 2006).²³ At the time of the first ‘island of Ireland’ campaign visitor numbers ran at 1.5 million annually for Northern Ireland and 4.2 million people for Ireland. This has increased, by 2019, to 3 million and 10.8 million respectively.

There are broader intangible links across the border, which could not have existed before the BGFA made it possible for the removal of the intensive infrastructure of security barriers and checkpoints. The Northern Irish Department of the Economy (2018)²⁴ estimated that there were 143,000 car and light good vehicles crossings each 12 hour period and an average of 19,600 HGV crossings. In total, this would sum to approximately 110 million person crossings of the border annually. This is on top of around 900,000 cross-border journeys by rail. This flow of human capital, trade and subsequent interactions would not have been possible in the absence of the Peace Process. Similarly, more than 25,000 people each day work across the border and CSO data shows almost 45% of people in the border region shop across the border at least once a year.

In this sense, the era of peace has allowed for a significant growth in both the common labour pool across the island and the flow of interaction and knowledge – which would have been significantly curtailed by ongoing conflict and risk of political violence.



²³ Zuelow; ‘Ingredients for Cooperation’: Irish Tourism in North-South Relations, 1924-1998’;

²⁴ Department for the Economy, Northern Ireland; ‘Background Evidence on the Movement of People across the Northern Ireland – Ireland Border’

Case study 5

Organisation:

Titanic Belfast

Industry:

Tourism

Tourism is a crucially important sector for the economies of both Northern Ireland and Ireland and is one of the island's most successful services sectors. While promoted and marketed at an all-island level, the benefits flow to local communities, businesses and service providers.

This world leading tourist attraction is located on the spot where the famous ship was designed, built and launched. It opened with the aim of establishing itself as the home of RMS Titanic, celebrating the city's maritime heritage and industrial past.

Since launching in 2012, Titanic Belfast has continued to go from strength to strength. It has contributed £430 million additional visitor spend to the Northern Ireland economy and inspired £60 million of wider heritage preservation across Titanic Quarter. It has firmly established itself on the local, national and international stage, having welcomed more than 7 million visitors from over 145 different countries and was previously voted the World's Leading Tourist Attraction at the prestigious World Travel Awards.

With a domestic population of 1.9mn, this 'world-leading attraction' is reliant on tapping into a much larger island and global markets. It depends heavily on attracting tourists from Ireland, with 1 in every 4 visitors coming to the venue from there. Needless to say, it is easier to attract coach trips from Dublin rather than those in Scotland or England. Proximity also allows Titanic Belfast to tap into the lucrative 'day-tripper' market.²⁵

Dublin Airport is only 90 mins distance from Titanic Belfast. Throughput in Dublin Airport amounted to 32.9M Passengers in 2019²⁶ connecting to 180 destinations via 43 airlines. Given the size of this huge cohort of passengers, it makes sense for Titanic Belfast to target visitors (both Irish and international) that come via Ireland.

Titanic Belfast houses the city's premier event suites, which have hosted over 3,000 business and leisure events. The attraction is also regarded as an important catalyst for investment in local tourism and has contributed to the demand for new hotels to be built in Belfast City Centre.

Titanic Belfast is committed to being a key driver for tourism in Northern Ireland and is currently working on a £4.5 million refreshment programme launching in Spring 2023.

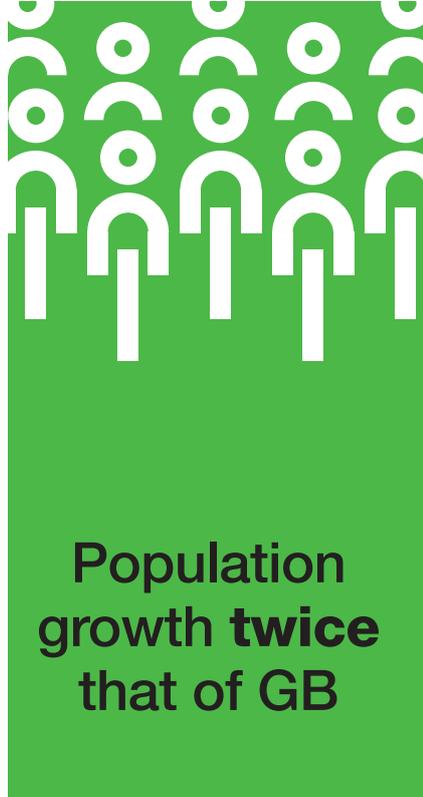
²⁵ Business on a Connected Island; Ibec, CBI;

²⁶ Dublin Airport Welcomed 32.9M Passengers In 2019, Dublin Airport Authority;

The all- island economy in 2023

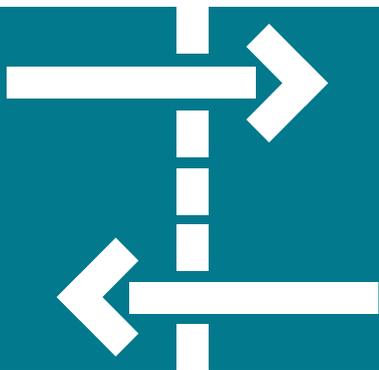
7mn

All island
consumer
market



Population
growth **twice**
that of GB

2nd highest
GDP per capita
compared to
11 UK regions



€9.5bn

Cross border
trade



3.6mn

Labour force

4.

Sustaining Peace
and Prosperity



The 25 year period since the signing of the BGFA has been one of unprecedented improvement in the prosperity and living standards of those living on the island of Ireland. There is no doubt that both the Celtic Tiger and the phenomenal recovery following the Great Recession have meant that Ireland's economy has grown more rapidly than that of Northern Ireland.

The prosperity dividends of peace have been experienced in every community right across the island, however, and it is now timely to reflect on how best the BGFA can underpin peace and stability for its next 25 years and beyond, while also ensuring an equal distribution of those benefits.

However, this will not necessarily happen organically. The continuing investment of political capital by all parties is necessary to keep its core spirit, processes, and principles energised and relevant to a shared and prosperous future.

Here we set out three priorities identified by the business community in order to ensure the continued success of the BGFA and increased prosperity benefits for both Ireland and Northern Ireland.

Make the island of Ireland a more attractive place to live and work

Ways of working have changed irreversibly because of Covid-19 and the increased digitisation of our economies. This has major implications for how businesses are structured across the all-island economy while business perceptions of their labour market catchment areas have changed dramatically. Employers in both jurisdictions are extending their talent search right across the all-island labour market.

This trend must be supported by a N/S suite of aligned policies needed to underpin a seamless and fully functioning all-island labour market. This will require a coordinated approach to tax and social welfare policies to support cross-border workers and to ensure that there are no barriers to remote working. A common all-island approach to labour market issues such as the recognition of professional qualifications; training and upskilling will also greatly enhance both worker mobility

and ease of doing business for firms operating in the all-island economy.

Finally, the importance of good connectivity and world class physical infrastructure, both transport and digital, must be prioritised. Not only will this support the movement of workers and labour, but it will also deliver an improved quality of life and make the island a more attractive location to live.

The dividend of sustained mobility to work in a comprehensive common labour market for Ireland and Northern Ireland will be a high-quality all-island labour pool supporting enhanced productivity in both jurisdictions.

Boost all-island investment

The exercise of reenergising and evolving the operation of the BGFA during its 25th Anniversary can, in itself, provide a boost to investment. The business community has long since identified that one of the primary benefits of an all-island approach to investment is to create economies of scale for investors and project promoters. We have identified the following investment priorities that would benefit most from all-island cooperation and alignment:

- Strengthening ISEM and delivering an aligned all-island climate and energy strategy
- Accelerating the delivery of transport and other infrastructure projects
- Leveraging R&D investments in an all-island context and maximising opportunities for public-private collaboration on an all-island basis
- Taking an all-island approach to FDI by promoting the synergies to be achieved across all-island supply chains; access to talent; R&D capacity and other economies of scale benefits

All of these are areas where proven economies of scale and proximity will deliver better outcomes for all concerned. Indeed, in most of these areas some joined-up N/S cross border provision is necessary to deliver the most cost-effective outputs and the outcome that delivers optimum mutual benefit.

Reboot the overall policy and implementation framework for North-South economic cooperation

In order to optimise the full potential of the all-island economy a new joined-up N/S policy framework should be put in place. One that supports the ambitious plans of all-island business brands and sectors to sustain their success while responding to the many economic headwinds they currently face. This paper has highlighted the many enterprise success stories of the all-island economy to date, and we are confident that with the right support this success can be strongly built on.

Business confidence will be further strengthened by more engaged pro-active and combined N/S all-island economic policy and planning within a shared strategic policy framework. Indeed, were such a N/S all-island strategic policy framework to be agreed during the BGFA's 25th anniversary year it would be a globally attractive opportunity to secure new investment for the island.

Therefore, this section concludes by identifying the essential elements for a more comprehensive N/S policy and implementation framework, involving increased monitoring, reporting and engagement with a broad range of economic and social stakeholders on topics such as:

- Through the BGFA itself, its three Strands, their institutions and processes including its specified and established areas of N/S cooperation and cross border bodies
- By leveraging existing and well established bi-lateral N/S cooperation between Government Departments, agencies and organisations across a wide range of investment and service provision

- Utilising resources in place to fund new N/S cooperation and collaboration through projects, activities and research such as from the PEACE Plus Programme and those of the Shared Island Unit and its funding
- Mobilising the networks, knowledge and capacity within the over 240 areas where all-island interaction activity and organisations are already operating N/S²⁷
- Accelerating joint regional and/or local authority cooperative and collaborative initiatives such as the Belfast/Dublin Economic Corridor and North/West Growth Partnership of Derry/Strabane and Donegal
- Benefitting from the diverse range of personal business and professional relationships that cross borders, boundaries and political objectives to operate and deliver a dynamic mutually beneficial all-island economy

In addition to this there must be a rebooting of the ongoing support and willingness of external parties to play a supportive economic role and build on their existing investment in the success of the BGFA, of which the most influential continues to be the EU and US.

27 European Commission; 'Mapping of North-South cooperation & Implementation Bodies, Report and key findings of the exercise'

About Ibec

Ibec is Ireland's largest lobby and business representative group. Our purpose is to help build a better, sustainable future by influencing, supporting and delivering for business success. With over 270 employees, Ibec engages with key stakeholders in Ireland and internationally through our six regional offices and our Brussels office, along with an extensive international network in the UK and US.

Ibec positions are shaped by our diverse membership, which range from small to large, domestic to multinational and our 39 trade associations cover a wide range of industry sectors. Ibec members employ over 70% of the private sector workforce in Ireland.

As well as lobbying, Ibec provides a wide range of professional services and management training to members on all aspects of human resource management, occupational health and safety, employee relations and employment law.

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