



## The Role of Business in Northern Ireland's Peace Process

## **Foreword**

The negative economic impacts of violent conflict and the positive links between peace, security and the economic development are well established. There is also increasing awareness of the potential role of business and the private sector in contributing to conflict resolution and democracy-building processes. This research paper focuses on the role and actions of Northern Ireland's business community in articulating the economic rationale for peace, lobbying for a peaceful resolution to the conflict, and advancing political debate to this end. The paper explores the specific mechanisms, approaches and interactions through which the business sector was able to contribute to the Northern Ireland peace process. It also demonstrates how foreign direct investment can serve as an incentive to peace and generate dividends in the post-agreement period, so helping to maintain the peace. The Northern Ireland case provides one precedent of collective corporate action that may be considered for possible application or adaptation in other conflict-affected contexts worldwide. DPI wishes to thank Vahid Aliyev for his work in preparing this paper.

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## **Introduction**

There have been many cases of private sector intervention in conflict situations with a view to fostering peace and so improve the country's economic prospects. In other cases, the private sector can benefit from the prevalent economic environment and support the *status quo*, thereby precluding any attempts at change. Countries where the private sector can be said to have had some positive effect on the peace process include Northern Ireland. The main focus of this paper is on the positive role of Northern Ireland's business sector in contributing to peace negotiations and the implementation of the final peace agreement.

Throughout much of Northern Ireland's history there has been conflict between the Unionists and Republicans with the worst part of the conflict known as *the Troubles* occurring during the latter half of the 20<sup>th</sup> century. This paper will discuss the direct and indirect economic impacts of instability during *the Troubles*, including direct costs to the business sector as an incentive for engaging in the peace process. It will then outline the positive role of the private sector and its contribution to the successful peace negotiations in Northern Ireland. The economic benefits of relative stability post-agreement and the role of foreign direct investment in securing maintaining peace will also be discussed. Key factors contributing to the success of the private sector's actions in the peace process in Northern are identified in conclusion.

### **Economic impacts of conflict**

The consequences of conflict extend far beyond deaths in the battlefield to include forced migration and long-term refugee problems, for example. Alongside its humanitarian consequences, armed conflict can affect a country's economy through, e.g., destruction of infrastructure, loss of income as a result of disruption of economic activity, unemployment, uncertainty, capital flight and increased business costs. Measuring the economic implications of armed conflict has always been a challenging task: besides direct effects there are a number of indirect effects that continue to exist long after the violence is over.

### **History of the conflict in Northern Ireland**

The existence of political, social, and economic inequalities between groups is often the cause of conflict. Following the partition of Ireland in 1921, the Catholic minority of Northern Ireland considered themselves to be an oppressed minority, while Protestants

dominated in the political sphere of the country and enjoyed wider civil rights. The Catholics, also known as 'Nationalists' or 'Republicans', wanted to join the independent Republic of Ireland, thereby securing greater independence from the United Kingdom. Protestants, known as 'Unionists' or 'Loyalists', wished to remain part of the United Kingdom. The inability to address inequalities between these two groups resulted in conflict, with fatal consequences. The violence, known as *the Troubles*, lasted for three decades between the end of the 1960s and the end of the 1990s and took the lives of over 3,600 people, including civilians, paramilitaries, security forces and soldiers.<sup>1</sup> All efforts to find a political solution to the conflict failed right up until the 1998 Belfast Agreement, also known as the Good Friday Agreement, was concluded.<sup>2</sup>

### **The economic situation in the country during *the Troubles***

Throughout *the Troubles* the economy of Northern Ireland was considerably affected by violence, political instability and the consequent inability to compete in a growing global market. This led to the economic decline seen in Northern Ireland during the latter half of the 20<sup>th</sup> century. This decline can also be partly attributed to the oil crises of the 1970s which saw a sharp escalation of crude oil prices and drove up the inflation rate. Unemployment was on the rise and by 1971 reached 17.7 % amongst the Catholic male population, which was nearly three times the Protestant rate.<sup>3</sup> Without the annual infusions of aid from the United Kingdom the standard of living in Northern Ireland would approach that of Mexico or Argentina.<sup>4</sup> The economy of the country saw a recovery only after a period of ceasefire and subsequent peace deals.

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<sup>1</sup> Democratic Progress Institute (DPI), *The Good Friday Agreement – An Overview*, (DPI, London, June 2013), 13

<sup>2</sup> The full text of the Agreement is available online <https://www.gov.uk/government/publications/the-belfast-agreement>; for more information on the Agreement see DPI, *The Good Friday Agreement*

<sup>3</sup> Rose, Charles R. *Governing Without Consensus: An Irish Perspective in Economics* (London: Faber and Faber, 1971), p. 567. As cited in The Portland Trust, *Economics in Peacemaking: Lessons from Northern Ireland*, (The Portland Trust, London, May 2007), 7

<sup>4</sup> Rowthorn, B. and Wayne, N. *Northern Ireland: The Political Economy of Conflict (Aspects of Political Economy)* (London: Polity Press, 1988), p. 90. As cited in Hancock, L. 'Northern Ireland: Troubles Brewing', *Conflict and Politics in Northern Ireland – CAIN* (1998), at (last accessed August 2017) <<http://cain.ulst.ac.uk/othelem/landon.htm>>.

## Private sector and peacebuilding process in Northern Ireland

### Why engage? Direct and indirect costs to business

There has been relatively little research produced until recently on the role of business in conflict resolution, especially regarding the specific examples of how different sectors, such as infrastructure, consumer goods, banking, travel and tourism can potentially play role in preventing, creating, exacerbating or resolving conflict. The negative impact of conflict on the economy appears to have been the fundamental motivation and driving factor for the private sector's participation in the peace process.

The business cost of conflict can be direct and indirect. Amongst the direct costs of conflict are security, opportunity, personnel costs and material losses. The destruction of human, social, economic, political and environmental capital are among the indirect societal costs of conflict. These types of capital are important for private sector development and their destruction can impact negatively on both domestic and foreign investment. Some argue that indirect costs of conflict do not affect the private sector directly. However, the fact that the government funds spent on coping with conflict could be directed toward support for the private sector, for instance, should not be underestimated. There is little research on how sharp reductions in military spending may drive resources toward investment in other sectors and thereby enhance peace.<sup>5</sup>

At the beginning of the 1990s, a clear link between the continuing violent conflict in Northern Ireland and its impact on the country's poor economic performance became apparent to various members of the business community in Northern Ireland. Security issues such as robberies, bombings, and assassinations, along with the damaged infrastructure were among the direct costs to the country's private sector. In addition, Northern Ireland's global image as a conflict zone was seen as the main reason for continuing decline both in investment and tourism.<sup>6</sup> It should also be noted that *the*

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<sup>5</sup> The Prince of Wales Business Leaders Forum (PWBLF) [now International Business Leaders Forum], International Alert, Council on Economic Priorities (CEP), *The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution*, (PWBLF, International Alert, CEP, London, 2000), 20-25

<sup>6</sup> The Portland Trust, *The Role of Business in Peacemaking: Lessons from Cyprus, Northern Ireland, South Africa and the South Caucasus*, (The Portland Trust, London, March 2013), 23

*Troubles* led to the displacement of over 60,000 people,<sup>7</sup> including some of Northern Ireland's youngest minds who should be the future of their economy, but who began to emigrate out of the country. Awareness among the Northern Ireland business community of the fact that the support for the country's economy coming from Britain could not last long was among the decisive factors that influenced the private sector to act. The flourishing economy of the neighbouring Republic of Ireland, previously labelled the 'poor cousin' of Northern Ireland, was seen as another catalyst.<sup>8</sup> The private sector could no longer afford to ignore the causes, costs and consequences of the conflict by standing aside.

### **The process of engagement**

Linking the economic costs of conflict to the benefits of peace can be instrumental in changing attitudes within a society, whether it is political parties or the general public. In 1994, the Northern Ireland branch of the Confederation of British Industry (CBI) produced a publication called 'Peace – A challenging New Era'. This landmark publication, which later became known as the 'peace dividend paper', laid out arguments in support of the economic benefits for Northern Ireland in the event that peace should be achieved. One of the arguments that had a lot of influence within the business community was that by improving the negative international image of the country, different avenues would open up for foreign investments. The media extensively utilised the 'peace dividend' to promote peace to the general population and to the world. The Northern Ireland government realised how much attention this paper was receiving and started to recognise the benefits of further promoting this approach. This was followed by the investment conference in Belfast in 1994.<sup>9</sup>

The 1994 ceasefire proved the rationale behind the CBI's publication 'peace dividend' to be practical and the country's economy quickly improved. The tourism sector increased significantly, up to 20%, when 1.55 million tourists visited Northern Ireland within the year; the unemployment rate saw a dramatic drop to 11.4%, the lowest level of unemployment in

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<sup>7</sup> According to Andrew Griffith, CEO of EuropaGrid, the country had a refugee problem which is not often discussed. See the 'Border Regions' in the forthcoming Comparative Study Visit transcript, (DPI, London, August 2017)

<sup>8</sup> The Portland Trust, *The Role of Business in Peacemaking*, 23

<sup>9</sup> The Portland Trust, *The Role of Business in Peacemaking*, 23-24

over 14 years; and, most importantly, new foreign investments amounting to over 30 million GBP were announced.<sup>10</sup>

In 1996, approximately two years after the publication of the 'peace dividend' paper, the peace negotiations broke down, and the role of the private sector became prominent. The CBI joined six other leading business and trade organisations to form the Group of Seven (GoS or G7).<sup>11</sup> Their main goals were rooted in promoting a single peace message which articulated a strong necessity for Northern Ireland to decide on a 'stark choice between a future of peace and prosperity or a destiny as being remembered as one of the world's most irredeemable trouble spots'.<sup>12</sup> They relayed this peace message by engaging with the general population through grassroots movements and civil society campaigns. They also encouraged businesses to get involved by highlighting their 'social responsibility'. The G7 was portrayed as the 'collective voice of Northern Irish economic interests' and by gaining considerable authority used its influence in further advancing and promoting this message to the general population of Northern Ireland.<sup>13</sup>

#### **The role and actions of the business. The Group of Seven as political intermediary.**

Apart from acting as a policy think-tank by producing 'the peace dividend paper', the landmark publication which spelled out an economic rationale for peace, the G7 also continued to lobby for peace in various ways, including the use of media statements. By issuing press releases the G7 kept up public pressure on politicians to make peace. In addition to this, the G7 lobbied individuals by disseminating letters to business colleagues asking them to distribute them among their employees.<sup>14</sup>

The G7, in October of 1996, held a meeting in Belfast with the representatives of all nine political parties involved in the peace talks where the economic rationale for peace was

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<sup>10</sup> The Portland Trust, *Economics in Peacemaking: Lessons from Northern Ireland*, (The Portland Trust, London, May 2007), 19

<sup>11</sup> The other six organisations were the Hotel Foundation, the Institute of Directors, the Northern Ireland Chamber of Commerce and Industry, the Northern Ireland Growth Challenge, the Northern Ireland Economic Council and the Northern Ireland Committee of the Irish Congress of Trade Unions

<sup>12</sup> Centre for Humanitarian Dialogue (HD), *A role for the private sector in peace processes? Examples and implications for third-party mediation*, (HD, Geneva, 2008), 20-21

<sup>13</sup> The Portland Trust, *The Role of Business in Peacemaking*, 24

<sup>14</sup> PWBLF, International Alert, CEP, *The Business of Peace*, (PWBLF, International Alert, CEP, London, 2000). As cited in Berghof Research Center for Constructive Conflict Management, *The Role of Local Business in Peacebuilding*, (Berghof Research Center for Constructive Conflict Management, Berlin, February 2005), 13

presented. The Group once again highlighted the importance for economic growth and prosperity by discussing the possible benefits once peace was achieved, and urged political parties to work towards peace talks. They emphasised the fact it would bring improvement to retail, investment, trade, and the reduction of security expenditures, while also warning of the catastrophic consequences should the peace talks fall through. It should be noted, the G7 always held collective meetings rather than individual ones as this mirrored the Group's strategy of political cooperation and impartiality.<sup>15</sup>

Over the next two years, the G7 held five more meetings. Each of these meetings was followed by a media awareness campaign in order to communicate to the general population.<sup>16</sup> It was extremely important for the business to convince politicians and the general population of the importance of their arguments for peace. In April 1998, the landmark Good Friday Agreement which has since guided the peace process was announced. A month later, following the Good Friday Agreement, a referendum was held. The G7 remained neutral and were not a part of the 'Yes campaign'. However, the Group time and again argued that by voting 'yes' the voters would vote for economic prosperity of the country.<sup>17</sup>

Amongst the important contributions of the G7 to peace promotion was a draft of an anti-sectarian guidance for employers entitled 'Doing Business in a Divided Society', which highlighted the benefits of diversity.<sup>18</sup>

The business community of Northern Ireland moved away from its traditional role solely as financial supporter to serve also as a think tank, as well as a lobbying group to exert pressure on politicians with the common goal of achieving peace. However, it should be noted that the businesses in Northern Ireland only acted when they felt it was a necessity and would advance the political debate over peace talks that would bring back prosperity for their companies. One of the crucial reasons why businesses were successful in the case

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<sup>15</sup> PWBLF, International Alert, CEP, *The Business of Peace*, 114

<sup>16</sup> The Portland Trust, *The Role of Business in Peacemaking*, 24

<sup>17</sup> The Portland Trust, *The Role of Business in Peacemaking*, 25

<sup>18</sup> The Portland Trust, *The Role of Business in Peacemaking*, 25



of Northern Ireland is that an unwritten agreement was reached among Britain's main political parties not to exploit the conflict as a political tool.<sup>19</sup>

### **Benefits of peace: increased foreign direct investments**

"I tell the Colombian people 'look what happened in Belfast, look how investment is coming in, pouring in, look at the transformation Belfast has been going through – this we can do the same if we are able to reach peace'." These are the words of the President of Columbia, Juan Manuel Santos during his 2016 visit to the capital of Northern Ireland. "...You have been doing a great job. I know it is ongoing, still going on, but, for us, it's also an inspiration", he added.<sup>20</sup>

The G7 continued to promote peace and in June 1998, the Group organised a visit to Northern Ireland for a delegation of leading business men. This was done in order to facilitate business relations between the country and the rest of the world.<sup>21</sup>

The role of the United States after Northern Ireland's peace process should not be underestimated. 'One of the beliefs was that without the participation of the United States as a third party, nothing would have ever really come together. Our view was that if America got involved, it could make an impact'.<sup>22</sup> From 1993 onwards, the US played a special role, along with other outside observers and mediators, in pushing Northern Ireland towards a peaceful solution. The promises of economic benefit paired with political support for foreign direct investment (FDI) were chief instruments of persuasion during the process.<sup>23</sup>

The US President, Bill Clinton, and his administration saw economic development as an essential complement to political initiatives in support of the Northern Ireland peace process.<sup>24</sup> Already in 1993, US investments in Northern Ireland constituted about 30% of all FDIs.<sup>25</sup> Immediately after the announcement of the first ceasefire in 1994 the Clinton

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<sup>19</sup> Berghof Research Center for Constructive Conflict Management, *The Role of Local Business in Peacebuilding*, (Berghof Research Center for Constructive Conflict Management, Berlin, February 2005), 13

<sup>20</sup> *Belfast Telegraph*, 3 November 2016

<sup>21</sup> The Portland Trust, *The Role of Business in Peacemaking*, 28

<sup>22</sup> From the interview with Niall O'Dowd, The Portland Trust, *Economics in Peacemaking*, 28

<sup>23</sup> The Portland Trust, *Economics in Peacemaking*, 28

<sup>24</sup> Wilson, Andrew J. (2003) 'Doing the Business: Aspects of the Clinton Administration's Economic Support for the Northern Ireland Peace Process, 1994-2000', *Journal of Conflict Studies*, Vol 23 (No 1).

<sup>25</sup> The Portland Trust, *Economics in Peacemaking*, 30

administration started looking for ways to support Northern Ireland's peace process with an economic development package that would encourage private investment and expand bilateral trade.<sup>26</sup>

During the period of 1994-2000, US firms invested approximately 1.5 billion USD in Northern Ireland. This increase in funding accounted for about 10% of all jobs in the country.<sup>27</sup> Direct investments of 123.43 million GBP continued to pour in from the US during the 2002-2003 fiscal year. In 2005, Belfast was chosen by Citigroup to locate one of its IT centres, promising an investment of 100 million USD over five years and the creation of 375 new jobs. Invest Northern Ireland, the governmental agency which promotes inward investment, provided its support amounting to 12.6 million USD.<sup>28</sup>

It should also be noted that high education levels played an important role in the case of Northern Ireland. For example, Nortel and Fujitsu chose to offer jobs to the large percentage of university students in Northern Ireland pursuing technical degrees while also citing *the Troubles* when asked why they did not try to invest sooner.<sup>29</sup>

The role of the political support for foreign investments in the case of Northern Ireland should not be underestimated. The private sector in Northern Ireland continued to depend on political support to attract investment even after the 1998 Agreement.

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<sup>26</sup> Wilson, 'Doing the Business', Vol 23 (No 1).

<sup>27</sup> The Portland Trust, *Economics in Peacemaking*, 23

<sup>28</sup> The Portland Trust, *Economics in Peacemaking*, 30

<sup>29</sup> The Portland Trust, *Economics in Peacemaking*, 23-24

## Conclusion

Northern Ireland's business community has played a crucial role in establishing peace in the country. It has provided a stable platform for politicians to engage in the peace process. The private sector's engagement in the peace process in Northern Ireland was successful for a number of reasons, as follows:

- The G7 was seen as a non-political actor; the fact that it was engaged with all political parties involved at once holding collective meetings rather than individual ones helped the Group to maintain this image of political impartiality and gain more credibility in the eye of various circles within and outside the country;
- By acting as one single bloc, speaking with one voice and sticking to the same non-political and single message, the G7 demonstrated how Northern Ireland had the ability to act collectively;
- Building bridges between competing political parties all striving for power, the private sector in Northern Ireland played the roles of a think tank and lobbying group, thereby expanding its traditional financial role;
- The G7's 'peace dividend paper' in which costs of violence and economic benefits of peace were analysed was seen as a powerful influential tool that convinced the society at large;
- The Group used its influence and acted only when its contribution would advance the peace talks.

Today, the Northern Ireland case is cited as one of the successful precedents of collective corporate action. Lessons learned from this example of how the business community in Northern Ireland acted in promoting peace could be further applied or adapted to conflict resolution in other situations according to the specific context. There is a strong need for more extensive research as to how cuts in security spending could be reinvested into other sectors, such as education, which could help to end violence and boost economic growth. Businesses alone cannot build peace, but they can complement and enhance other elements of the peace process and are key to ensuring economic growth and stability after peace.