

**Inward Investment in Northern Ireland and  
Policy Transfer North and South: 1945 – 1973**

**2022**

**Ph.D. in Business**

**Alison Hearne**

## DECLARATION

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## SUMMARY

This thesis consists of three distinct yet interlinked investigations on the theme of inward investment into Northern Ireland and the Republic of Ireland between 1945 and 1973. The research papers in chapters four and five focus specifically on Northern Ireland. The third paper in chapter six considers North-South policy transfer in relation to Foreign Direct Investment (FDI). The archival and historical methods are used throughout.

Research paper one (chapter four) focuses on (a) official economic reports and (b) regional agencies/Investment Promotion Agencies (IPAs) involved in the promotion of investment into Northern Ireland. Six economic reports carried out by government officials and management consultants between 1952 and 1965 are considered within the context of inward investment. The region was in competition with other UK regions for a share in investment but was simultaneously dependent on central government for financial assistance. This situation was not unique to Northern Ireland: regions throughout the UK were faced with similar competitive and financial challenges. However, the devolved nature of its government, combined with its geographic location set Northern Ireland apart from the rest of the UK. Challenges were also faced by central government in London as it grappled with the vicissitudes of economic development, inward investment, and regional policy within the wider United Kingdom.

The second research paper (chapter five) provides firm-level information on FDI into Northern Ireland from 1945 to 1973. Major historical studies on FDI into the United Kingdom (Dunning, 1958; Jones and Bostock, 1996) did not focus specifically on Northern Ireland. Chapter five attempts to readdress this imbalance. Using archival and documentary sources, a database was developed which provides employment data on FDI in Northern Ireland. This is presented as an historical narrative.

The third research paper (chapter six) presents an historical exploration of bi-directional policy transfer (Dolowitz and March, 1996, 2000) and *Lesson-Drawing* (Rose, 1991) between Northern Ireland and the Republic of Ireland regarding FDI policies. The paper concludes that there was significant policy transfer between the two regions, and that policy ideas travelled bi-directionally via numerous modalities of transfer.

*Dedicated to the memory of my parents Tony and Angela*

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## **LIST OF ABBREVIATIONS, ACRONYMS AND INITIALISMS**

AFT	An Foras Tionscail
AIFTA	Anglo-Irish Free Trade Agreement
BIDO	British Industrial Development Organisation
BOT	Board of Trade
CIO	Committee on Industrial Organisation
CIP	Census of Industrial Production
CMA	Control of Manufactures Acts 1932 & 1934
CSO	Central Statistics Office
DD	Dáil Debates
EEC	European Economic Community
EC	European Community
EPTR	Export Profits Tax Relief
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
IB	International Business
IDA	Industrial Development Authority
IMF	International Monetary Fund
IRA	Irish Republican Army
NAI	National Archives of Ireland
NIDC	Northern Ireland Development Council
NIEC	Northern Ireland Economic Council
NILP	Northern Ireland Labour Party

OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
PRONI	Public Records Office of Northern Ireland
ROI	Republic of Ireland
SFADCO	Shannon Free Airport Development Company
SITC	Standard International Trade Classification
TNA	The National Archives (UK)
WB	World Bank
WTO	World Trade Organisation
UUP	Ulster Unionist Party

#### **LIST OF COUNTRY CODES<sup>1</sup>**

AUS	Australia	
CAN	Canada	
DK	Denmark	
FR	France	
FRG	West Germany	(The Federal Republic of Germany was the official name of West Germany from 23th May 1949 until the reunification of East and West Germany in 1990)
IRL	Ireland	
NLD	The Netherlands	
CHE	Switzerland	
GBR	United Kingdom	The current official nomenclature for the UK is GBR. However, for the purposes of clarity within this thesis, the

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<sup>1</sup> Based on ISO 3166 - 1 Alpha – 3 Code

UK, where it is used within in the main narrative, refers to both Great Britain and Northern Ireland.

USA            United States of America

## DEFINITIONS

### DEFINITIONS OF PLACE NAMES<sup>2</sup>

Derry/Londonderry	The legal name of both the city and the county was Londonderry during the time-period under consideration and that is the term used within this document. <sup>3</sup>
Éire	Irish Term for Ireland
Great Britain	England, Scotland and Wales
Northern Ireland	Official name of the collective of Antrim, Armagh, Down, Fermanagh and Tyrone <sup>4</sup>
Republic of Ireland	The constitutional name ‘Ireland’ is normally used. The official description ‘Republic of Ireland’ is sometimes used to distinguish between the state and the island of Ireland. This is often colloquially shortened to ‘the Republic’.
Six Counties	Nationalist term for Northern Ireland
The Free State	Term used for the Republic of Ireland until 1937
Twenty-Six Counties	Nationalist term for the Republic of Ireland
Ulster	One of the four provinces on the Island of Ireland (the other three provinces are Leinster, Munster, Connaught). Also used by Unionists to refer to Northern Ireland alone (the province of

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<sup>2</sup> This list is drawn primarily from Rowthorn and Wayne (1988).

<sup>3</sup> Rowthorn and Wayne (1988:13) state that ‘*There is no neutral or even nearly neutral term for Derry.*’

<sup>4</sup> Daly (2016:329) notes that ‘*one of Lemass’ most significant gestures*’ was to use the term Northern Ireland in place of the ‘six counties’, the term commonly used in Irish official documents up to that point.

Ulster includes Donegal, Monaghan and Cavan which are a part of the Republic of Ireland

United Kingdom                      England, Scotland, Wales and Northern Ireland

## **DEFINITIONS OF INVESTMENT TERMS**

### **Foreign Direct Investment (FDI)**

*'FDI is a category of investment that reflects the objective of establishment of a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor' (OECD, 2008:4).*

In the case of the Republic of Ireland, Foreign Direct Investment (FDI) refers to foreign companies investing in the country (Inward Foreign Direct Investment (IFDI). This includes inward investment from UK companies and UK branch plants. In the case of Northern Ireland, Foreign Direct Investment (IFDI) refers to foreign companies coming from outside the United Kingdom, or foreign companies with plants in Britain which extend their investment into Northern Ireland.

### **External Ownership and External Investment**

A distinction is made between foreign ownership and external ownership in the case of Northern Ireland. This terminology adopts the convention of the Northern Ireland Economic Council (NIEC) (1992) cited in Bradley (2006:1) which notes that many firms in Northern Ireland are branch plants of British firms, and are thus externally controlled (NIEC, 1992).

In this thesis, in the case of Northern Ireland, external ownership refers to both FDI, as defined above **AND** in addition, branch plants of British firms which invested heavily in the region in the post-war era.

In the case of the Republic of Ireland, no distinction is necessary and terms such as inward investment and foreign investment are used in the document to signify all foreign/externally owned investment.

# CHAPTER ONE INTRODUCTION

## 1.1 Context of the Research

### 1.1.1 Overall Context of the Research

*'FDI is a category of investment that reflects the objective of establishment of a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor'* (OECD, 2008:4).

This thesis consists of three inter-related papers on the theme of Foreign Direct Investment, and external investment into Ireland, both North and South, between 1945 and 1973.<sup>5</sup> The focus is on the manufacturing sector throughout. The objective across the three papers is to contribute to an understanding of inward investment in Northern Ireland and the Republic of Ireland (hereafter ROI) in the years leading up to both the Republic and the UK's entry into the European Community (hereafter EC). A large body of quantitative research has been carried out on the economic impacts of EOI and FDI-led industrialisation policies (Harrison and Rodriguez-Clare, 2009; Liu, 2008; Naudé et al. 2013). More recently, there has been an increased focus on more qualitative methods of exploration, such as a case-study approach (Mankiw and Swagel, 2006; Rodrik, 2007, 2012).<sup>6</sup> The aim of this research is therefore to make an empirical contribution, through archival research, to knowledge about inward investment policies. This enhances the prospect for theory development and hypothesis testing in the future.

**PAPER ONE: Inward Investment Policy and Promotion: Northern Ireland, 1945 - 1973**

**PAPER TWO: Foreign Multinationals in Northern Ireland Manufacturing, 1945 – 1973**

**PAPER THREE: Inward Investment Policy Transfer between Northern Ireland and the Republic of Ireland, 1945 - 1973**

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<sup>5</sup> In the case of Northern Ireland, this external investment was made up of both British and foreign ownership.

<sup>6</sup> Chapter six is presented as a historiography which shares many features with the case-study approach (O'Brien et al, 2004).

Ireland, both North and South, pursued inward investment policies after World War Two. The South relied on Foreign Direct Investment (FDI) to encourage Export-Orientated Investment (EOI) (Barry, 2011; Neveling, 2015), a form of industrial policy which came to prominence in the second half of the 20<sup>th</sup> century (Goddard, 2003; Rodrik, 2011). Generous grants to manufacturers and tax incentives were used to encourage such investment in the Republic during the 1950s (Barry, 2011). In the case of Northern Ireland, regional initiatives provided grants and incentives to encourage inward investment, of both foreign and British origin. The central UK government actively promoted regional development and through the imposition of planning regulations, directed new industries to less-developed regions of the UK (Harris, 1991).

The contemporaneous backdrop of an increasingly globalised world in the latter part of the 20<sup>th</sup> century provides a macro context for this study. The period after the Second World War (hereafter WW2) was underpinned by newly created supranational organisations such as the World Bank, the International Monetary Fund (hereafter IMF) and the General Agreement on Tariffs and Trade (hereafter GATT).

Chapter six extends the analysis to the Republic of Ireland. There is no shortage of political explorations of North/South relations during the 20<sup>th</sup> century, but less has been written about the economic relationship between the two economies. In particular, the issue of policy transfer has been overlooked by the overwhelming focus on the political relationship between the two regions. While there is rich and voluminous literature on many aspects of the North-South relationship (in particular on social and political issues), less attention has been paid to the economic environment.<sup>7</sup>

The submission of this work at the beginning of the third decade of the 21<sup>st</sup> century is timely for the following reasons:

The partition of Ireland, and the establishment of the Irish Free State reach their centenary during the early years of the 2020s, generating renewed interest and collective reflection. Arguably though, the level of interest in Northern Ireland and the relationships between North

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<sup>7</sup> There are notable exceptions which are explored in the literature review.

and South, predominantly in the political sphere, have seldom waned throughout the last century.

Secondly, as the United Kingdom (hereafter UK) navigates its position outside the European Union (hereafter EU), an exploration of inward investment in the years prior to that country's entry into the EC is timely. Chapter four sheds light on the challenges facing a peripheral regional economy, such as Northern Ireland, as it negotiates its position with central government. An historical analysis of Northern Ireland prior to its entry into the EC in 1973 focuses attention on an era when regional policy initiatives, and associated funding sources were entirely within the remit of the nation state. The research explores the relationship between Northern Ireland and Britain, and between Northern Ireland and its Southern neighbour immediately prior to EC membership.

### **1.1.2 Brief Historic and Geo-Political Context of the Research**

*'NI is not a sovereign state but a region of the UK. Its constitutional position however, within the UK is unique and is rooted in the tangled histories of Ireland and Great Britain'* (Harvey and Rea, 1982:95).

The Government of Ireland Act (1920) provided for parallel institutions, one in Belfast which would govern six Ulster counties, and one in Dublin for the remaining twenty-six counties (Coakley, 1999; McCracken, 2011).<sup>8</sup> As the result of this Act, Ireland was partitioned into two distinct regions on the 3<sup>rd</sup> May 1921.<sup>9</sup> The War of Independence ended with a truce on 11<sup>th</sup> July 1921.<sup>10</sup> Subsequent negotiations culminated with the signing of the Anglo-Irish Treaty on 6<sup>th</sup> December 1921 (Lynch, 2011), the date which marked *'the formal coming into being of Saorstát Éireann (Irish Free State)'* (Keogh, 1994:15). The treaty provided for twenty-six counties which, according to Coakley (1999:18) would be *'almost fully independent'* while the remaining six counties would remain in the UK.<sup>11</sup> A civil war broke out in the South between

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<sup>8</sup> These Six Counties were Armagh, Antrim, Fermanagh, Down, Derry and Tyrone. Three further counties in Ulster – Monaghan, Donegal and Cavan made up part of the Twenty-Six counties.

<sup>9</sup> For a comprehensive discussion on partition and issues arising from the erection of the border between North and South see Ferriter, D. (2019) *'The Border'*. Moore, C. (2019) *Birth of the Border: the Impact of Partition in Ireland'*. Merrion Press, 2019.

<sup>10</sup> The War of Independence was also known as the Anglo-Irish War.

<sup>11</sup> Under the 1921 Treaty, the Twenty-Six counties would remain a British dominion, and the King would remain Head of State. The new political elite in the South was made up of the pro-Treaty side, which would become Cumann na nGaedheal in 1923. The party would remain in government until 1932. Thereafter Fianna Fail remained in power for sixteen years until 1948.

the pro and anti-treaty sides which lasted until May 1923, ending in the defeat of the anti-treaty side.

The province of Northern Ireland had far greater autonomy than any other region of the UK. The region had a separate parliament at Stormont that had extensive powers of self-governance and no other region in the UK enjoyed the same level of independence in terms of their day-to-day management. Westminster remained the supreme parliament with central control over public finance resting with the UK government. Members of Stormont held seats at Westminster.<sup>12</sup>

Despite having a degree of autonomy in six key areas and particularly in relation to domestic affairs, Northern Ireland was not a separate economy and had neither the fiscal autonomy, nor the full power to '*regulate its economic life*' (Buckland, 1981:27). The region remained, politically and economically, an integral part of the UK.

At the time of partition, it was envisaged that Northern Ireland would make a regular financial contribution to the Crown, however in the mid-1930s the UK began to subsidise the Northern Ireland economy through a system of annual subventions.<sup>13</sup> From 1922 until 1972 Northern Ireland's affairs were dealt with by a department of the UK's Home Office, and overseen by the Home Secretary. Following the outbreak of civil unrest in 1969, Stormont was prorogued on 30<sup>th</sup> March 1972 under Section 75 of the Government of Ireland Act, after which the region was subject to direct rule from Westminster. Northern Ireland's affairs were subsequently overseen by the Secretary of State for Northern Ireland.<sup>14</sup>

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<sup>12</sup> Northern Ireland affairs tended not to be discussed at the London parliament. It was considered '*a taboo*.' (Kennedy, 2009: 114).

<sup>13</sup> See chapter two – literature review.

<sup>14</sup> The outbreak of civil unrest, and the subsequent ongoing political upheaval, euphemistically referred to as the 'Troubles', is outside the remit of this thesis. The effect of civil unrest on inward FDI is briefly considered in chapter five in relation to the effects of potential political risk to perspective investors. Analysis and literature on the Troubles and on the post 1969 era are widely available. For specific analysis on the effects of the on-going (and post 1972) effects on inward investment, see FDI in subsequent years has also been addressed in relation to the potential peace dividend arising from the IRA ceasefire of 1994 and the subsequent Good Friday Agreement 1997.



The Northern Ireland government consisted of one ruling party – the Ulster Unionist Party (hereafter the UUP) from 1922 until 1972. The Northern Ireland Labour Party (hereafter NILP) gained four seats in Stormont in 1958.<sup>15</sup>

The political trajectory of the South was significantly different from that of its Northern counterpart. The Treaty of 1921 had conferred almost complete independence on the newly formed Irish Free State. After the end of the civil war, the Cumann na nGaedheal party (which was pro-treaty) formed a government that remained in power until 1932. In 1932 the Fianna Fail Party was elected and remained in government for 16 years until 1948, during which time protectionist policies were pursued.<sup>16</sup> Thereafter, there was a processual move away from the Import Substitution Industrialisation (ISI) of the inter-war years to towards Export Oriented Industrialisation (EOI).

Prior to partition, Ireland's industrial revolution had been established in the North-East of the country, primarily centred on the linen and ship-building industries in Belfast. The linen industry had developed in the 18<sup>th</sup> and 19<sup>th</sup> century, while shipbuilding and engineering grew in prominence in the late 19<sup>th</sup> and early 20<sup>th</sup> century: *'the area around Belfast has, by 1900, become one of the most industrialised places in the world and one of the most prosperous in the UK'* (Bielenberg, 1989: 74). Partition, therefore, left the south of the country without Belfast which was not only the second largest city (after Dublin), but also the industrial centre of the North-East, and of the country overall. Buckland (1981:5) notes that Ireland was divided economically as well as politically and suggests that this economic division had its origins pre-partition

*The industrial revolutions in the North-East, which gradually spread out into a thirty or more mile radius around Belfast, had at least two consequences for Irish and Ulster politics. Most obviously, it separated Ulster from the rest of Ireland, for the North-East relied mainly on Britain and abroad for markets and raw materials and its industrial structure was inextricably bound up with that of Britain. The*

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<sup>15</sup> The NILP is further discussed in chapter four, in respect of the role it played in inviting British Labour Party members to Northern Ireland to see, the first-hand, the level of economic development in the region. The NILP had one member of Parliament in Westminster between 1943 and 1950. In 1958, four Labour MPs were elected to Stormont, thus making it an opposition party.

<sup>16</sup> The Fianna Fail party was formed in 1926 by Eamon De Valera as a break-away party from Sinn Fein. *'Fianna Fail's support came mainly from the smaller (and poorer) farmers, the small shopkeepers, the urban and rural petite bourgeoisie and even, in some measure, the urban working class'* (Bew and Patterson, 1982:3). Cumann na nGaedheal had the support of the larger farmers, middle and higher classes.

*result was that Ulster hardly ever looked southwards and had more in common with Mersey side and Clydeside than with the rest of Ireland.*

The partitioning of Ireland left a significant mark on both sides of the border that has permeated the political landscape of North/South relations to the present day. The political parties that have dominated Southern politics for the last century still reflect pro or anti treaty affiliations. Buckland (1981:55) highlights the issue of partition as a key driver of ‘*atmosphere of cold-war*’ between North and South during the years under consideration in this thesis. This is evidenced in chapter six, which considers how modalities of policy transfer in respect of inward investment evolved because of the changing nature of the economies’ mutual relationship.

Since partition Ulster was divided on religious grounds with a Catholic minority and a Protestant majority. A process of Gerrymandering (Fitzgerald, 1972) was implemented and Coakley (2006:409) notes that partition was maintained by policies of discrimination and oppression directed at the Catholic minority. The outbreak of civil unrest in 1969 alluded to above was a direct response to widely felt social injustice. The level of prejudice is however contested in the literature (O’Hearn, 2001; Teague, 1987).

Northern Ireland has been extensively researched but the emphasis has primarily focused on political and socio-political issues. Jenkins (1989: vii) posits ‘*there were undoubtedly areas of research activity in Northern Ireland – economics is an obvious example which were underdeveloped*’. In the context of FDI research, Teague (1987) suggests that ‘*The socio-political impact of foreign owned enterprises in the province has received more attention than the economics of the issue*’ (1987: 164).<sup>17</sup> The sectarian question is outside the direct remit of this thesis. Nonetheless, the historic divisions within Northern Ireland provide an uneasy background context which implicitly permeates this research. Jenkins (1989:12) notes that

*Economic analysis of the 1950s and 1960s scarcely registered the economic implications [of] the communal divide or that the peculiar nature of the state might have implications for its regional planning strategy (see, for example, Isles and Cuthbert, 1957; Wilson, 1965).*

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<sup>17</sup> Boserup (1972) and O’Dowd (1980) both cited in Teague (1987:165) presents two opposing arguments: Boserup suggests that MNEs undermined the sectarian employment practices among local Unionist employers. O’Dowd presents the opposing view: that MNE investment reinforced the status quo, further embedding sectarian practices in the region.

Similarly, this researcher noted that there was little reference to the wider social issues within the region in official documents and government sanctioned reports. Decker (2013:23) notes that '*silences [within archives] may run deep in the fabric of society and its organizations*'. The minimal references to the social and religious divisions in the region were from non-governmental sources.<sup>18</sup>

### **1.1.3 Creating Boundaries Around an Open Complex System**

Research for this paper focuses on the economic and political factors that shaped FDI within the island of Ireland. It uses historical sources and archival material which drew heavily on government and official sources. The need to create boundaries around a topic which inhabits an open, yet complex system was a fundamental issue within the work.<sup>19</sup> Stone's (1999) conceptualisation of the political *agora* – a space where policy learning can occur -was used to bound the political and economic space of this research. Van Dyke's (1998) explication of a political space was also used. His notion of political discourses encompasses, not only the political and economic elite, but also the media and the wider public *but only* while they are engaged in political discourse.

## **1.2 Aims and Objectives of the Research**

The aim of this thesis is to extend knowledge on external investment into Northern Ireland in the early post-war era. It also explores the extent of policy transfer in relation to inward investment policies between Northern Ireland and the Republic from 1945 until 1973.

Chapter four examines the extent to which commissioned reports encouraged and supported inward investment. The role of the Northern Ireland Development Council (NIDC) is analysed. An exploration of inward investment is important for several reasons. Firstly, inward investment played an important role in the economic landscape of the post-war era. During this time, there was a significant decline in the traditional industries of shipbuilding and linen. This decline had begun prior to World War One, but both wars gave a short-term boost to the manufacturing sector, masking the structural change in those industries. The simultaneous

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<sup>18</sup> The economist Charles Carter (whose later book 'The Northern Ireland Problem' (1962) addressed this subject), alluded to the issue of social divide in a supplement to *The Statist* (1954:4) when he stated '*It is also important that the Government should not appear to favour the Protestant and Unionist East against the Catholic and Nationalist areas on the borders of the Province.*'

<sup>19</sup> The concept of a complex, yet open system is compatible with the philosophical approach of critical realism. See chapter three.

increase in new inward investment after World War Two, mitigated against the structural changes. Breathnach (2007:134) estimates that during the 1960s *'the contraction of indigenous industry was almost entirely balanced out by the growth of employment in new projects, almost all externally sourced'*. Understanding these changes contribute to a better understanding of the economic journey of a peripheral region.

Chapter five presents a database of foreign companies locating in Northern Ireland between 1945 and 1973. Official aggregate figures are available for external investment in the region and this research attempts to support existing official data with rich archival data information that exists in relation to FDI in Northern Ireland. The historical emergence and growth of FDI from an MNE perspective has been explored in the literature (Chandler, 1990; Dunning, 1958/1998; Wilkins 1994). More recently Jones (2015:404) identified a gap in the business history literature *'while the business history literature is strong on the drivers of the growth of global business and its organizational structures and diversity, there remains much to be understood about the historical impact of multinational firms on their host economies'*. This echoes his prior comments: *'when business historians began to study the growth of multinationals, they took a home country perspective, examining outward FDI rather than inward FDI'* (Jones, 1994:90).

Chapter six explores the extent to which the North and South were learning from each other and imitating each other's policies with respect to FDI. Drawing on the concepts of policy transfer (Dolowitz and March 1996, 1999, Evans and Davis, 2001), *'Lesson Drawing'* (Rose, 1991) and epistemic communities (Benson, 2009; Dunlop, 2009; Legrand, 2018; Stone, 2020), this chapter explores whether policies about FDI were exchanged, either directly and indirectly, between the two regions.

### **1.3 Research Contributions and Research Gaps**

*'...to reason based on archives allows understanding the traces left by the past and drawing precise, concrete lessons for the present...The archive bears witness to a policy's failure or success'* (Antipa and Bignon, 2018: 31).

### **1.3.1 Paper One (Chapter Four) Empirical Contribution**

This paper makes an empirical contribution by considering the effectiveness of key policy documents in providing guidance for FDI investment policy into Northern Ireland. The Northern Ireland Development Council (NIDC) is critically evaluated and considered in relation to the Investment Promotion Agency (IPA) literature. The Northern Ireland Economic Council (NIEC) is also reviewed. Six policy reports are considered in relation to their focus on inward investment.<sup>20</sup> Very little research has been carried out on the early post-war years in relation to inward investment. Existing research tends to be quantitative. An archival exploration of FDI in the early post-war years, allows for richer, in-depth insights into the time under investigation. In addition, the role of the Northern Ireland Development Board (NIDC) and a critique of same has heretofore not been carried out.

### **1.3.2 Paper Two (Chapter Five) Empirical Contribution**

This paper makes an empirical contribution to existing knowledge regarding FDI into Northern Ireland through the development of a database detailing the foreign companies which located in Northern Ireland between 1945 and 1973. Prior analysis of inward investment into the UK during this time-period includes research by Dunning (1998), which quantified US FDI into the UK until the mid-1950s, and Jones and Bostock's (1996) work which considered US multinationals in British manufacturing prior to 1962. Dunning's research focused primarily on US investment into Britain. Similarly, the research carried out by Jones and Bostock (1996) concentrated mainly on the British experience of FDI. In terms of the availability of official data, Teague (1987) asserts that, unlike other regions of the UK, a breakdown of multinational companies into Northern Ireland was not available in Northern Ireland through official sources prior to 1963. Previous research has been carried out regarding the aggregate numbers of foreign firms locating in Northern Ireland (Moore et al., 1978; Teague, 1987). Major historical studies on FDI into the United Kingdom (Dunning, 1958; Jones & Bostock, 1996) largely ignored the topic of external investment into Northern Ireland. A 2015 editorial article in the *Economic History Review* called for the need to examine historical FDI from the host country's perspective (Jones, 2015). This paper explores FDI from a host region perspective by investigating MNE investment into Northern Ireland – a small regional economy within the wider United Kingdom, and in so doing attempts to address the gap identified by Jones (2015).

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<sup>20</sup> See table 4.1.

### 1.3.3 Paper Three (Chapter Six) Empirical Contribution

Chapter six considers the influence of Northern Ireland's inward investment policies on policy developments in the South and vice versa. Most comparisons between both parts of the island tend to focus on political issues, which loom large in any analysis about the region. There exists less consideration of economic issues in general. The lack of formal engagement and dialogue between North and South during these years suggest, on the surface at least, little acknowledgement of policy transfer, or its analogous term '*Lesson-Drawing*' from either side. According to Bradley (1999:35)

*comparative discussion of the two economics of Ireland is a very recent phenomenon. Limited communication over the years between Northern and Southern researchers, as they drifted apart in intellectual space, led to a lack of shared knowledge about the different part of the island. Northern researchers tended to look exclusively to Britain (Harris, 1991) while Southern researchers tended to be more preoccupied with European and world arenas (Bradley et al., 1995).*

While issues regarding policy transfer and lesson drawing are essentially a multidisciplinary endeavour, the explicit study of these terms within a historical context prior to the middle of the 20<sup>th</sup> century is rare (Evans & Davies, 1999; Rodgers, 2009). Williamson and O'Rourke (1999) have also acknowledged the benefits of closer historical examination of these concepts.

## 1.4 Research Originality

Table 1.1 provides exemplars of originality with respect to the research papers in this documents (Philips & Pugh, 2010).

**Table 1.1 Research Originality within the thesis: Philips and Pugh (2010)**

Research Paper	Originality within the Pugh Framework	Corresponding Research Originality demonstrated in this thesis
Paper Two Chapter Five	Continuing a previously original piece of work.	The database in chapter five echoes historic databases relating to the Republic of Ireland (Barry, 2018) and the UK (Jones & Bostock, 1996).
Paper Three Chapter Six	Showing originality in testing somebody else's idea/theory.	Chapter six provides an empirical contribution to the policy transfer literature from an historical perspective (Dolowitz & March, 1996, 2000).
Paper One Chapter Four  Paper Two Chapter Five	Carrying out empirical work that has not been done before.	In chapter four (paper one) an analysis of archival material uncovered new information on economic agencies in Northern Ireland, primarily the NIDC. Each paper relies on archival research to construct an historical narrative. In chapter five (paper two) a database of FDI investment into Northern Ireland was developed.
Paper One Chapter Four	Bringing new evidence to bear on an old issue.	Some prior analysis of early post-war US FDI into Northern Ireland has been carried out. The availability of newer archival material has provided this researcher with the opportunity to reconsider prior assumptions regarding inward investment policies. For example, paper one suggests that FDI had become a distinct policy by 1955, two years earlier than previously stated (Teague, 1987).

Source: Adapted from Philips and Pugh (2010).

## 1.5 Introduction to the Philosophical and Methodological Approach

This thesis adopts a critical realist approach (Archer, 1995). The ontological, epistemological, and qualitative assumptions remain consistent across the three papers. Specific methods differ for each paper, reflecting the three distinct research papers. This is congruent with critical realism, which advocates that method and methodology should be led by the research question, rather than by the methodological preferences of the researcher (Clarke, 2015). Critical Realism represents a suitable perspective from which to negotiate the approaches of those

working in the ‘*present*’ (i.e. the social scientists) and the ‘*past*’ (i.e. historians). An approach which draws on the work of Decker (2019); Kipping et al. (2014) and Archer (2007) was used as a way of engaging in historical research. This is further explored in chapter three.

This research is situated primarily within the discipline of International Business (hereafter IB). The multidisciplinary nature of IB is reflected in the thesis which draws on a number of inter-related literatures including Economic Policy, Regional Studies, Policy Studies, Business History and International Political Economy (IPE) *inter alia*.

*Many different research traditions have come together to create the field of international business as we know it today, including business theory, economic-based studies of foreign direct investment, organizational sociology, industrial-organizational psychology, anthropology, cross-cultural communication and process-based perspectives of the MNC* (Birkinshaw et al., 2011:573).

## **1.6 Time Period under Investigation**

The years from 1945 to 1973 set a temporal boundary around the work. More specifically, the time frame charts the period from the end of the Second World War until 1<sup>st</sup> January 1973, when both the Republic of Ireland, and the UK became members of the European Community (hereafter EC). The proroguing of the parliament at Stormont in 1972 also offers a timely limit within which to bound the research. The investigation continues until 1972, which marks the end of 50 years of devolved power in Northern Ireland. The Parliament at Stormont was prorogued. A New Northern Ireland office was established which took responsibility for the civil service. A Secretary of State was appointed to head this New Northern Ireland office and to assume the key functions of the former Stormont ministers. ‘*This process coincided with the administrative centralisation of almost all the hotly disputed functions of local government in Northern Ireland. Jointly these events signified the end of the state in Northern Ireland*’ (Bew et al., 1980: 162). The UK became a member of the EC on 1<sup>st</sup> January 1973. This represents an appropriate boundary with which to frame the current research, ending at a time of significant political and parliamentary change within the province and the wider United Kingdom.

Previous analyses have used a broadly similar time-period when considering post WW2 economic analysis: Crafts (1995) explored the poor economic performance of NI from the early



1950s until 1973, while Murphy (2005: 28), in reference to the Republic, notes that *‘Of all the changes that took place in Ireland between 1945 and 1973, economic ones were among the most important.’*

From a critical realist perspective, Archer (1995) acknowledges a past before the start of the narration period, which locates and frames a narrative within its wider contextual and historical space. Therefore though clearly time-bound, the *‘story’* does not *‘begin’* in 1945. This research acknowledges the importance of all antecedents to the economic, social and political situation of the specific time-period under investigation.<sup>21</sup> *‘There are always preceding circumstances to any event as well as, of course, consequences. In order to be able to understand an event and to evaluate it, it is important to know about what has led to it’* (O’Brien et al., 2004).

## **1.7 Ethical Considerations**

This thesis complies with all ethical requirements as set out by TCD. The researcher participated in a workshop on Ethics in Research as part of the mandatory PhD learning modules in the TCD School of Business.

## **1.8 Personal Statement and Research Journey**

This thesis reflects my academic and professional journey. My undergraduate degree was in International Marketing and Languages (1991). The 4<sup>th</sup> year module on Irish Economic Policy was of special interest to me, in particular the role that FDI played in Ireland’s economic journey towards the later part of the 20<sup>th</sup> century. This was prior to the publication of the Culleton Report (1992) and a decade after the publication of the Telesis report (1982), which had been critical of Ireland’s focus on FDI and which advocated a greater focus on Ireland’s indigenous sector.<sup>22</sup>

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<sup>21</sup> For this reason part one of the literature review begins at a time-period prior to 1945, thus acknowledging the time prior to the research period under investigation.

<sup>22</sup> Telesis Report (1982) was a report carried out by external consultants under the auspices of the National Economic and Social Council (NESC) to carry out a review of Ireland’s industrial Strategy. A Review of Industrial Policy. February 1982; The Culleton Report, January 1992, Industrial Policy Review Group (IPRG).

After graduating, securing an initial job as a graduate trainee with Enterprise Ireland increased my awareness of the importance of exporting for the indigenous SME sector. I subsequently worked for an Irish-based manufacturing firm interested in entering the German market and became aware of the importance of Export-Led FDI. Here, the place of Ireland, as a region of the wider economic community was apparent. This was in the mid 1990's and the key area of interest to the business community was the impending creation of the Eurozone. The enlargement of the EU (ten new members would join on 1<sup>st</sup> May 2004) was still almost a decade away. Further employment working with the PLATO network, in the South Dublin Chamber of Commerce, and in EU funded SME training networks helped foster in me an interest in Ireland's international role and led to the pursuit of a Masters in European Economic and Public Affairs. My minor dissertation considered the transfer of EU competition policies to the Czech Republic.

Since 2001, I have been lecturing in International Business and Economic Policy at the Institute of Technology, Carlow. My interest in the early development of FDI continued and this prompted me to contact Professor Frank Barry in TCD. Originally my interest was focused on the Southern angle. Professor Barry however directed me to a comment made by Professor Cormac Ó Gráda in a report for the 50<sup>th</sup> Anniversary of an Foras Taluntais which suggested, albeit inconclusively, that Northern Ireland had made far more progress than the South in relation to inward investment in the early post war years.<sup>23</sup> It soon became apparent that post-war FDI into Northern Ireland had been largely overlooked. Therein lies the genesis for this thesis – the first two papers provide insights into post-war investment into Northern Ireland, and the third research paper considers policy transfer between the two regions.

I subsequently spoke to Professor Ó Gráda in the spring of 2019 on his retirement and explaining that his comment had been the inspiration (via Professor Frank Barry) for my focus on Northern Ireland as a location for early post-war FDI investment. Professor Ó Gráda spoke about the tension between inductive and deductive approaches when carrying out archival research and called for a more abductive approach within the economically focused historical academe. This point particularly resonated with me and is reflected in Chapter six with employs an abductive approach to theory building. Several avenues were pursued, and subsequently abandoned, in the process of this research journey. While these are not included in the main

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<sup>23</sup> Ó Gráda, C., (2008). The Irish Economy half a century ago in M. Miley, ed. An Foras Taluntais – 50 Years of Agricultural and Food Research (Dublin 2008).

body of the analysis, they added to my understanding of the overall research domain. My original proposal focused more specifically on concepts of policy implementation, rather than on policy transfer. After considering several implementation models and in particular the Advocacy Coalition Framework (ACF), (Sabatier and Jenkins-Smith, 1988, 1993), I chose to concentrate on policy transfer (Dolowitz and March, 1996; 1999) and lesson-drawing (Rose, 1991). This allowed a more focused exploration of the nature of the relationship between North and South with respect to the exchange (both explicit and implicit) of policy ideas.

In the early part of my research, I attended a two-week Summer School on Critical Discourse Analysis (CDA) at the University of Amsterdam. I was interested in exploring ways of interpreting documents, as this would become a main part of the research endeavour. Concentrating primarily on the Lancaster School of CDA (Wodak, 2009) and the Discourse Historical Approach (DHA) (Reisigl, 2011). I gained a greater understanding of text interpretation from a multi-disciplinary perspective. An understanding of Cognitive Linguistics Approaches to CDA (Harte, 2015) was particularly relevant when collating media accounts from different newspaper sources. Ultimately however, I decided against using CDA as an interpretative tool, as it was incongruous with my philosophical position.

The work presented herein, focused on the time-period up to the point of entry of the UK into the EC. In some way, I hope that this study provides a timely retrospective analysis of one aspect of the economic journey of both regions and that in so doing, it adds to our knowledge of the economic and political issues of the day.

## **1.9 Thesis Outputs**

‘FDI in Northern Ireland 1945 – 1973’, paper presented at Irish Academy of Management Conference (IAM) Queen’s University, Belfast, September, 2017.

‘Policy Transfer and the Introduction of FDI-led Industrial Policy’, paper presented at Doctoral Colloquium presentation, 44th AIB (Academy of International Business) (UKI) Conference, 6-8th April, 2017, Henley Business School, University of Reading.

‘Policy Transfer and the introduction of FDI-led industrial policy’, First Prize for best doctoral proposal awarded by the UK and Irish Chapter of the Journal of International Business (ABS =4\*), November, 2016.

## **1.10 Workshops, Short-Courses and Summer School**

2018 (5<sup>th</sup> to 6<sup>th</sup> April) International Business, Development and Policy. Tutors: Rajneesh Narula and Hafiz Mirza. Henley IB Masterclass, Spring 2018. University of Reading.

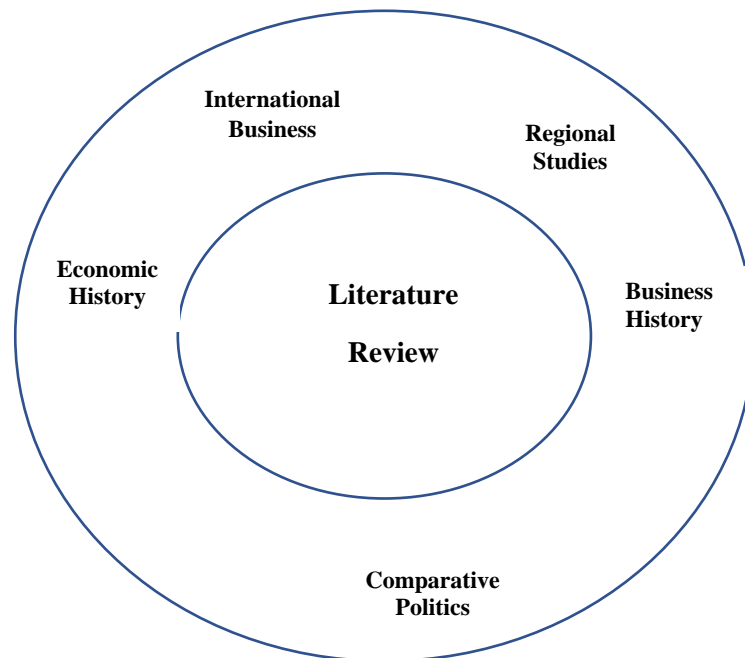
2015 (6<sup>th</sup> to 17<sup>th</sup> July) Doing Research with Discourse Analysis: A discourse perspective on marking sense of social change. AUAS Summer School, the VU University of Amsterdam.

## **1.11 Thesis Structure**

Chapter one provides an overview of the context within which this thesis is based. Chapter two focuses on review of the literature review. The first section outlines prior research on the economies of the island of Ireland and on regional policies and FDI in both the UK and Ireland. The second section evaluates literatures germane to each individual paper. Chapter three elucidates the philosophical and methodological underpinning of the work. Chapters four, five and six present three separate, yet interlinked research questions and the final chapter provides a brief conclusion, considers the research limitations and proposes areas ripe for future research.

## CHAPTER TWO LITERATURE REVIEW

This chapter presents a critical literature review (Grant & Booth, 2009) as outlined in figure 2.1.



**Figure 2.1 Overview of the Literature Review**

### 2.1 Historical and Economic Context

#### 2.1.1 A New Wave of Globalisation after World War Two

Globalisation and international trade have been a feature of human development for millennia, although the extent and origins of integrated markets has been contested (Frank, 1998; Wallerstein, 1989; Tracy, 1990; Frank & Gills, 1993). O'Rourke and Williamson (2002) suggest that globalisation in the form that is understood today began in the early 18<sup>th</sup> Century and is a very modern phenomenon (2000:27). The period leading up to the First World War – the pre-1913 era, was extremely well-integrated, even when compared to the late 20<sup>th</sup> Century (O'Rourke & Williamson, 2002; Krugman, 1995). However, until the early 20<sup>th</sup> Century much of the investment took place in the extractive, mining and agriculture industries. The ensuing 45 years (circa 1914 to circa 1950), which encompassed both world wars and the inter-war period, saw the adoption of 'beggar-thy-neighbour' policies internationally and the associated

implementation of pro-protection policies such as increased taxes and tariffs (Wolf, 2004).<sup>24</sup> After WW2 there was a return to the opening of markets, and tariffs also had declined significantly by 1950 as noted in Table 2.1. The result was a rapid increase of international trade, particularly among the developed nations. This was supported by several newly created supranational organisations such as the World Bank, the International Monetary Fund (IMF), the United Nations (UN) in 1945 (replacing the League of Nations), and the General Agreement on Tariffs and Trade (GATT) 1947.

**Table 2.1 Average Tariffs on Imported Manufactured Goods (%) 1875 - 1950**

	<b>1875</b>	<b>1913</b>	<b>1931</b>	<b>1950</b>
France	12-15	20	30	18
Germany	4-6	17	21	26
Italy	8-10	18	46	25
UK	0	0	n.a.	23
US	40-50	44	48	14

Source: Adapted from Michael D. Bordo, Barry Eichengreen and Douglas A. Irwin, 'Is Globalisation Today Really Different than Globalization a Hundred Years Ago?' National Bureau of Economic Research Working Paper 7195, [www.nber.org](http://www.nber.org), June 1999, Table 3.

Krugman (1995:330) suggests that the forms of trade and increasing global integration observable in the post 1950 period until the mid-1970s were attributed to recovery, rather than to new forms of globalisation '*Much of the growth in trade since 1950 therefore simply represents a recovery to former levels. Indeed, to the extent that it is possible to make comparisons, world trade as a share of world output does not seem to have recovered to its 1913 level until sometime in the mid-1970s; only the growth since then truly represents a new degree of integration.*'

### **2.1.2 Manufacturing Decline in the United Kingdom**

The years from 1950 to 1973 have been referred to as the '*Golden Age*' of capitalism (Crafts, 1995a). The UK experienced historically high growth rates, but these were comparatively lower than those in mainland Europe. Table 2.2 ranks countries (and NI) in terms of income levels. The UK, Northern Ireland and the ROI compare relatively poorly overall (although

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<sup>24</sup> In 1930, the US introduced the Smoot-Hawley tariff which increased tariffs on manufactured products to 48% (Wolf, 2004:127).

Crafts points out that the annual growth rate of 2.4% (the UK) was still significantly higher than Western Europe's average growth rates since 1890 (Crafts, 1995b:8).

**Table 2.2 GDP/Person: Levels and Growth, 1950-1973 (International Dollars of 1990; % per Annum per Person)**

Decreasing order of GDP/Person based on 1950 figures (\$)	Country	1950 (\$)	1973 (\$)	1950-73 growth % (rank)
1	Switzerland	8939	17953	3.1 (12)
<b>2</b>	<b>United Kingdom</b>	<b>6847</b>	<b>11932</b>	<b>2.4 (16)</b>
3	Sweden	6738	13494	3.1 (12)
4	Denmark	6683	13416	3.1 (12)
5	Netherlands	5850	12763	3.4 (10)
6	Belgium	5346	11905	3.5 (9)
7	France	5221	12940	4.0 (8)
8	Norway	4969	10229	3.2 (11)
<b>9</b>	<b>Northern Ireland</b>	<b>4629</b>	<b>8718</b>	<b>2.7</b>
10	W. Germany	4281	13152	5.0 (4)
11	Finland	4131	10768	4.2 (7)
12	Austria	3731	11308	4.9 (5)
<b>13</b>	<b>Ireland</b>	<b>3518</b>	<b>7023</b>	<b>3.1 (12)</b>
14	Italy	3425	10409	4.9 (5)
15	Spain	2397	8739	5.8 (2)
16	Portugal	2132	7568	5.6 (3)
17	Greece	1558	6229	6.2 (1)

Source: Except for Northern Ireland taken from A. Maddison, *Monitoring the World Economy* (Paris, 1995); N. Ireland derived using estimates in K. Kennedy, T. Giblin and T. Mc Hugh, *The Economic Development of Ireland in the Twentieth Century*, (London, 1988), Tables 1.6 and 6.2. This source is cited in Crafts (1995b:9).

The UK's post-war growth rate also lagged rates in newly emerging manufacturing economies such as Japan and other Asian nations (Schenk, 2015). The comparative decline in UK economic growth, particularly compared to the US had been evident since the end of the 19<sup>th</sup> Century (Crafts, 1998; Hobsbawn, 1969; Kitson & Michie, 2014). Suggested reasons for this relative decline include the use of archaic technology, and an inability to move beyond its colonial past (Hobsbawn, 1969), first-mover disadvantage (Mathias, 1969), low-levels of capital formation, a lack of innovation and technological leadership, and a lack of respect for

scientific training compared to countries such as Germany (Lewis, 1959). Kitson and Michie (2014) point to a supply side problem, reflecting an over commitment to traditional industries (such as iron and steel, shipbuilding, and clothing). They blame manufacturing decline on an ‘*underinvestment in infrastructure, and an over-emphasis on the financial sector*’ (2014:4).

Crafts and Thomas (1986) propose that the UK had a revealed comparative advantage in unskilled, labour-intensive industries such as textiles and shipbuilding, but they suggest that the war created over capacity, which left an oversupply of manufacturing facilities in its aftermath. After the war, economies such as Germany and Japan increased their export of textiles, leading to a significant loss to the UK economy. The UN World Economic Survey of 1949 explained the decline thus:

*The United States rather than the United Kingdom had export capacity in the categories of goods which Germany had exported before the war...Although the production of heavy goods in the United Kingdom increased after the war, its domestic requirements also rose as a result of the increase in domestic investment.....moreover the United Kingdom's exports, in general, required longer time for delivery* (UN World Economic Survey 1949:162).

The gradual decline in the manufacturing sector was offset by a simultaneous growth in the services sector, particularly in the South of England. A UN report noted that any expected rise in investment in distribution in services in 1959 would be offset by a 10% decline in investment in manufacturing.<sup>25</sup>

### **2.1.3 Manufacturing History in Northern Ireland and Post War Decline**

#### **2.1.3.1 The Northern Ireland Economy Prior to 1945**

The economic literature points to an overall decline in traditional manufacturing and this particularly effected regions such as a NI, which had been heavily reliant on traditional manufacturing, but which had not benefitted from the upturn in the services sector. Prior to the First World War, the North-East region of Ireland (mainly around Belfast) was considered the fastest growing industrial region of the United Kingdom. The region that would subsequently become Northern Ireland was the most heavily industrialised part of Ireland, dominated by two industrial sectors – (a) the textile group (mainly linen, an industry which for a long time, was

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<sup>25</sup> World Economic Survey, United Nations 1959.



the region's biggest exporter), and (b) the shipbuilding, engineering and metal trade group. According to Bielenberg (1994: 54)

*By 1907, the 6 counties of the north-east accounted for two-thirds of Irish industrial output and two-thirds of industrial exports originated in Belfast, Ireland's biggest city by 1911, which had grown from a population of 75,308 in 1841 to 386,947 in 1911.*

As noted in section 2.1.2 these key industries began to contract prior to the First World War. However both world wars disguised the general decline in these industries.

New challenges arose for the region after partition in 1921. The specialised nature of manufacturing and the embeddedness of the region in the global economy, from both the supply and demand sides, made it vulnerable to changing global economic factors. Between 1924 and 1935, the numbers engaged in the textile group fell from 86,762 to 67,328 persons (much of this decline was in the linen industry which lost 19,137 jobs in total). The shipbuilding, engineering and metal group showed fluctuations over the same period, ranging from 19,445 persons employed in 1924 to 23,609 in 1930 and falling to 18,179 persons in 1935, with the shipbuilding industry accounting for about 45% of the total number engaged in this group.<sup>26</sup> Although agriculture made up 25% of employment (compared to about 6% in Great Britain) in the 1926 Census, Northern Ireland was still a manufacturing centre.

Other UK regions experienced problems during the inter-war years.<sup>27</sup> Wales often had a higher rate of unemployment, but by 1936 Northern Ireland had an unemployment rate of 29.5% compared to 23.8% in Wales and 12.8% in Britain overall, and by 1938, Britain had agreed to subsidise the Northern Ireland economy in the form of a '*subvention*' (Rowthorn & Wayne, 1988).<sup>28</sup> However, table 2.3 compares levels of factory employment in regions of the UK and the Irish Free State (IFS). It illustrates that the percentage of those employed in factories in NI was broadly similar to the percentage employed in factories across the UK but was significantly greater than levels in the IFS: in the IFS factory employment made up 2.1% of the population compared to approximately 10.6% of the population across the United Kingdom.

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<sup>26</sup> NAI TAOIS/S 14186, *Statistical and Social inquiry Society of Ireland. A comparison of the Economic position and Trend in Eire and Northern Ireland*, Labhras O'Nuallain. Read on Thursday, 13 December 1945.

<sup>27</sup> The UK had a total of 11 regional areas. The concept of Special Development Areas for the purposes of regional policy was designated under the Special Development Areas legislation. Northern Ireland had control over its regional policy. For the most part, ID legislation in Northern Ireland was based on British legislation.

<sup>28</sup> Rowthorn and Wayne's (1988:70) note that '*When Northern Ireland was established, the British government saw it as a self-supporting part of Britain's Empire*'.

In addition, Barry (2018: 296) notes that a smaller proportion of the manufacturing workforce was employed in large establishments. He posits that in 1930, there were nine establishments in the IFS that employed more than 500 workers, compared to 1,517 factories in Britain which employed 500+ employees. Table 2.3 omits figures for NI, Scotland and England & Wales. This is because data (from the Census of Production, 1930) on establishment size was not available for NI and for the entire U.K and this may have for confidentiality reasons (Barry, 2018: 297).

**Table 2.3 Comparative Size of Factory Employment in the Free State (1929) and U.K. Regions (1930)**

	I.F.S.	N.I.	Scotland	England & Wales	Great Britain
Factory employment	62,439	125,391	506,459	4,243,709	4,750,168
Factory employment as a percentage (%) of population	2.1%	10%	10.5%	10.6%	10.6%
Large factories (500+ workers) per 10,000 factory jobs*	1.4	-	-	-	3.2

Source: Factory data from Census of industrial production, 1926 and 1929; Census of production of the United Kingdom, 1930. (Numbers for Northern Ireland, as published in the U.K. census, differ slightly from those reported in the N.I census of production.) Population data: Census of population, 1926 (Dublin, 1926 -34); Census of population, 1926 (Belfast, 192609); Census of England and Wales, 1931, preliminary report (London, 1931). Source cited in Barry (2018:297).

**\*Note: a breakdown of the corresponding figures for N.I, Scotland and England & Wales was not available**

### 2.1.3.2 Northern Ireland Economy after 1945

WW2 saw an up-turn in manufacturing and by 1947, the ratio of provincial GDP per head to the national UK figure has risen to over 70% *‘But the need for a substantial change in the industrial structure soon became plain once more’* (Wilson, 1990:1). The tradition industries

of shipbuilding and textile saw significant decline towards the latter part of the 1940s and this became even more apparent during the 1950s. This was indicative of a broader trend towards the relocation of production to cheaper, labour-intensive locations. Competition was emerging, primarily from Germany<sup>29</sup> and Japan, which in both cases were building ships for British interests (Navaneetha, 2013), while a post-war decision in the United States, to subsidise shipbuilders who placed orders with American yards (by as much as 60%), was beginning to have a negative impact.<sup>30</sup> Similar challenges faced the textile industry - prior to WW2 textiles from NI had made up a significant proportion of the UK's exports however increased competition from Germany and Japan after the war had a negative effect on the economy. By the early 1950s, the unemployment rate of Northern Ireland was higher than that in any of the other regions of the UK as illustrated in table 2.4.

**Table 2.4 Unemployment in the U.K by Regions. Percentage of all Uninsured Workers aged 14 and over in Industry and Agriculture**

Region	Percentage of Insured Workers Unemployed					
	1939	1945	1946	1947	1948	1949
	July	July	July	July	June	June
London & South East	4.9	0.4	1.0	1.0	1.5	0.9
Eastern	4.8	0.3	1.0	0.5	1.0	0.7
Southern	2.9	0.3	1.0	0.5	1.5	1.1
South Western	4.0	0.4	1.0	1.0	1.5	1.1
Midland	5.3	0.6	1.0	0.5	0.5	0.4
North Midland	6.4	0.2	1.0	0.5	0.5	0.4
E. & W. Ridings	8.0	0.5	1.5	1.0	1.0	0.8
North Western	10.9	0.6	3.0	2.0	2.0	1.5
Northern	12.3	1.4	5.0	3.0	3.0	2.3
Scotland	10.2	1.5	4.5	3.5	3.0	2.5
Wales	14.2	3.2	8.5	5.5	5.5	3.6
Gt. Britain (average)	7.5	0.8	2.5	1.5	2.0	1.3
<b>Northern Ireland</b>	<b>20.2</b>	<b>4.7</b>	<b>8.8</b>	<b>6.7</b>	<b>6.5</b>	<b>5.8</b>

<sup>29</sup> TNA T229/895 UK, – C.M.(55) 15<sup>th</sup> Conclusions Thursday 16 June 1955. Memo stating that Shaw Saville (a British shipping company that operated ships between Great Britain, Australia and New Zealand) placed orders for the construction of three cargo liners with a German shipbuilding firm in Bremen, on the basis that ‘*the German firm has offered a lower price and quicker delivery than any of their British Competitors*’. The memo concludes that ‘*It was unfortunate that these contracts should be placed abroad at a time when there was substantial unemployment in the Shipbuilding industry in Northern Ireland*’.

<sup>30</sup> *The Irish Times*, Decline in shipbuilding may hit Northern workers, 20 December 1954.

Source: Ministry of Labour Gazette and estimated supplied by N.I. Ministry of Labour. Cited in the Isles Report – (draft 1952).

The issue of structural unemployment dominated regional economic discourse during the period under consideration, as evidenced in Chapters Four and Five. Table 2.5 indicates that from 1947 to 1975, the levels of unemployment of Northern Ireland were almost three and half times higher than the UK average.

**Table 2.5 Unemployment as a Proportion of the Civil Labour Force (Expressed as a Multiple of the Average UK Ratio) 1945-75**

	<b>Northern Ireland</b>	<b>Scotland</b>	<b>Wales</b>
<b>1947</b>	3.9	2.0	3.2
<b>1950</b>	3.4	2.1	2.2
<b>1955</b>	5.3	2.1	1.4
<b>1960</b>	3.6	2.2	1.4
<b>1965</b>	3.7	2.0	1.6
<b>1970</b>	2.5	1.6	1.3
<b>1975</b>	1.9	1.3	1.3
<b>Average 1947-75</b>	3.47	1.8	1.77

Source: Derived from British Labour Statistics, 1886-1968 and later additions of the Department of Employment gazette. Cited in Brownlow (2012:16) in *Ulster since 1600* (Kennedy and Ollerenshaw, 2012).

Measured in GDP per capita, Northern Ireland remained the poorest region in the United Kingdom, with the region’s relative income per capital falling from 65% to 61% of the national average between 1951 and 1958 (Brownlow, 2007). By 1960, per capita output had dropped to 63% of the national average but another period of relative advance was then to lift the proportion to 73% by 1973. Table 2.6 illustrates the poor rank of NI’s GDP in comparison with other regions of the UK at the start of the 1960s.

**Table 2.6 Gross Regional Product per Head of Population, 1961**

	Gross Domestic Product		New Internal Transfers	Gross Regional Product	
	£	Index	£	£	Index
<b>North</b>	410	90	-20	390	86
<b>E &amp;W Ridings</b>	452	100	-17	435	96
<b>North West</b>	449	99	-21	428	94
<b>North Midlands</b>	463	103	-17	446	98
<b>(West Midlands)</b>	489	108	-20	469	103
<b>SE England</b>	503	111	+20	523	115
<b>South West</b>	400	88	+25	425	94
<b>Wales</b>	401	88	-16	385	85
<b>Scotland</b>	392	86	+1	393	87
<b>N. Ireland</b>	289	64	+6	295	65
<b>United Kingdom</b>	454	100	-	454	100

Cited in Brown (1972:62). Original source: Woodward, Regional Social Accounts, tables 1 and 20.

While the rise of the financial sector in the south of Britain mitigated against the more severe effects of the declining productive sectors, this transition to financial services was not evidenced in the less developed regions, accelerating the ever-increasing regional disparity which manifested itself as a divide between the Southern and Northern regions of the United Kingdom. Although, the Northern part of Ireland was more industrialised in comparison to the rest of Ireland, it remained comparatively rural in the context of the United Kingdom. By 1968, the population ratio living in urban versus rural administrative areas in Northern Ireland was 53:47 compared to a ratio in England and Wales of 79:21 (Simpson, 1972).

The challenges facing manufacturing in Northern Ireland can be viewed as the result of a gradual decline in UK manufacturing (Kitson & Michie, 2014), of structural issues resulting from the demise of traditional industries, (Busteed, 1973), and of changes in the post war global landscape (Bradley, 1990; Teague, 1987). Busteed (1973) suggests that locational factors also represented a problem, insofar as a firm's location meant that it was distant from *'Concentrations of labour, expertise, information services, and all the existing economic, political, and social infrastructure so significant for modern economic growth.'*

According to Bradley (1990), the deindustrialisation of the North resulted from external, rather than internal factors

*There were strong elements of an economic rationale, seen from Belfast, for partition in the first two decades of this century [20<sup>th</sup> Century], at a time when the economy of the north-east of Ireland, centred on that city, was at its zenith. A subsequent irony was that the strong and successful Northern industries – mainly linen, shipbuilding and associated heavy engineering – were the ones that suffered seriously in the aftermath of partition, except for a revival during the abnormal circumstances of the Second World War. However, partition was irrelevant to the long-term decline of these Northern sectors, since their pattern of decline was simply mirroring a wider British phenomenon (Bradley, 1990:39).*

**Table 2.7 GDP per Capita in Northern Ireland Compared to the UK Average 1947 – 1973**

1926	62%
1947	71%
1960	63%
1973	73%

Source: Adapted from Birnie and Hitchens (2001), *Chasing the Wind? Half a Century of Economic Strategy Documents in Northern Ireland; Irish Political Studies*, 16, 1-27.

#### **2.1.4 Regional Policy**

*‘The primary aim of industrial policy is to promote economic growth through creating jobs and facilitating productivity improvements. Regional industrial policy...also plays a role in fulfilling equity objectives through redistributing resources to disadvantaged areas’ (Newman and O’Hagan, 2008:203).*

##### **2.1.4.1 Regional Policy in the United Kingdom**

The result of manufacturing decline within the UK after the war led to structural unemployment problems in several regions such as Scotland, Wales and Northern Ireland, thus necessitating a focused approach to regional policy. UK regional policy had been in existence since the late 1920s.<sup>31</sup> The Barlow Report (1940) was commissioned prior to the outbreak of war in 1939

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<sup>31</sup> The Industrial Transference Board was established in 1928 with the aim of training workers who had become jobless as a result of declining industries (See table 2. 6). This board provided grants to encourage workers to move to areas with greater job prospects and the Special Areas (Development and Improvement) Act was enacted in 1934.<sup>31</sup> However, NI was not within its remit.

*To consider what social, economic or strategical disadvantages arise from the concentration of industries or of the industrial population in large towns or in particular areas of the country; and to report upon what remedial measures if any should be taken in the national interest.* (as cited in Jones, 1974: 324).

Its aim was to address the issues of spatial planning and regional development and it set the context for regional policy legislation which was subsequently introduced after the war, by advocating, for example, for the establishment of a central planning authority and a state policy of decentralisation of industry away from urban areas. After the war, key recommendations from the Barlow report were put in place. The Distribution of Industry Act (1945) sanctioned the provision of financial assistance to regions in the form of direct subsidies, employment grants and the provision of infrastructure and transport (Thirlswall, 1967). Of particular relevance to potential regional inward investment was the introduction of Industrial Development Certificates (1947), which legislated for planning controls restricting where companies (including foreign companies) could locate (Harris, 1991). The outcome of this regulation was to limit large manufacturing plants in the south of Britain, thereby compelling investors to locate new manufacturing units in less affluent regions of the UK. On the one hand, generous incentives were offered to companies willing to locate in the more economically depressed areas. On the other hand, strict planning regulations prevented companies, over a certain size locating industries in the more prosperous southern region of the UK (Harris, 1990). This requirement to locate new industries was not necessarily well received by overseas investors as suggested by the US publication, the Nation's Business (1956)

*The Board of Trade and Board of Treasury have been choosy about details such as location of new plants. They want to put the plant where it will take up unemployment in economically distressed areas rather than where transportation and markets might be more convenient to the manufacturer...The Board of Trade and Board of Treasury have been trying to route American subsidiary factories away from the London area to Scotland, Northern Ireland, or the industrial Midlands around Liverpool.*<sup>32</sup>

The efficacy of the UK's regional policy is somewhat contested in the literature. Table 2.4 and table 2.5 both point to the necessity of some form of regulation to address the increasing structural unemployment problems in regions such as NI, Scotland and Wales, which were

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<sup>32</sup> *The Nation's Business*, '400 U.S. firms help Britain'. Richard Tregaskis. March 1956, 44(3) (The Nation's Business was a publication of the US Chamber of Commerce).

experiencing levels of unemployment far in excess of the national UK average. Harris (1991) contends that, despite the demise of key manufacturing industries in many regions of the UK in the aftermath of the war, the Government was slow to embark on a regional policy. Further criticisms of the United Kingdom's regional industrial policy point to a lack of a coherent strategic vision (Kitson & Michie, 2000), and a focus on creating employment rather than on industrial need (Broadberry & Leunig, 2013). The latter point was particularly true in the case of NI wherein the contemporaneous narrative appeared to focus almost exclusively on employment creation, rather than any formal acknowledgment of sectoral or strategic development.<sup>33</sup> These factors led to reduced competition, poor industrial relations, and a lack in support for capital intensive industries and for the export-dependent nature of the manufacturing sector (Crafts, 1994).

#### **2.1.4.2 Regional Policy in Northern Ireland**

Measures aimed at encouraging investment in Northern Ireland since the 1950s, consisted of 'A package of financial carrots, larger and juicier than those offered in mainland Britain' (Hoare, 1978).

In line with the rest of the United Kingdom, Northern Ireland embraced regional policies as a way of attracting inward investment from Britain, and increasingly from abroad. There was no direct mention of Northern Ireland in the in the 1928 Act, the Barlow Report or in the 1945 UK legislation on regional policies. The region enacted its own policies under the New Industries (Development) Act of 1932. Initial pre-war legislation provided access to rent free sites, the relief of rates and later, interest free loans. According to Buckland (1981:74) '*The policy was not very imaginative in either conception or execution, generally following British schemes and trying to avoid stepping on the toes of local industrialists*'.

The need to avoid '*stepping on the toes of local industrialists*' remained a major concern after 1945 and thus played a role in the post war regional policy initiatives in the region (See Table 2.8). The traditional industries, particularly the textiles (mainly linen) and ship-building concerns had dominated the regional since the 18<sup>th</sup> century. The new policy of attracting outside companies into the regions meant that traditional industries were forced to compete with the newly established firms for resources and influence. Buckland (1981:92) noted '*...the problems*

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<sup>33</sup> This is explored in chapter four and was particularly apparent in respect of the actions of the Northern Ireland Development Council (NIDC) which was established in 1955.



*facing industrial policy.... had to take into account not only Northern Ireland's legal, geographical and economic limitations, but also the political problems posed by the declining industries. The obvious attractions to the Ministry of Commerce of diversifying the economy with new industries were somewhat offset by the demands of existing industries for whatever government money was available.'* Thus in order to appease traditional industry, parallel finance and relief measures were made available for older industries. These included a reduction in estate duties, a transferred tax, and the Re-equipment of Industry Act (1950) which was replaced four years later by the Capital Grants to Industry Act (Buckland, 1991:93).

The concept of '*Creative Destruction*' was coined by Austrian economist Joseph Schumpeter in 1942. It refers to the incessant product and process innovation mechanism by which new production units replace outdated ones (Pfarrer & Smith, 2005). The issue in relation to NI was that strong, traditional industries, regional interests, and overly close relationship between politicians and industries worked to obstruct '*Creative Destruction*'.

Indeed, Brownlow (2015: 163) noted that there was minimum oversight in terms of the allocation of grants in NI. Many local politicians had a commercial interests in declining industries which also sought subsidies.

The 1945 Industries Development Act (NI) and subsequent industrial development acts were modified and often expanded versions as outlined in table 2.8. For example, capital grants were introduced in NI in the 1950s yet these were not widely available in the rest of the United Kingdom for another decade (Harris, 1991:10). The Aid to Industry (NI) Act 1953 gave fuel allowances to companies in order to counteract lack of natural resources (i.e. coal) by equalising the costs of fuel importation with other regions of the UK.<sup>34</sup> Further measures included the provision of factory sites and advance factories (these were factories built by the Government in order to encourage investment and with the possibility of rents being fixed at 1939 rates for the first 10 years); increased infrastructural development; grants towards capital expenditure on plant and machinery; financial assistance towards the removal of plant and machinery from the rest of the UK; the provision of housing accommodation; training costs; transfer costs and removal costs for key personnel in companies re-locating from other areas of the UK.

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<sup>34</sup> This was a recommendation in the First Working Party on Employment (1952). See chapter four.

NI was in direct competition with development areas (designated Special Development Areas) for new investment and used its autonomy to provide more generous grant-aid than that available elsewhere in the UK.<sup>35</sup> By the end of the 1960s, the extra incentives provided by Northern Ireland's regional policy were:

- Capital grants of 20% on plant and 35% on buildings for all manufacturers
- Loans to supplement capital grants in special cases of major re-equipment
- 75% industrial de-rating - after its abolition in England and Wales
- One million (£) allocated annually to manufacturers in proportion to Northern Ireland's expenditure on coal and oil.

Simpson (1984: 515) notes that both the Regional Employment Premium (REP) scheme, and free depreciation, applied to manufacturing industries in other Development Areas. He further suggests that the rationale for allocating significant grants is the belief that if transfers to private companies are not greater than public transfers and costs to the unemployed, then this will provide an overall benefit.

Moore et al. (1978: 101) divide regional policy in NI into three main periods. They argue that the period between 1950 and 1959 was one of '*passive policy*' followed by a period of very active policy from 1963 to 1970, which included the introduction of Regional Employment Premiums (REP) in 1967. This was a labour subsidy which was paid to employers for each employee and which, in 1967, amounted to 7% of the manufacturing wage bill (Moore et al., 1978:101). They further note that the period after 1970 saw a less active engagement in regional policy. During this time, the IDC policy was relaxed, and selective financial assistance was introduced in 1972. Brownlow (2007:84-86) suggests that the introduction of a Cabinet code of conduct in 1963 played a role in improving subsequent economic growth in the region.

The levels of incentives were more generous in NI than in any other part of the UK (Brownlow, 2012; Harris, 1991). An important factor was that financial assistance came in the form of grants, rather than loans. A 1973 survey on businesses that had opened up new plants in the UK recorded that overall, 39% of respondents cited government incentives as a major factor

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<sup>35</sup> While Northern Ireland had a devolved parliament, it lacked the autonomy to raise taxes and to pursue independent monetary, foreign and defence policies. However, it had control over its interpretation of the UK Industrial Development Acts, (and had limited control over aspects of fiscal spending, which provided a degree of flexibility to provide extra investment incentives as part of its regional policy remit).

influencing their investment decision. However this rose to 85% among those who had located in NI, and in addition, it was the main factor in such cases.<sup>36</sup> Regional policy was therefore the key policy mechanism used to attract inward investment. Given the region's fiscal constraints, the NI government used its autonomy with respect to regional policy to maximum effect. While industrial assistance was made available to both domestic and incoming firms, Harris (1991:31-32) notes the government decided to focus primarily on policies to encourage inward investment. It was felt that new indigenous firms would not be sufficiently large to have a positive impact on the employment numbers:

*Therefore the objective of policy was to attract companies to Northern Ireland that wished to build new factories in which to expand production. Such a strategy was attractive since not only would the province obtain a broader industrial base that was less prone to decline, but it would also provide large number of jobs over a relatively short period of time.*

**Table 2.8 A Comparative Chronology of Regional Policy Initiatives 1945 – 1973 in Northern Ireland, Great Britain and Ireland**

	<b>Great Britain</b>	<b>Northern Ireland</b>	<b>Comment</b>	<b>Southern Ireland</b>	<b>Comment</b>
1928	Establishment of Industrial Transference Board. 1928 Act.				
1932		New Industries (Development) Act (NI) 1932		See 1934 below	
1934	Special Areas (Development and Improvement) Act, 1934				
1934				Control of Manufactures Acts of 1932 & 1934	Issued licences and controlled where new

<sup>36</sup> Survey by the Trade and Industry Sub-Committee of the House of Commons Public Expenditure Commission of companies in the UK that had opened a new plant between 1962 and 1967.

					industries could be established
1940	Royal Commission on the Distribution of the Industrial Population (Barlow Report)		Recommended the establishment of a central planning authority and advocated a state policy of decentralisation of industry away from urban areas.		
1944	White Paper on Employment		Not specifically related to regional policy, but referred to the importance of regional policy to mitigate against regional imbalances		
1945	Great Britain Distribution of Industry Act	Industrial Development (NI) Act <sup>37</sup>	The 1945 Industrial Development Act gave factory sites, loans and grants to new industries. NI government selectively offered plant, machinery and building grants of one-third of the cost of an investment (In Great Britain, these were not introduced until 1963)		
1947	Town and Country Planning Act		Introduction of Industrial Development		

<sup>37</sup> Very similar in wording to the UK Act, but Section 1 was interpreted differently, favouring grants rather than loans which were more popular in the GB Act. *'This involved considerable extra expenditure at the local level, but the political set-up allowed Northern Ireland the flexibility to evolve its own industrial development policy'* (Harris, 1991:10).

			Certificates (IDC policies)		
1948	Employment and Training Act		Provision of training allowances for those attending courses. Grants and loans to assist the transfer of workers between regions, funding for the establishment of Training Centres to provide firms with employee training		
1950		Employment and Training (NI) Act	In addition to the above Act, specific grants for employees transferring to NI to assist in the establishment of new firms		
1951		Re-Equipment of Industry Act (NI)	Grant of towards the cost of plant and equipment		
1952				Underdeveloped Areas Act 1952	Provided Capital grants (for machinery, equipment, training) to industries located in the 'Undeveloped Areas' (subsequently re-titled 'Designated Areas'). Set up An Foras Tionscal
1953		Aid to Industry Act (NI)	Introduced a Coal Subsidy (NI only)		

1954		Capital Grants to Industry Act	Subsidy of 25% on new plant, materials and buildings		
1956a				Industrial Grants Act 1956	Grants in aid of industrial development in areas other than those covered by the 1952 Act – grants for the acquisition, construction and adaptation of building of up to two-thirds of the cost or £50,000 (lesser value)
1956b				EPTR (Export Profits Tax Relief)	50% of profits earned on increases in export sales over their 1955 level
1957				Undeveloped Areas (Amendment) Act 1957	Extended duration of the 1952 act to 1963
1958				EPTR extended  Industrial Development (Encouragement of External Investment Act, 1958) Shannon Airport	Extended from 50% of profits to 100% of profits  Legislation to diminish the effects of the CMA 1932 & 1934  Profits from export business at Shannon Airport exempted from tax until 1983

1959				Industrial Grants Act 1959	IDA grant-giving function transferred to An Foras Tionscal
1959				SFADCO established	SFADCO permitted to provide grants of up to 50% of the cost of equipment and machinery for industrial and commercial enterprises at Shannon Airport
1960	1960 Act			Extension period for EPTR	The period of full tax relief was extended from 10 years to 15 years.
1963	1963 Act				
1964	DEA (Department of Economic Affairs) established		Took over responsibility for national economic planning and regional development	Control of Manufactures Act 1964	Repeal of the CMA 1932 & 1934
1966	Industrial Development Act				
1967		Finance Act (part IV – Selective Employment Tax	REP introduced  This was a labour subsidy paid to each employer		
		Industrial Investment (Amendment) Act (NI)			
1969				Industrial Development Act (1969)	An Foras Tionscal and IDA merged into one body called the IDA.

					Grant rates revised
1971		Industries Development Act			

Sources: Adapted from Harris (1991); Moore et al., (1986); Harvey and Rea, (1982); Barry and Ó’Fathartaigh (2013).

**2.1.5 Foreign Direct Investment into the United Kingdom after 1945**

The growth in Multinational Enterprises (MNE), though not confined to American companies, coincided with the emergence of the US as a dominant player in the post war economic landscape. By 1955, the level of US FDI in manufacturing industries had reached 6,322 or 32.9% of all its foreign capital holdings (Dunning, 1998: 32). The UK, after Canada was the largest recipient of US inward investment after the war (Fletcher & Godley, 2000). Between 1950 and 1959 the value of US FDI in the UK grew from \$542 to \$1.6 billion. By 1960 the stock of inward FDI amounted to approximately 6.5% of the UK’s GDP (Jones & Bostock, 1996). In 1955, there were 400 US firms in the UK. Between 1950 and 1959, 230 foreign companies were opened in the UK, 187 (81%) of which were American (Jones & Bostock, 1996). Sckenk (2005) suggests that WW2 left Britain with many obligations to the US. In return for aid through the lend-lease agreement of 1941 the US insisted that the British government commit itself to helping to achieve America’s goal of freer trade and payment once the war ended.<sup>38</sup> This, coupled with the large transfer of funds from the US’s Marshall Plan, which was launched in 1947, set the scene for a climate of reciprocity between the two nations.<sup>39</sup>

Dunning (1958/1998: 261) notes that

*In the 1950s the main determinants of US fdi in UK manufacturing industry were, first the privileged possession of US-specific intangible assets – and particularly technology, managerial expertise and marketing skills; second the (perceived) lower production and /or transfer costs of adding value to these assets in the UK rather than in the US or elsewhere; and third, the belief by US producers that, due to the (perceived) high transaction and co-ordinating costs of using the transatlantic market for the direct sale of these assets, or the right to their use to*

<sup>38</sup> The Land-Lease agreement (1941) was formally known as ‘An Act to Promote the Defence of the United States’.

<sup>39</sup> The Marshall Plan was organized by the OEEC (which would become the OCED). Wolf (2004: 130) suggests that it was the first step in a US orchestrated discriminatory liberalization of Western Europe as a response to the fear of communism.



*UK firms, they could more profitably exploit these by establishing their own production facilities in the UK (Dunning, 1998:261).*

### **2.1.6 FDI into Northern Ireland in the Post War Period**

Jones and Bostock (1996) note the lack of historical studies on the growth of inward FDI into Britain prior to the 1960s. They attribute this to the smaller overall level of inward FDI at that time and to the challenges of researching a period for which there are no official statistics.<sup>40</sup> *‘Not surprisingly, a large literature has developed on the impact of foreign multinationals on the contemporary British economy. In contrast, there remains few studies on the origins and growth of inward FDI before the 1960s’ (Jones & Bostock, 1996:89).*<sup>41</sup>

Notable research has been carried out on pre-1970’s FDI into the UK (Dunning, 1958; Fletcher & Godley, 2000; Jones, 1994; Jones & Bostock, 1996; Vernon, 1966). While these studies included aggregate data on Northern Ireland, less than ten lines were dedicated to a discussion on the region in the Jones and Bostock (1996) analysis, while Dunning’s work omits two of the US companies which had located in the region by the end of 1956.

This illustrates the fact that small peripheral regions may get overlooked when considered as part of a wider research endeavor.<sup>42</sup> The economic story in Northern Ireland has been given less attention than the political situation (Jenkins, 1989), and this is also true on the specific topic of early post FDI. There are however notable exceptions (Birnie & Hitchens, 1999; Brownlow, 2007, 2015; Harris, 1991; Moore et al., 1978; Munck, 1993; Rowthorn & Wayne, 1988; Teague, 1987).

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<sup>40</sup> The challenges relating to the lack of official statistics regarding FDI prior to the early 1960s have been previously addressed in the literature. See Brownlow (2007: 88); Bostock and Jones (1994:89) acknowledge *‘the difficulties of researching a period when no official British statistics whatsoever exist’* and in the same article state that *‘No official statistics of foreign acquisitions of British firms exist before 1969’* (1994:105); this is also noted by Dunning (1998).

Fletcher and Godley (2000:43) also note the lack of official statistics in the UK prior to 1963.

<sup>41</sup> In response, this research supports the view that *‘thick research’* provides a rich, qualitative analysis exploration which, as a natural progression, supports and validates quantitative research. This is enunciated in chapter 3 (methodology).

<sup>42</sup> Appendix one of Dunning’s (1958: 272 - 281) book *‘American investment in British Manufacturing Industry’* contains a list of US affiliates known to be manufacturing in Britain. Berkshire Knitting (Ulster) Ltd, Chemstrand and Hughes Tool Co. Ltd. are listed as operating in Northern Ireland. Behr-Manning is listed but is not identified as operating in NI. TRW Mission Manufacturing is omitted.

Northern Ireland was seldom the first locational choice for potential foreign investors and the region relied on positive discrimination from the UK Board of Trade, together with planning regulations which restricted the establishment of new manufacturing plants in more prosperous regions of Britain in order to secure investment.<sup>43</sup> In 1959, US management consultancy firm Arthur D. Little (ADL) surveyed 204 US companies<sup>44</sup> on behalf of the Northern Ireland Development Council (NIDC). Part of its remit was to explore, inter alia, their investment choices and general impressions of N.I.<sup>45</sup> The survey concluded that the factors germane to positive investment outcomes

*Included the availability and productivity of labour; the cost and availability of raw materials and manufactured components; the size of the local market, and accessibility to other markets; and government regulations in relation to taxes, tariffs, convertibility and licences for machinery and equipment.*<sup>46</sup>

The survey further noted that location was a main obstacle to investment because of the desire of US companies' to be as close as possible to the British market. This concurs with Dunning's (2009) assertion that the location preference of foreign investors is dependent on motive rather than activity. In particular, the survey supported the contemporaneous narrative which reinforced the region's isolation from the British market.

The survey highlights the challenges facing remote regions. They are forced to confront both the external negative perceptions while simultaneously dealing with realities of their peripheral locations.

Teague (1987) notes that the US companies that located in the NI were consistent with US investment into Europe at the time – large oligopolistic (Caves, 1971; Johanson & Vahlne, 1977), market seeking (Dunning, 1958, 1998) companies, intent on making use of economies of scale. The early investors were primarily large companies producing for example textiles, artificial fibres, other petroleum-based products (Farley, 1995; Bradley, 1998) and oil drilling

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<sup>43</sup> See chapter five. The initial investment choices of companies which located in the region during the 1950s such as Hughes Tools and Du Pont support this. However, Berkshire Knitting did not consider any other location for the establishment of its investment within the UK. In that instance, the role of personal contacts played a key role in identifying Northern Ireland as a potential location.

<sup>44</sup> The sample of 204 companies were companies interested in overseas expansion in general, not all of which had displayed a specific interest in investing in Northern Ireland.

<sup>45</sup> The NIDC was established in 1955 under the Chairman of Lord Chandos (thus the NIDC was also referred to as the '*Chandos Commission*' in the media), the aims of which included decreasing unemployment and promoting the region as an investment location. The NIDC is discussed at length in chapter four.

<sup>46</sup> See Public Records Office of Northern Ireland (hereafter PRONI) Cab 9/F/188/17, Arthur D. Little (ADL)Report - A Program to Attract American Industry to Northern Ireland', 15 Oct 1959.

equipment; and they were mainly involved in the manufacture of intermediate/industrial products. Stobaugh (1971) adapted Vernon's Life Cycle model to take the characteristics of the petrochemical industry into consideration, namely (a) labour costs relatively small in relation to raw materials, (b) standardised product quality at an early stage in the product life cycle and (c) high economies of scale requiring 'lumpy investments' in which capacity could only be added in large steps. This assertion was borne out by the major investment of Du Pont investment in Northern Ireland which opened its first operating unit at Maydown, Derry in 1956 and had expanded to four large-scale manufacturing plants by 1973.

Teague (1987) also posits that the nature of US investment in Northern Ireland supports the theory that multinationals tended to locate in regions with a strong indigenous base in the relevant sectors (Caves, 1971; Dunning, 1998). MNE investment into the region was concentrated in sectors which an existing high level of indigenous investment i.e. mechanical engineering (Brownlow, 2007; Teague, 1987).

The long tradition of both the textile (predominantly linen) and shipbuilding/marine engineering industries doubtlessly influenced the early US investors to the region in the synthetic textile/petrochemical, and oil-equipment industries. Northern Ireland had a comparative advantage in artificial fibres (Bradley, 2006; Thomas, 1956). The UK established itself as the Western European leading producer of petrochemicals during the 1950s, facilitated by a general tax exemption in the 1946 and 1947 Finance Acts, of petroleum feed stocks for chemical manufacture (Chapman, 1974).

Albeit from a small base, the level of US investment increased significantly during the 1960s with a proliferation of manufacturing plants in the light engineering/electronic sectors, during which time a significant motor-parts sector developed. Brownlow (2007:90) posits that the increase in inward investment after 1963 can be attributed to greater efficiency in respect of industrial policy in the region resulting from institutional and policy shifts, as noted above. Steed and Thomas (1970: 350) note that the increase in light engineering was encouraging because it represented an expansion in the range of products manufactured, and included items of high value and low bulk, requiring standard production and easy transfer requirements making them '*Well adapted to the region's peripheral location and existing range of labour skills*'.

### 2.1.6.1 Branch Plant Investment

Post-war FDI into Northern Ireland accords primarily with branch plant characteristics (Birnie & Hitchens, 1999; Harris, 1991). Birnie and Hitchens (1999) suggest that Northern Ireland was more dependent on branch plants of foreign firms than had been the case for industry in Britain. This explains the high level of ‘production platforms’ in the region i.e., basic production facilities with few of the functions, such as R&D, marketing and higher management which generate higher levels of added-value (Harris, 1991). Firm (1975: 164) describes the ‘*routine, management-type supervision of branch plants*’. The negative effects of an over-reliance on branch plants is articulated by Rowthorn and Wayne (1988)

*The subsidiaries were typically ‘branch plants; that is, they lacked the freedom to take their own major administrative decisions, and had few research, development and marketing facilities of their own. As this type of plant came to dominate the economy, the entrepreneurial, marketing and innovative skills of the local population withered. In this way the province lost its capacity to generate internally its own manufacturing growth (1988:83).*

A further criticism of the branch plant was that its existence owed more to overall corporate strategy than to local success (competitiveness and profitability), and that in times of recession, a branch plant in a peripheral region is particularly vulnerable to closure.<sup>47</sup>

Crone (2000:5), drawing on the work of Amin et al. (1994), distinguishes between the ‘*Archetypal Branch Plant*’ and the ‘*Idealised Quality Plant*’ (2000:5), suggesting that the former category is characterised by low-skilled jobs, limited linkages and vulnerability to closure.

Drawing on the Scottish post-war experience (see table 2.9), Dimitratos et al. (2009) conceptualise subsidiary characteristics as evolving from the ‘*branch plant*’, to ‘*the developmental subsidiary*’ and ‘*the entrepreneurial subsidiary*’. They acknowledge that the evolution from ‘*branch plant*’ to ‘*entrepreneurial subsidiary*’ was one that evolved during the latter part of the 20<sup>th</sup> Century as MNEs began to realise the potential benefits of tapping into

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<sup>47</sup> See Teague (1987: 160-172) for a full discuss on the ‘Virtuous’ and ‘Vicious’ cycles in relation to the effect of the wider international economy on the MNE sector in Northern Ireland.

innovations at subsidiary level. They argue that it was from this progression that the potential for increased local benefits also began to emerge.

**Table 2.9 Characteristics of the Branch Plant, the Developmental Subsidiary and the Entrepreneurial Subsidiary**

<p><b>Branch plant</b></p> <p>Low/no autonomy</p> <p>Low value-added scope: assembly</p> <p>High proportion of imported inputs (High volume activity and integration within regional/global value chains more recently)</p> <p><i>Potential economic contributions:</i></p> <p>Direct contributions: employment, exports [depending on market scope], productivity, technology transfer, upgrading of industrial structure</p> <p>Dynamic contributions: minimal, principally limited local linkages</p>
<p><b>Developmental subsidiary</b></p> <p>Significant autonomy/authority</p> <p>Subsidiary management initiative</p> <p>Internal competencies</p> <p>Wide value-added scope: range of value-adding activities (R&amp;D), procurement, manufacturing, marketing)</p> <p>Two types of developmental subsidiaries:</p> <p>Integrated value chain (associated with strong local supplier capabilities)</p> <p>Technological innovator (integrated within and contributing to technological clusters)</p> <p><i>Potential economic contributions:</i></p> <p>Direct contributions: as above</p> <p>Dynamic contributions: linkages and spill-overs; subsidiary innovation and upgrading; managerial commitment and entrepreneurialism</p>
<p><b>Entrepreneurial subsidiary</b></p> <p>Strong entrepreneurial culture and orientation</p> <p>Dispersed corporate entrepreneurship</p> <p>Manifestations of both strategic and operational entrepreneurship</p> <p>Subsidiary global vision and leadership</p> <p>Increased subsidiary capabilities</p> <p>Entrepreneurial intra-MNE network activities</p> <p>Responsiveness to local environmental conditions e.g., innovation local clusters, local embeddedness</p> <p>Subsidiary autonomy</p> <p><i>Potential economic contributions:</i></p> <p>Direct contributions: as above</p>

Dynamic contributions: as above; enhanced subsidiary capabilities; entrepreneurial culture and opportunity identification; internal and external network performance
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Source: Dimitratos et al. (2009:412).

## **2.1.7 The Historic and Economic Context in the Republic of Ireland**

### **2.1.7.1 The Irish Economy Prior to 1945**

The Republic of Ireland's economic trajectory during the 20<sup>th</sup> Century followed a developmental path similar to that played out across new independent nations in the 20<sup>th</sup> Century. It embraced protectionism and some form of ISI in the early post-independence years and implemented an outward-oriented approach towards the latter part of the century. In contrast to Northern Ireland, it was a late industrialising economy (Barry, Görg & McDowell, 2003). At the time of its independence in 1922, the South of Ireland was mainly an agricultural society. The first government implemented a laissez-faire economic strategy, and the first ten years was primarily about nation building and consolidation. Daly (1992:176) notes

*The British legacy of a weak state (Skocpol 1985, 3-28; Cronin 1988, 199-231) without a significant tradition of government economic intervention was of crucial importance. The Irish public service inherited the British practice of stringent Treasury spending control coupled with a profound distaste for government involvement in the economy.'*

The new independent state operated within the global post World War One economy and the start of the 1930s saw an international move towards protectionism. Daly (1992:54) notes that towards the end of the 1920s '*Attitudes toward foreign investment among officials and ministers also appear to have become more hostile*'. She further notes that '*The drift to greater protection in the years 1929-1932 was in response to changing external circumstances and growing internal pressures from an aggressive opposition and increasingly vociferous interest groups*' (1992: 55). The election of Fianna Fail in 1932 signified a time of protectionism, the on-set of the land war with the UK and increasing tariff barriers (Daly, 1992; Lee, 1989; Horgan, 1999; Fitzgerald, 1992). Garvin (2004:55) states that '*State enterprise looked patriotic, private enterprise looked selfish and greedy; an ideological mind-set that justified the crowding out of potential entrepreneurs existed in the minds of many power-holders in Fianna Fail in particular*'. He suggests that '*The Catholic Church's dislike of commerce and 'unbridled*'

*capitalism echoed a general popular prejudice, encouraged in particular by people who pursued public-enterprise careers, against free trade and tacitly, in favour of public enterprise’.*

### **2.1.7.2 Economic Developments after 1945**

*‘In this epoch – by the late 1950s and early 1960s at any rate – the dominance of grassland production, foreign capital and economic liberalisation is openly recognised and avowed’* (Bew & Patterson, 1982:193).

However, during the two decades after the Second World War the Republic of Ireland began to discard its protectionist policies in favour of open trade policies and embarked upon Foreign Direct Investment led industrial policies to encourage inward investment as a means of alleviating high unemployment and countering economic decline. As such, it was one of the first countries to implement a suite of policies which came to be identified as EPFDI - elements of this strategy had been implemented in Puerto Rico since before the WW2.<sup>48</sup> Ó Gráda (1997:114) notes that *‘At the outset, few foresaw the rapid growth of the foreign sector but FDI soon became the ‘cornerstone’ of government policy’.*

Prior research has been carried out on the political consequences and decisions involving the implementation of Export Tax Relief in Ireland (Barry et al., 2012), the Americanisation of Ireland in the post second world war period (Murray, 2008), and an examination of the IDA through the lens of Path Dependency (O’Donnell, 2010).

White (2000:21) suggests that Ireland *‘Had little choice but to accept free trade and seek foreign investment to try and create an industrial base that would employ surplus labour’.* Fitzgerald (1972: 79) believes that the initiatives to support State enterprise was not motivated by an ideological rejection of private enterprise, but rather by a need to develop the country.

The Ireland of the 1950s had experienced 20 years of inward-looking policies. It was over-dependant on its agricultural sector (agricultural products made up the bulk of exports prior to the 1960s); and had an under-developed industrial base (Daly, 1992; Meenan, 1970).

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<sup>48</sup> See Barry and O’Mahony (2017) for a discussion on the IBEC (Stacy May) Report, 1952.

The decade was one of economic stagnation, unemployment and rising emigration. This was in marked contrast to the ‘*Golden Age*’ of the post war era as experienced in Europe.<sup>49</sup> Bew and Patterson (1982: 195) note that during the 1950s, Ireland’s position in the international economy was as a ‘*Small, weak and dependent capitalist economy*’.

A number of initiatives resulted in this processual move towards open trade policies during the 1950s and 1960s. These included the establishment of the Industrial Development Authority (IDA) in 1949; An Coras Tráctala in 1952, and An Foras Tionscal (1952) which was set up to encourage industrial development in the less developed regions of the country (Barry & O’Fathartaigh, 2012). An Foras Tionscal had initial responsibility for a range of measures and incentives for industry such as grants towards fixed costs and assets, subsidies towards the building of plant and factories, (depending on location), refunds of up to 50% on the costs of capital equipment, and grants towards training and employment. These incentives were available to both indigenous and foreign enterprises and were widely promoted to potential foreign investors to encourage the establishment of new factories (Der Spiegel, 1960).<sup>50</sup>

Tax relief for export expansion was introduced in 1956 (Barry, 2011; White, 2000). This Export Profit Tax Relief (EPTR) allowed a 50% tax exemption on export sales profits, but this was extended in 1957 and 1958 giving a 15-year 100% exemption from tax on export profits (White, 2000) and it was considered instrumental in the country’s efforts to encourage inward foreign investment.

The effect of these policies was a significant increase in foreign investment, initially from continental Europe and later from the US, which began to rise towards the latter end of the 1950s and saw significant increases after Ireland joined the EEC (Barry & O’Mahony, 2017).

There is some debate in the literature however, regarding the instigators and the timing of this move toward open policies. Many commentators suggest that the publication of Economic Development was a ‘*watershed*’ (Lyons, 1973: 628) in the move towards open-policies and inward investment.<sup>51</sup> White (2000: 23) suggests that ‘*The symbolism of the Programme, and the move towards economic planning that it signalled, mattered nearly as much as its content*’.

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<sup>49</sup> See section 2.1.2 above.

<sup>50</sup> Die Grüne Welle. Auslands-Niederlassungen. Der Spiegel 11/1960. [www.spiegel.de/spiegel/print/d-43065380.html](http://www.spiegel.de/spiegel/print/d-43065380.html).

<sup>51</sup> Lemass, authorised the publication of a 250-page study, entitled Economic Development on 21 November 1958, under Dr T.K. Whitaker’s own name.



Many of the policies which facilitated the move towards new inward investment were implemented by the First and Second Inter-Party governments, for instance the establishment of the IDA and the implementation of EPTR (Barry & O'Mahony, 2017). They suggest therefore that the move towards Export Orientated Investment (EOI) was well underway prior to 1958.

Seán Lemass (and the Secretary of the Department of Finance, T.K. Whitaker) has been lauded as the architect of this new move towards openness, which was further accelerated when he replaced De Valera as Taoiseach in 1959.<sup>52</sup> However, Bew and Patterson (1983) avow the often-contradictory nature of Lemass' policy stance, stating that while playing a decisive role in modernising the country, his attitude towards a more open economy vacillated depending on whether Fianna Fail was in government or not. Lemass, who had been the instigator of protectionism, began to show clear signs of a turnaround by the 1950s.

Notwithstanding the move towards more openness, high tariffs remained in place until the 1960's, and the Control of Manufactures Acts 1932 and 1934 were not repealed until 1964.<sup>53</sup> This signified the end of statutory restrictions on foreign ownership which may have discouraged FDI up to that point

*It was not easy, however, to explain to inquiring foreigners why their first move in Ireland must be to engage legal advisers skilled in the arts of evading the law. The more reputable the foreign firm was, the more reluctant it was to begin its career in such a manner' (Meenan, 1970: 152).*

Furthermore, the establishment of the Shannon Free Trade (SADFCO) in 1956, modelled on the Colon in Panama, has been identified as one of the first Export Processing Zones (Barry & O'Mahony, 2017).

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<sup>52</sup> For further information on Seán Lemass see Bew and Patterson (1982). *Seán Lemass and the making of Modern Ireland 1945-66*, Gill and MacMillan; Horgan (1999). *Seán Lemass The enigmatic patriot*, Gill and Macmillan.

<sup>53</sup> Control of Manufactures Act 1964.

**Table 2.10 Estimated Foreign Private Investment in Manufacturing 1955 - 1970  
(Grant-Aided Projects Only)**

<b>Year</b>	<b>1 Total investment in foreign enterprises 000s</b>	<b>2 Fixed capital formation in foreign enterprises 000s</b>	<b>3 Gross fixed capital in Ireland 000s</b>	<b>4 Foreign firms' contribution to GFCF (2 as a per cent of 3)</b>
1955	171	128	92,400	-
1956	82	62	91,800	-
1957	1,800	1,350	80,100	2
1958	1,677	1,258	80,300	2
1959	2,662	1,997	82,900	2
1960	5,072	3,804	89,700	4
1961	3,694	2,771	108,800	3
1962	3,636	2,727	129,000	2
1963	5,337	4,003	147,700	3
1964	2,985	2,239	173,300	1
1965	10,135	7,601	197,900	4
1966	7,806	5,855	197,100	3
1967	9,869	7,402	217,600	3
1968	23,884	17,918	251,000	7
1969	29,066	21,800	329,000	7
1970	36,424	27,318	353,000	8
Total 1966-70	137,908			
Total	144,300	107,333		

Source: P.J Buckley (1974: 303): Foreign Private Investment in the Republic of Ireland.

Ó Gráda (1997) notes that by 1973, foreign firms provided almost one-third of all employment in manufacturing (68,500 out of 219,000 persons) in the Republic of Ireland.

### **2.1.7.3 Regional Policy in Ireland**

A focused approach to regional development was more apparent in relation to Northern Ireland and the United Kingdom. The first official regional policy legislation in the South was the 1952 Underdeveloped Areas Act. Several further legislative acts were subsequently enacted and the 1953 Act effectively widened the reach of incentives to include the entire country – effectively legitimising the concept of the whole State as one in need of regional assistance. Prior to this however, the Control of Manufactures Acts (CMA) 1932 and 1934 had included a provision for the license of so-called ‘reserved commodities’, which required the licensee to get permission for the location of a potential enterprise.

The ‘*Intense localism of Irish politics*’ (Breathnach, 2010:53) meant that in the South local politics played a key role in the location decision for new firms, and ‘*Policy created a role for the politician as broker*’ (Ó Gráda, 1997: 112). In each region the focus was on granting assistance to enterprises which would create new employment or expand existing employment opportunities.

The South was taking note of regional policies in the North

*The Powers of the Six Counties Minister of Commerce under the Industries Development Acts, etc., may be compared with somewhat similar powers vested in our Foras Tionscail in respect of undeveloped areas – though the capital limits in our case is fixed at two millions.*<sup>54</sup>

### **2.1.8 Comparisons between the North and the South**

The economies North and South have been compared, inter alia through theoretical lens’ such as dependency theory (Munck, 1993), institutional theory (Hichens et al., 1993), comparative analysis (O’Rourke, 2017) and within a regional context (Breathnach, 2007; Borooah, 1993).

In comparing the policies of both regions, Bradley and Wright (1993:231) suggest that

*The situation in a small open regional economy is very different from the large economy case. A region is so dependent on its export markets that the operation of the supply-side of the economy is of primary concern, rather than the demand side. Here the difference between Northern Ireland as a region of the UK and the Republic of Ireland as a sovereign state becomes crucial. It is obvious that the Southern balance of trade and the current and capital accounts of the balance of payments place constraints on the operation of policy.*

Moore et al. (1978:99) state that both economies are ‘*equally near to their traditionally dominant economic neighbour – the United Kingdom – and both economies had experienced persistently higher levels of unemployment than its neighbour*’. Bradley (1999:46) however, notes that ‘*Although North and South share many economic characteristics and problems, the published literature contains few attempts to place analysis within a common regional economic framework*’.

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<sup>54</sup> NAI TAOIS/S14186, Department of the Taoiseach December 1955. This refers to the planning certificates issues in the UK under the Industrial Development Boards.

Inter-dependency on the UK, had long been acknowledged as simultaneously conferring both advantages and limitations on the North. As outlined in the Hall Report (1962):

*If Northern Ireland were a separate country, she would not enjoy the benefits which she derives from her position as part of the United Kingdom but would be free (and indeed compelled) to develop independent policies to protect her balance of payments and foster economic growth.*<sup>55</sup>

Hichens et al. (1993:25) posit that both economies suffered from ‘*British Disease*’ in the sense that there was a ‘*Longstanding shortfall*’ in performance relative to Britain, which they relate back to ‘*Those institutional features which have handicapped performance even by the relatively poor standards set by Britain. They identify three institutions, namely a deficit in the technical and vocation education system, an over-reliance on subsidy support which led to ‘Leakage in the wage levels higher than was warranted by relative productivity, support to the profitability of otherwise marginal firms, wasteful investment, an intensified X-inefficiency e.g. managerial slack, overstaffing, un co-operative work attitudes*’); and an industrial policy ‘*Biased towards inward investment and grant assistance to physical capital*’.

**Table 2.11 Unemployment Rates in the Republic of Ireland and Northern Ireland 1951 - 1975**

Period	Republic*	Northern Ireland	UK
1951-60	8.1	7.6	1.7
1961-65	5.8	7.1	1.9
1966-71	6.7	7.2	2.6
1972	8.1	8.0	3.8
1973	7.2	6.1	2.7
1974	7.9	5.7	2.6
1975	12.2	7.9	4.1

\*Non-agricultural unemployment rate. Sources: Northern Ireland Digest of Statistics and TEU, 1950-75 cited in Moore et al. (1978:110).

The unemployment rates remained persistently high in both regions compared to the UK, as outlined in table 2.11. Comparative unemployment rates must be considered in the context of

<sup>55</sup> PRONI Cab /9/A/133, The Joint Working Party Committee on The Economy of Northern Ireland - The Hall Report (1962).

firstly, very high levels of emigration, particularly in the South, and secondly, greater public service employment in the North.

The institutional and economic constraints of the two Irelands differed to a significant degree and played a key role in the evolving economic fortunes of the two economies.

The level of fiscal autonomy differed in each region. NI faced much softer budget constraints, due to the support received from the central UK coffers. The Government of Ireland (GOI) Act 1920 had enacted legislation which meant that the NI Government were constrained in terms of fiscal management – both in terms of raising taxes and increasing spending. The concept that the UK Government should cover any deficit in the North's budget to ensure parity of services with the rest of the United Kingdom was copper fastened in the Simon Declaration of 1938, and led to '*soft budget constraints*'. The concept of '*soft budget constraints*' was coined by Kornai in 1979 to describe a funding source i.e. a government which finds it impossible to keep to a fixed budget i.e. whenever the enterprise can extract ex post a bigger subsidy than would have been considered efficient ex ante (Maskin, 1996:125)

NI became more heavily subsidized to an extent far beyond anything that existed in 1920. This was in direct contrast to the Irish Free State which did not have the benefit of subsidies (Fitzgerald, 1972:54), and which thus faced a much harder budget constraint and was not able to rely on external support in order to balance its finances and prevent capital flight and even higher levels of emigration.

The persistent high level of emigration experienced in the South represented a fundamental difference between the North and the South. Meehan (1970) notes that both cyclical and structural emigration were at play in the South. He defines cyclical emigration as covering periods of emigration which are as a result of poor economic prospects at home. Structural emigration however '*are those cases which operate in good and adverse times because they are, as it were, built into the economic and social structure of the country.*' 'Emigration was not unique to Ireland. But the type of emigration, the scale of emigration, and the impact of emigration were' (Lee, 1985:374). '*Four out of every five children born in Ireland between 1931 and 1941 emigrated in the 1950s*' (Lee, 1985: 379). Lee also notes the somewhat laissez-faire attitude taken by the Irish Bank Review when that publication noted that emigration was a 'useful safety valve' in 1958. Lee (1985:378) notes that '*The Review accepted that economic*

*factors were fundamental. Emigration began when 'the supply of labour' exceeded the capacity to 'absorb [it]...locally'.*

This '*safety value*' did not exist to the same extent in NI as the GOI 1920 encouraged welfare spending to remain at parity. In addition, the Safeguarding of Employment (NI) Act 1947 prevented destabilising immigration from both Britain and Ireland. This act made provision for restricting the employment in NI of other persons from outside the region. Emigration was still a factor in NI. During the 1950s, a third of all school leavers were forced to emigrate in search of work (Rowthorn & Wayne, 1988:73)

Both regions, in their attempts to attract investment, were faced with different sets of advantages and challenges. '*After partition in 1920, the island of Ireland was a striking example of highly uneven industrial development*' (Bradley, 1994:2). In addition to the economic divergence between both regions, the fundamental difference was in terms of their compositions, and their legal statuses influenced the policy instruments available to them. The 1920 Ireland Act had set out the North's legal framework, its obligations and competencies, and as such, limited the policy instruments available in areas such as fiscal policy.<sup>56</sup> This lack of autonomy in relation to fiscal matters was a recurring challenge to policy-making, particularly in relation to the flexibility that could be afforded to inward investment policies, a fact that was highlighted in a number of commissioned reports such as the Cuthbert and Isles Report (1957),<sup>57</sup> The Hall Report<sup>58</sup> and The Wilson Report<sup>59</sup> inter alia. As Munck (1993:49) points out

*...In 1920 the North's industrialists hitched their fates, as subordinate partners to the British economy. Not quite a full economic region of the United Kingdom, isolated from the rest of Ireland, and unable to act as a national economy, Northern Ireland's economic prospects were always dependant on others.*

G.C. Duggan, writing in 1950 suggests that '*If Northern Ireland were to hand back to Great Britain, the entire power of taxation, it would be no more at the mercy of British political parties*

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<sup>56</sup> The Parliament (Stormont) had the power to make laws, subject to certain limitations, about matters relating exclusively to NI. Matters excluded from the NI legislative powers included The Crown, international trade, foreign and Commonwealth relations, income tax, and tax on profits.

<sup>57</sup> *An Economic Survey of Northern Ireland* (Isles and Cuthbert report) (HMSO Belfast, 1957).

<sup>58</sup> *The Joint Working Party Committee on The Economy of Northern Ireland - The Hall Report* (1962).

<sup>59</sup> *Report on Economic Development in Northern Ireland. The Wilson Report*, Published December 1964. Cmd. 479.

*than it is today*'.<sup>60</sup> In comparison, after 1922 the Free State was in a position to make independent economic decisions and was free to pursue more aggressive incentives, particularly in relation to taxation policy. While this independence conferred significant advantages on the South, the region's financial independence meant that, unlike Northern Ireland it had no recourse to financial assistance and support. In particular, the North benefitted from the UK welfare system, and the UK's system of regional incentives.<sup>61</sup> Northern Ireland was in receipt of an annual payment from Britain, known as a subvention, and since 1937 the region had been a financial burden on the British Government (Rowthorn, 1987). External financial supports of this nature were not available in the South. The financial contribution from the North to the UK more than halved between 1955 and 1963.<sup>62</sup> The total Imperial Contribution (i.e. NI contribution to UK exchequer) between 1955 and 1960 was £55.55 million. If the contribution had been apportioned on the basis of population, it would have amounted to £280 million.<sup>63</sup>

Boroah (1993) contrasted the two regions according to Rodrik's (1992) typology of 'autonomous' and 'subordinate' states. In an autonomous state, the government has the ultimate control and thus private interests are obliged to comply with government objectives. In the subordinate state, the government does not have the final say, and there is more room for negotiation by private interest, affording less opportunity for governmental mitigation against market failures.<sup>64</sup>

The North was unable to impose tariffs or quotas, or to conclude trade agreements with other Countries: '*Without resource to any of these measures, Northern Ireland was totally subject to the vagaries of the much larger British economy*' (Kennedy et al., 1988 in Munck, 1993:50).

The North was also in a position to benefit from the significant inflow of US investment into the UK. Archival evidence shows that, in many instances, foreign firms were actively

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<sup>60</sup> *The Irish Times*, A United Ireland. Trade and Commerce Success or Failure. 12 The Federal Principle, 2 May 1950. G.C. Duggan formerly Comptroller and Auditor-General for Northern Ireland. Northern Ireland.

<sup>61</sup> The very generous grants often distributed by the Northern authorities under its regional policy initiatives came to the attention of their counterparts in the UK Board of Trade, which noted, that ultimately, profligate incentive schemes ended up being paid for by the UK taxpayer.

<sup>62</sup> The Imperial Contribution was Northern Ireland's contribution towards the cost of certain services which were for the general benefit of the UK. These services included: National Debt Charges; Naval, military and air force expenditure; United Kingdom Parliament; Royal Mint.

<sup>63</sup> PRONI Cab /9/F/188/33, Letter from the UK Treasury, Whitehall to NI Ministry of Commerce. 27 September 1962.

<sup>64</sup> For a full analysis of institutional failure leading to rent-seeking in Northern Ireland, see Brownlow (2007); In a 1970 Ministry of Commerce memo summarising a meeting between IDA Chairman, Michael Killeen, and the Northern Ireland Ministry of Commerce noted: '*Mr. Killeen is greatly concerned with organising new projects according to their merit and keeping political and other influences to a minimum*'. PRONI Com, /63/1/614.

encouraged to invest in Northern Ireland.<sup>65</sup> Inward investment in the North took the form both of British investment, and increasingly US firms, which were locating in large numbers in the UK after the War.<sup>66</sup> The growth of FDI in the North was thus not a distinct policy prior to 1955, but rather a consequence of regional policies from the ‘core’ (i.e. central government), and of greater US investment into the UK overall. It was only with the establishment of the Northern Ireland Development Council (NIDC) in 1955 that Northern policy makers actively sought FDI, particularly from the US. Northern Ireland always operated within a free market environment, with potential markets including all Commonwealth<sup>67</sup> countries, and other EFTA members after 1960. Britain also offered a ready market for industrial and agricultural output. The North had significant flexibility in terms of its interpretation of UK regional policy. In the South, the move towards export-led FDI required the body politic to actively dismantle the protectionist regime which had been in place since the early 1930s (Barry & Mahony, 2017), and a number of initiatives resulted in a processual move towards open trade policies during the 1950s and 1960s.

The North felt that its geographical location isolated it from the rest of Great Britain. This informed both the narrative of official reports, government attitudes and regional policy initiatives that actively sought to provide a fairer playing field by for example, the introduction of fuel subsidies to mitigate against the locational disadvantage. In addition, the region had to compete with other regions in the UK for financial resources and inward investment. However, Bradley and Wright (1983:213) posit that each region, North and South perceived its location differently:

*.....One cannot avoid the thought that whereas the South sees its peripherally in the context of the island of Ireland, and hence encompasses – in an entirely benign way – the similar plight of Northern Ireland, the Northern peripherally talked of above is of a more exclusive kind and places little value on the potentials of the larger Southern Market.*

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<sup>65</sup> TNA, T/234/616. Secret directive to the British Information Services about Publicity regarding development areas and American Industrial Development from the Board of Trade. 11 September 1956. See also Bostock and Jones (1994).

<sup>66</sup> By 1955, the value of the US foreign direct investment stake in manufacturing industry was 6,322 or 32.9% of all that country’s foreign capital holdings. After Canada, the UK had the second largest share of US manufacturing investment, totalling 941 million. This represented 57.7% of total US manufacturing investments in Europe (Dunning, 1958:32).

<sup>67</sup> On 18 April 1949, Ireland formally became a Republic in accordance with the Irish Republic of Ireland Act 1948; in doing so, it also formally left the Commonwealth.



Instruments of regional policy played a key role in attracting inward investment in both areas. Clout (1980) states that regional policy initiatives '*Became a general feature of the interventionist welfare states which emerged throughout the Western world in the decades after the Second World War*', while Brown and Burrows (1977, as cited in Breathnach, 2007), divided so-called problem regions into two categories:

1. '*Once-prosperous industrial regions whose economic bases had experienced severe contraction, due to factors such as the exhaustion of the local natural resource base, technological change and the emergence of more effective competitor regions elsewhere*'
2. '*Peripheral rural regions which had never experienced industrialisation.*'

The first category befits the North insofar as the policy of attracting inward investment initially grew from UK regional policy which, subject to planning criteria, required companies to locate in less developed areas of the UK as a means of alleviating rising unemployment in the wake of declining manufacturing industries.

#### **2.1.8.1 FDI North and South – Comparative Economic Success**

Although both regions, North and South, experienced a brief up-turn in the immediate aftermath of the war, they experienced a significant downward in the 1950s. '*Serious concern among policymakers about the efficiency of Irish industry was clearly evident*' (Murray, 2008:3). The lack of growth in the Southern economy continued into the 1950s (Garvin, 2004), by which time the North was also experiencing a decline in economic fortunes, leading to increasing unemployment and slow growth. In the case of Northern Ireland, the problem was one of declining industries. Inward investment was seen as a way of mitigating against the declining traditional industries of textiles and ship-building. In the South, problems included an over-reliance on agriculture, and a weak and inefficient manufacturing and industrial base. The move towards FDI led policies signified a move away from a predominantly agrarian economy towards an increasingly industrial one (Breathnach, 2007).

In the South, the Control of Manufactures Acts (1932 and 1934) limited the control of companies from foreign ownership and were not repealed until 1964. This signified the end of statutory restrictions on foreign ownership which may have discouraged some firms interested

in FDI up to that point. The existence of these statutes did not prevent the IDA actively seeking foreign investment in the 1950's as noted by Meenan (1970) above.

The collective effect of these policies in the South was a significant increase in foreign investment, initially from continental Europe and later from the US, which began to rise towards the latter end of the 1950s and increased significantly after Ireland joined the EC (Barry & O'Mahony, 2017). The UK had no legislative block to inward investment, this, coupled with the rapid growth in US MNE's into the UK after the war, provided significant opportunities for the establishment of subsidiaries in Northern Ireland.

As Fitzgerald (1972:119), writing in 1972 pointed out '*...the kind of economic development required to provide alternative employment is similar in both cases.... This would involve more foreign investment and require the Irish to discard their 'traditional xenophobia' in light of the economic situation*'.

## **2.2 Theories of Investment**

### **2.2.1 The Determinants of FDI and Rationale for US Overseas Investment in the Post War Era**

Primarily, theories around direct foreign investment focus on issues such as why a firm would decide to use FDI as an entry mode, rather than use a mode such as exporting or licensing, for example. This is known as internalisation theory or market imperfections (Dunning, 2003; Hymer, 1976; Rugman, 1981; Teece, 1983; Verbeke, 2003;). Further theories suggest that patterns of FDI tend to occur in oligopolistic industries and that similar industries display similar trends in strategic behaviour (Knickerbocker 1973, Ito & Rose, 2008; Havenman & Nonnemaker, 2000). The rationale for locational choices among multinationals after the war has been extensively researched (Vernon, 1966, 1974; Ohmae, 1995; Johanson & Vahlne, 1977; Buckley & Casson, 1985; Rugman, 1985; Caves, 1971). Dunning's (1988) OLI model asserts that ownership, locational and internalization advantages determine whether a company chooses FDI over alternative foreign entry modes. Vernon's (1966) Life Cycle theory envisioned post-war US trade and subsequent overseas investment as a multi-step, processual endeavour: as US products became standardised, companies sought to exploit cheaper resource

costs overseas, initially in developed nations (such as the UK) and latterly in developing countries eventually leading to these products being imported back to the US from abroad.

## **2.2.2 Host Country Attributes**

### **2.2.2.1 FDI, Economic Growth and Host-County Conditions**

In the post war period, FDI was traditionally seen as an additional source of capital, vital for the development of countries with insufficient economic capacity and infrastructure, and where domestic saving rates are low. Many Latin American countries viewed FDI as an important source of external finance, particularly after the debt crises of the 1980s when many Latin American countries were starved of private capital. Renewed confidence in the positive benefits of FDI has led many countries that were restricting FDI in the 1960s, 1970s and 1980s to be more open towards FDI in the 1990s (Safarian, 1999) and beyond. However, many countries have liberalised their investment regime, albeit at different points in time. Ireland began liberalising its economy towards the latter half of the 1950s (although the Control of Manufacturing Acts remained on the statute books until 1964), South-East Asian economies (in 1960s: Hong Kong [China], Singapore, Malaysia) followed while other Asian countries (Republic of Korea, China and India) and Latin America countries began to liberalise in the 1980s and 1990s. Many African countries followed only in 1990s.

Empirical evidence shows that overwhelmingly FDI tends to flow between developed countries. However, from the perspective of economic growth, developing countries have increasingly come to see FDI as a potential source of economic growth. New growth theories (for example Solow's Growth Model) focus on dynamic factors such as human capital accumulation, technological advance through R&D activities, which can influence growth. According to the OECD, '*Given the appropriate host-country policies and a basic level of development, a preponderance of studies shows that FDI triggers technology spill-overs, assists human capital formation, contributes to international trade integration...and contributes to higher economic growth*'. (OECD, 2013: 4).

The benefits of FDI to a host country are contested and there are studies where the impact is negative and cases where the impact is positive (Moran, 2003). Narula and Lall (2004) argue that FDI alone does not provide growth opportunities unless a domestic industrial capabilities base exists which has the technological capacity to profit from the externalities from MNE activity. A key factor in the success of FDI is a host country's '*Absorptive capacity*' – a

capability of the host economy to benefit from spill overs, determined by the quality of institutions, particularly the rule of law and property rights protection (Narula & Portelli, 2005).

Characteristics of the host country shaped by national policies, for example, labour and wage standards, and the distribution of existing technology across countries, will affect how much countries benefit (or loss) from foreign investment opportunities (Lall & Streeten 1977; Kofele-Kale, 1992; Blomstrom, Lipsey et al., 1996; Lankes & Venables 1996). Other studies have found a positive correlation between growth gains from inward FDI and higher levels of human capital (Borensztein et al., 1998; Xu, 2000). The contribution of FDI to growth is strongly dependent on the conditions in recipient countries, e.g., trade policy stance (Balasubramanyam et al., 1996).

Theories regarding the investment decisions of MNEs are a key in terms of the development of overseas plants, their effects on the home company. They are also influenced by host country attributes.

Ferdows (1997:76) suggests that foreign subsidiaries fall into six categories (1) An *offshore* factory is established to gain access to low-cost factors of production (i.e. wages). There is little investment in innovation, R&D etc.; (2) A *source* factory, while following the same basic blueprint as that of an offshore company, has the resources and the expertise to develop and produce a part or a product for the company's global markets; (3) A *server* factory is a production site that serves a specific market; (4) A *contributor* factory assumes responsibility for key functions such as product development, process improvements; (5) An *outpost* factory is established to gain access to skills required by the enterprise; and (6) A *lead* factory is one with the capabilities to carry out and innovate key functions within the overall organisation such as R&D, new process development etc. External factors in the host region can prompt a subsidiary from moving from an *offshore* factory to a *source* factory, and so on. Therefore host country attributes can play a key role in the strategic development of the MNE subsidiary, which, in turn, can have a positive effect on the host country. Delany (1998) examined the process of subsidiary development in Ireland, Scotland and Canada and proposed an eight stage process to explain strategic evolution in subsidiaries - **Stage 1:** Establishing Start-up; **Stage 2:** Carrying Out the Basic Mandate Satisfactorily; **Stage 3:** Performing Basic Mandate in a 'Superior Way; **Stages 4-5:** Moving Beyond the Basic Mandate; **Stages 6-8:** Growing Strategic Significance of Subsidiary within the Parent.

#### **2.2.2.2 Macroeconomic policies**

General policy factors such as political stability and privatisation, and the governmental philosophy play a key role in determining FDI success outcomes. The theory suggests that long term investment benefits from stability as it reduces the risks for the long-term investor. Politically unstable countries tend to receive relatively small amounts of FDI. Countries rich in natural resources which have managed to attract considerable amounts of FDI despite often unstable environments are an exception to this. FDI can also be considered in relation to the political ideology of the home and host country. On the one hand, the more marxist political and economic theories argue that the MNE is an exemplar of economic domination (Hood & Young, 1979), while the free market approach, based around the theories of Smith and Ricardo see free markets as the path to economic development. Other countries practice a concept of pragmatic nationalism (Hill, 2013), whereby the country accepts that FDI can lead to host country benefits (Branstetter & Freenstra, 2002). Instability may arise from an overdependence on the foreign sector (Walsh, 1996; Ruane & Goerg, 1997). Foreign investors tend to import more, potentially putting pressure on a country's exchange reserves during their commercial activities, and also as a result of profit repatriation.

#### **2.2.2.3 Potential Benefits of Inward FDI**

UNCTAD (1999) proposed that FDI affects development via employment and incomes; capital formation; market access; structure of markets; technology and skills; fiscal revenues, and political cultural and social issues. Many countries encourage FDI because they believe that it will lead to an increase in technology transfer (Blomstrom, Lipsey et al., 1996; Caves 1974; Cooper 2001; Findlay 1978; Hanson 2001; Klein, Aaron et al., 2001; Kofele-Kale, 1992; Koizumi & Kopecky 1980; Lankes & Venables 1996; Mansfield & Romeo 1980). Some countries place a greater emphasis on joint ventures to ensure that some form of technology transfer will accrue to the host company. Mirza and Giroud (2004) argue that FDI aids development, but mostly through growth related effects, rather than spill overs (at least in ASEAN). Positive benefits relate to learning effects in local firms with much lower productivity levels than their foreign counterparts in the same sector.

Research carried out on wages and foreign ownership in Mexico, Venezuela and the US showed that in all cases, wages were higher in foreign firms. However, there were no identifiable spill

overs in Mexico and Venezuela, the US did display some spill over effects, and smaller wage differentials (Aikten et al., 1996).

#### **2.2.2.4 Potential Negative Impacts of Inward FDI**

FDI might lead to increased income inequality if higher wages hire the best workers and leave lower-quality workers in the domestic employment space (Lipsev & Sjöholm, 2004). Other negative consequences include crowding out, whereby the foreign sector gets better access to financial resources, profit repatriation, and perceived diminished sovereignty.

There is the fear that FDI will effectively lead to parallel economics – a capital intensive foreign sector and a labour-intensive local market. This might be particularly prevalent in countries where low levels of human capital and/or poor infrastructure inhibit the host country from benefiting from positive externalities, and where the spill-over effect is low.

#### **2.2.2.5 FDI as a Neo-Colonial Endeavour**

Many left-wing scholars view FDI as an example of neo-colonialism (Crotty, 1986; Jacobsen, 1994; Neveling, 2017; O’Hearn, 2001), while others suggest that the globalisation leads to a weakening of the nation state (Philips, 1998). In such cases the relationship between economic development and critical theory is explicated and the ensuing narrative likens a newly independent nation state (and its political actors) to an inert vessel, void of agency, and operating within wider hegemonic global structures. The relationship between home and host country is thus imagined as one of passive collusion on the part of the host country, and subtle coercion on the part of the home country.

Both Jacobsen (1994) and O’Hearn’s (2001) views are rooted in dependency theory (Prebisch-Singer Hypothesis, 1950). O’Hearn (2001) posits that the growth of the multinational sector has led to the hollowing out of the domestic sector, jobs losses and a widening of social inequalities. Moreover he sees Ireland’s adoption of pro FDI policies as a passive response to US capitalist ideologies in the post war era. In this view, the role of the state as agent is undermined. Further proponents of this approach use critical theory founded within a general rejection of the liberalisation narrative that sees FDI as one element of a larger suite of factors generally connected to the US hegemonic forces that prevailed in the post war Europe.

#### **2.2.2.6 The Increase of Independent Nations after the Second World War and Import Substitution Industrialisation (ISI)**

ISI strategies draw on the Infant Industry Argument (Hamilton, 1791). These are aimed at supporting indigenous industry and limiting foreign competition through instruments such as the imposition of tariffs and/or limiting foreign ownership rights (Waterbury, 1999). ISI was a particularly prevalent economic strategy employed by newly independent nations after the Second World War. Rather than embrace freer trade, many newly independent states sought to politically distance themselves from their former colonisers. Thus in the early post-war years, there was a tendency among the newly independent nations to embrace closed policies. The Republic of Ireland followed this path from the 1930s until the late 1950s, after which Export Platform FDI policies were implemented.

Later in the century, this logic began to lose ground, and freer trade became the more widely adopted form of economic policies among less developed countries. Towards the second half of the 20<sup>th</sup> Century, the potential beneficial effects of open trade policies in general, garnered much support among supranational organisations and national economic policy makers.

#### **2.2.2.7 Export Platform Foreign Direct Investment (EPFDI) or Export-Oriented Investment (EOI)**

EPFDI has been defined as '*Investment and production in a host country where the output is largely sold in third markets*', or a situation whereby '*Foreign affiliates of transnational corporations (TNCs) export most of their output so that the local market in the host country is of no significance to the TNCs location decision*' (Ruane & Ugar, 2006). These definitions suggest that, from an external perspective EPFDI is dually dependent on:

- the international mobility of the factors of production which facilitate FDI;
- the openness of the external international economy which expedite open trade policies and exporting.

From the perspective of a country embarking on this strategy, there is a requirement to implement policies that mutually support both:

- Inward FDI
- Export oriented trade

EPFDI policies became a feature of the globalisation wave in the aftermath of World War Two, in Ireland in the 1950s, and later in the century in developing countries. Krugman's description of the post-war economic space resonates with Ruane and Ugar's (2006) suggestion that the

increasing importance of EPFDI is reflective of the international fragmentation of production associated with globalisation/new technologies. They suggest that EPFDI policies tend to be found in host economies ‘*That see their economic growth as being ‘export-led’’* and that ‘*Seek access to international technology, have small domestic markets and have a resource mix that makes them highly dependent on imports to provide balanced consumption possibilities’* (Ruane & Ugar, 2006:76). This type of export-platform FDI may have a home-country orientation (output exported back to the home country), a third-country orientation (output exported to destinations other than the home country) or a global orientation (output exported to home and third countries)’. So that, in the Irish case, for example, ‘*tradable output’* can be viewed as being determined by two main factors: world demand and Irish international competitiveness (Barry & Bradley, 2012:24).

Barry and Bradley (2012:26) suggest that ‘*For small economies, since tariff-jumping is likely to be less dynamic in technology terms, and much smaller in volume than potential export-oriented FDI, liberalising trading arrangements are clearly a prerequisite for substantial FDI inflows’*. Elements of EPFDI distinguish it from other forms of FDI. Krugman and Venables (1990) suggest that inward FDI can negatively impact domestic competition due to higher quality products of foreign companies capturing market share from indigenous firms. Barry and Bradley (2012) refute this in the Irish case because most of the FDI does not serve the home market. Export Orientated Industrialisation (EOI) is a form of industrial/trade policy which focuses on exporting and economic openness as a means to create economic growth, and it came to prominence in the second half of the 20<sup>th</sup> Century (Goddard, 2003; Rodrik, 2011). EOI policies were implemented in Ireland from the 1950s, in the Asian Newly Industrialised Countries (NICs) in the 1960s and 1970s, and in Sub-Saharan Africa from the 1970s.

From a Keynesian perspective, exports represent an accounting mechanism through which external consumption leads to an increase in GDP, but this does not imply causal relations (Xing & Pradhananga, 2013). Xing and Pradhananga (2013) also identify the issue of reverse causality in relation to FDI/exports – a country that is growing will experience increased production and thus the likelihood is that exports will increase. Similarly, increased GDP may attract FDI. They also refer to the ‘*fallacy of composition’* – all developing countries cannot simultaneously increase exports unless there is a corresponding increase in demand from developed nations.



EPDFI, or a variant of open trade policies/inward investment were implemented in a large number of developing countries after the Second World War. EPFDI garners particular interest because it is a form of industrial strategy that continues to be implemented widely in developing countries as a way of stimulating economic growth. Elements of this strategy include encouraging inward investment through the provision of grants and incentives to export-oriented firms (Barry, 2011), establishing Export Processing Zones (EPZ) (Neveling, 2015; Moseberger, 2015), and the provision of tax breaks to incoming companies.

It is thus unsurprising that many developing countries embarked on EOI and inward FDI as a means of stimulating economic growth, and that increasingly towards the latter part of the 20<sup>th</sup> Century, EPFDI, became an accepted industrial strategy for many developing countries.

#### **2.2.2.8 Investment Promotion Agencies (IPAs)**

Interest in Investment Promotional Agencies (hereafter IPA) began to garner interest from the early 1990s, particularly in relation to developing countries/regions. However, these agencies had been in existence since the increased interest in attracting investment after WW2. Wells and Wint (2001: 4) define investment promotion as *‘Activities that disseminate information about or attempt to create an image of the investment site and provide investment services for the prospective investors.’* They further suggest that the functions of an IPA generally (but not exclusively) fall into the four categories of image building, investor facilitation, investment generation and policy advocacy.<sup>68</sup> Morisset and Andrew-Johnson (2004:6) posit that the above definition excludes the granting of incentives, the screening of potential investment projects and negotiation with foreign investors, although some IPAs may also be engaged in such activities. Their research indicates that while IPAs tend to concentrate on investor facilitation and investment generation, policy advocacy is more effective in increasing inflows of investment. The rationale for IPAs has been attributed to asymmetric information and market failure (Morisset & Andrew-Johnson, 2004). There is a cost to a company seeking external markets and the existence of an IPA within a country can both lower these costs (Wells & Wint, 2000), and assist a company in the ranking of possible markets within a geographical region (Papadopoulos & Heslop, 2002). Government intervention is appropriate given the positive externalities that arise from inward investment. Prior research points to the difficulty

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<sup>68</sup> See appendix one for an explanation of each activity. See also section 6 below.

in quantifying the effectiveness of IPAs on inward investment flows, given the challenge in separating IPA effectiveness from incentives such as tax concessions, grant-assistance, or infrastructural support (Morisset & Andrew-Johnson, 2004). Nonetheless, studies indicate a positive correlation between IPAs and FDI flows (Charlton & Davis, 2007; Harding & Javorcik, 2013). Studies suggest that it is preferable to target specific sectors rather than taking a generalist approach (Loewendahl, 2001; Proksch, 2004; Charlton & Davis, 2013). A professional approach by the IPA tends to have a positive outcome while quasi-government agencies tend to be more effective than sub-units of ministries (Wells & Wint, 2000).

Countries face intense competition from other potential host countries (Papadopoulos & Heslop, 2002). Harding and Javorcik (2013) suggest that within a geographic area, IPAs do not divert FDI flows but financial incentives do. Competition tends to be even more intensive within countries.

## **2.3 Policy Transfer and Associated Concepts**

*'A policy is a statement by the government about what it intends to do about a problem affecting (directly or indirectly) the public'* (Birkland 2010:10).

### **2.3.1 How Policies Travel**

Chapter six explores the extent to which FDI policies during the 1950s in Northern Ireland, might have influenced, and/or have been influenced by the policies implemented in the Republic of Ireland. This section considers how policies travel from one area to another.

### **2.3.2 Policy Transfer/Lesson-Drawing**

Studies on policy transfer encompass a range of disciplines such as public policy, domestic and international political science, comparative public policy and the international relations (IR) literature. Within the domain of public policy, the commonly cited definition of policy transfer is as follows

*Policy Transfer, emulation and lesson drawing all refer to a process in which knowledge about policies, administrative arrangements, institutions etc. in one time and /or place is used in the development of policies, administrative arrangements and institutions in another time and /or place* (Dolowitz & March 1996:344).

Lasswell (1970:3) states that that policy transfer is about providing '*Knowledge of and knowledge in policy making*'. Dolowitz and March (1996) developed a framework for policy transfer is far-reaching and includes both voluntary and coercive transfer.

Rose (1991) coined the phrase *lesson-drawing*, described it as the circumstances under which a programme that is effective in one place transfers to another, and which is related to the broader concept of learning and how knowledge is acquired. According to Rose (1991), policy makers tend not to develop their own policies, rather they search for fresh knowledge, when there is dissatisfaction with the status quo. Legrande (2018) suggests that policy transfer and lesson-drawing are equivalent terms, and this is reflected in Dolowitz and March's (1996) definition, as cited above.

A further way of explaining how policies move or are replicated in difference locations include policy diffusion - '*Any pattern of successive adoptions of a policy innovation*' (Eyestone 1996: 441 as cited in Freeman & Tester, 1996:9; Berry & Berry, 1991; Gray 1973; Walker 1969; Heichel et al., 2005; Knill, 2005). Diffusion is quantitative in nature, originated in the US and is more evident in the political science literature.

*The diffusion literature suggests that policy percolates or diffuses gradually over an extended period. It connotes spreading, dispersion and dissemination of ideas or practices from a common source or point of origin. This perspective posits incremental changes in policy with the advancement of knowledge and awareness as well as interdependence (Stone, 1999:54).*

Diffusion of policies in relation to economic success have also been of interest to economists, particularly in relation to how policies can be fruitfully introduced which support economic development and GDP growth. Rodrik (2014) notes that '*Learning and imitation from abroad are important elements of successful development strategy*'.

Policy convergence is defined as '*The tendency of societies to grow more alike, to develop similarities in structures, processes, and performances*' (Kerr, 1983:3).

Bennett (1991) identified four reasons for convergence: *Emulation, harmonisation, elite networking and policy communities*, and *convergence by coercive means*. Convergence is not the same as policy transfer, although Policy transfer can be a causal factor in convergence

(Knill, 2005). A widely recognised definition of convergence is ‘the tendency of societies to grow more alike, to develop similarities in structures, processes, and performances’ (Kerr 1983:3). Four causes of convergence were identified by Bennett (1991) (1) Emulation – the concept of borrowing ideas; (2) Harmonisation – the idea of policies converging as a result of a political imperative, or the input from a supranational entity (i.e. policies enacted in the EU); (3) Elite networking and policy communities – the role of experts and professionals as a causation factor in policy convergence; (4) Penetration – Convergence by coercive means – for example economic conditions imposed by the IMF on countries within an economic programme. Knill (2005) suggests four further types of policy convergence: (a)  $\sigma$ -convergence, which relates to a decrease in variation of policies among the countries under consideration; (b)  $\beta$ -convergence, which occurs when laggard countries catch up with leader countries over time; (c)  $\gamma$ -convergence, which measured changes of country rankings with respect to certain policies; and (d)  $\delta$ -convergence, which denotes countries’ distance changes with respect to an exemplary model. Causal mechanisms for convergence include the imposition of policies, the harmonization of policies through international or supranational law, regulatory competition, independent responses to parallel problem pressure and finally, transnational communication. Transnational communication is related to Rose’s (1991) concept of Lesson Drawing, and also to the role of experts and epistemic communities as outlined below (Stone, 1999).

Knill (2005) acknowledges that while communication is a factor in all causal mechanisms, communication and information exchange is ‘*The central factor actually triggering convergence*’ in the case of ‘*Transnational communication*’ it simply forms part of the background pre-requisites in relation to the other factors (Knill, 2005: 769). More recently theories about how policymakers learn, and how they garner ideas, draw upon a wider range of disciplines such as economic geography (Cochrane & Ward, 2012). The scope of policy studies has broadened, encompassing concepts such as policy mutations (Peck & Theodore, 2010) and new diffusion studies (Levi-Faur, 2005; Simmons et al., 2008). Wolman (2009:1) suggests that policy transfer is ‘*The spread of a policy – or some aspect of a policy – across units of government that occurs as a result of the adopting unit having at least some knowledge of the existence of policy in other units*’. Stone (2008) examines policy transfer from the perspective of the ‘*agora*’ – a policy-making external to the domestic space where cultural learning can occur. Dunlop (2009) explores the issues of policy transfer by using a typology of adult learning to explore the inter-connectedness of policy transfer and learning (2009). Critics of the concepts of policy transfer include the view that it cannot be distinguished from normal forms

of policy-making in general (Evans & Davies, 1999; James & Lodge, 2003), and that the term is inaccurate, arguing that '*policy mimesis*' (the imitation or reproduction of a policy in another context) would be a more suitable label (Massey, 2009). According to Evans and Davis (1999) the multi-disciplinary nature of policy transfer means that policy transfer analysts do not '*Have the benefit of a common idiom or a unified theoretical or methodological discourse from which lessons can be drawn and hypotheses developed*' (1999:361).

### **2.3.3 The Agents of Transfer**

Agents of transfer are not confined to elite policymakers but potentially include a range of groups across the policy-making landscape such as bureaucrats; policy entrepreneurs (i.e. think-tanks and international management consultants); knowledge institutions; academicians and other experts; pressure groups; global financial institutions; international organisations and supranational organisations, all of which play a role in the transfer of policies and the spread of ideas (Stone, 1999, 2001, 2004). These are closely related to the concept of an 'epistemic communities', defined by Hass (1992) as a '*Knowledge-based network of individuals with a claim to policy-relevant knowledge based upon common professional beliefs and standards of judgement, and common concerns*'. Elite networking and policy communities and epistemic communities are a key causation factor in policy convergence (Bennett, 1991; Knill, 2005). Holzinger and Knill (2005: 782) propose that convergence can result from '*Transnational communication*' whereby '*The mechanism of transfer 'Is purely based on communication between countries... [and] presupposes nothing but information exchanges and communication with other countries*'. This concept of transnational communication encompasses lesson-drawing, transnational problem-solving, emulation of policies and international policy promotion. Consultancy firms also play a role in policy transfer (Dolowitz & March, 1996, 1999; Saint-Martin, 2000; Stiglitz, 2000; Stone, 1999, 2001, 2003). Stone (2001) examines the role of '*Non-state actors*' in the policy transfer process. She identifies consultants as belonging to a wider group of private organisations and associations such as think-tanks (research institutes), foundations and academia who '*Have interacted with other official agents of transfer and have used their intellectual authority or market experience to reinforce and legitimate certain forms of policy or normative standards as 'best practise*' (Stone, 2001:23). Epistemic communities have drawn criticism in the past. Dolowitz and March (2000:10) suggest that consultancy firms place significant emphasis on concepts of 'best practise', rather than focusing on the specific requirements of the importing company. They suggest that a '*One size fits all approach was often used by management consultants*' in the post war era, which

often did not adequately consider to specific needs of a local economy. As Rodrik (2000:4) further notes that *'imported blueprints need to be filtered through local experience and deliberation.'*

### **2.3.4 The Role of 'Ideas'**

Observations on the origin of ideas and how these influence policymakers as also been considered in the economic domain. The supply and demand for ideas played a key role in the post-war space (Barry & O'Mahony, 2017; Rodrik, 2014). Barry and O'Mahony (2017) suggest that in the case of FDI-led development in the Republic of Ireland during the 1950s, this demand for ideas originated with the dollar crisis in the aftermath of WW2, the balance-of-payments crisis in the 1950s, and the increasingly competitive political environment in the 1950s which necessitated novel policy ideas to appeal to the electorate. They posit furthermore that the supply of ideas came from both the institutional developments in the administration, and foreign policy initiatives in the US. Rodrik (2014) suggests that novel policy decisions result from both the supply and demand for ideas within a given policy space. Rodrik (2014) approaches new ideas as having the potential to enhance efficiency in the same way as technological advancements have in expanding the PPF to a new curve, while simultaneously mediating between the preferences of the elites and the wider society: *'Good political/policy ideas relax the political constraint, moving the political transformation frontier (PP) outward. Just as technological innovations relax the conventional resource constraint, political innovation relaxes the political transformation frontier* (Rodrik, 2014:198).

From an evaluative perspective, the literature suggests that in order for economic success, policy learning, and subsequent implementation will depend on the institutional arrangements in the host country (Rodrik, 2011). He suggests political entrepreneurship, learning by doing, policy mutations, crises, and emulation as sources of ideas. In the economic development space, an overlap in the theories of policy transfer and the mobility of ideas becomes apparent. Rose's (1991) conceptualisation of lesson-drawing shares many of the characteristics of Rodrik's notion of idea-generation. Furthermore, Rodrik notes that a necessary pre-requisite for the adoption of new ideas, and associated policies, is that they are acceptable to those with vested interests. Similarly, in the Republic of Ireland's case, the relatively smooth transition to open policies and pro-export policies was due to their implementation in a way that did not threaten the interests of the elites (Barry and O'Mahony, 2017).

### **2.3.5 Inward FDI Policies**

According to UNCTAD (1999), a sub-set of national FDI policies concerns specific interventions, which have been used effectively only by those few countries with sufficient capabilities to implement and target them consistently and precisely:

- Fiscal and financial incentives
- Performance requirements
- FDI promotion (establishment of IPAs)
- Building industrial parks and export processing zones
- Promoting clustering of industries using R&D and technology centres
- Supporting training programmes

The report notes that those countries whose local capabilities have been enhanced because of FDI (e.g. in Singapore and Ireland, where local suppliers have become global exporters) have been able to benefit most from FDI in the long-term.

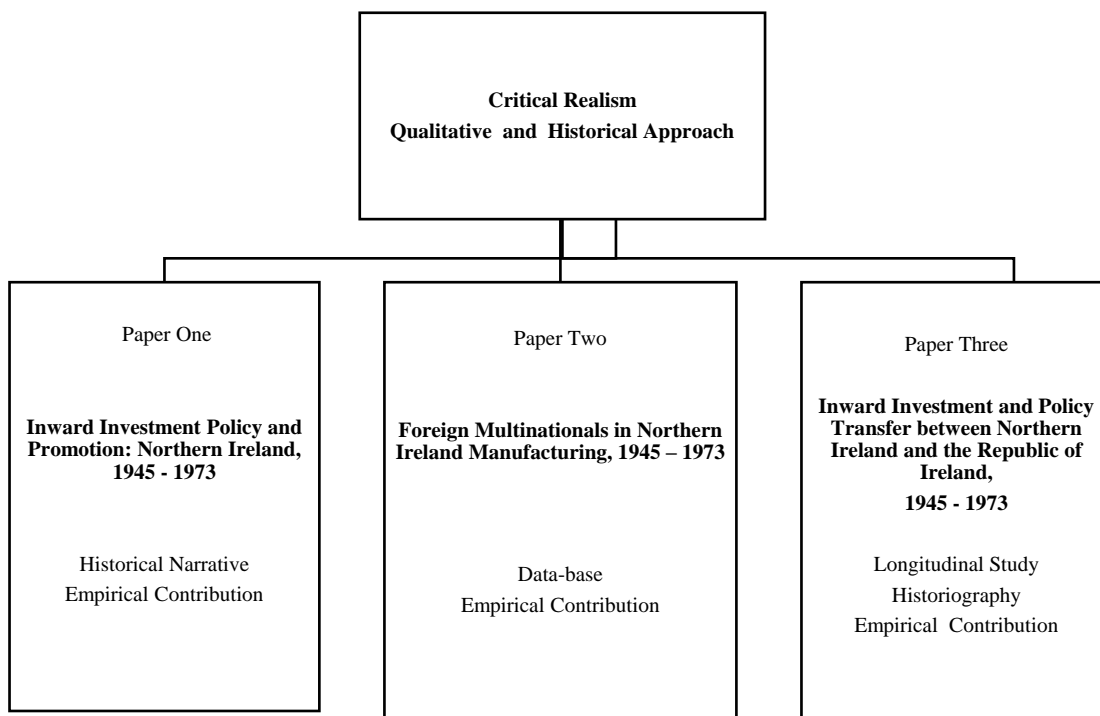
### **2.3.6 Demonstrating Policy Transfer**

The diverse terminologies which have been used to explain how policy transfer might be conceptualised have been discussed above. A key issue remains insofar as how a researcher might prove that a policy has been transferred, or even what constitutes a policy transfer. Rose (1991) observes that a policy which has been considered is a form of lesson-drawing, even if the policy has been ultimately rejected. From this perspective, all knowledge about a policy, whether it is adopted or discarded, constitutes a form of policy learning or lesson-drawing. This is the criterion used in this research. Dolowitz and March (1996) argue for more clarity in terms of identifying policy transfer. They suggest five sources through which the existence of policy transfer might be detected: *The Media, reports, conferences, visits and government statements*. The fundamental issue here that policy transfer is an active process, carried out within an agential context.

This chapter has provided an historic and economic context relating to inward investment. Concepts of policy transfer will be considered with respect to inward investment policies in chapter six.

## CHAPTER THREE PHILOSOPHY, METHODOLOGY AND METHODS

This chapter is divided into three parts. Part one sets out the philosophical approach which guides the overall research and defends the choice of critical realism. Part two explains the methodological framework. Part three presents the methods used in each research paper. Archival analysis features heavily as a method across the three research papers and is included in part two.



**Figure 3.1 Outline of Research Papers and Individual Methods Employed**



### 3.1 Philosophy

#### 3.1.1 Ontology

Ontology is the branch of philosophy that considers the nature of reality (Forrester, 2010). Objectivism and constructivism present the opposing ontological positions.

*Objectivism is an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors* (Bryman, 2012:33). *Constructivism is an ontological position that asserts that social phenomena and their meaning are continually being accomplished by social actors* (Bryman, 2012:33).



Source: Adapted from Bryman and Bell (2003)

**Figure 3.2 Two Opposing Viewpoints of Ontology**

#### 3.1.2 Epistemology

*Epistemology is the name given to the theory of knowledge* (Pritchard, 2010:169). Positivism *advocates the application of the methods of the natural sciences to the study of social reality* (Bryman, 2012: 28), while interpretivism *requires the social scientist to grasp the subjective meaning of social action* (Bryman, 2012:28).



Source: Adapted from Bryman and Bell (2003)

**Figure 3.3 Two Opposing Viewpoints of Epistemology**

### 3.1.3 Critical Realism

The ontological and epistemological assumptions remain consistent across the three research papers in this thesis. Critical realism is a philosophical approach, developed in the 1970s by Roy Bhaskar as a reaction against contemporaneous hypo-deductive positivist viewpoints (1975, 1978, 1989). It subsequently evolved as a philosophical movement (Archer et al., 1998; Fleetwood, 1999, Lawson, 1997, Poppo & Morgan, 2020; Sayer, 1992), combining an objective ontology and a relativist epistemology and has thus been considered as a compromise between empiricism/positivism and anti-naturalism/interpretivism (Zachariadis et al. 2013). Critical realism employs a post-positivist ontology which, according to Adam (2014:6) avoids one-sided interpretations or an overly extensive use of (quantitative) data and methods. *'In its core, post-positivism deals with questions relating to the quality of data, the usage of more integrated approaches and the context of the phenomenon under study'*.

The critical realist approach *'Assumes a transcendental realist ontology, an eclectic realist/interpretivist epistemology and a generally emancipatory axiology'* and privileges context and process within the research endeavour. According to Sayer (2004:3) the fundamental claim of realism *'Is simply that there is a world which exists largely independent of the researcher's knowledge of it'*. Bhaskar notes that critical realism consists of three fundamental suppositions (1) Judgemental rationality - competing claims about the world need to be evaluated; (2) Ontological realism - the world is independent of human perception and knowing; (3) Epistemic relativism: human knowing is finite, contextual and fallible.

Clarke (2015:3) considers that critical realism is founded on six key principles (1) **The existence of independent reality**. This suggests that reality exists independent of our thoughts about it. (2) **A stratified emergent generative ontology**. This relates to the belief that *'reality'* can be stratified into three distinct levels or domains – the *real*, the *actual* and the *empirical*. The *real* consists of entities or structures which have properties that give them the power to activate mechanisms that effect other structures (i.e. causal mechanisms). The *actual* domain consists of events and their effects that have been caused by the activation of causal mechanisms and the *empirical* relates to actual events-effects that can be or have been, observed or experienced (Haigh et al, 2019:3). (3) **An explanatory focus**. Critical Realism seeks not solely to describe events but seeks to explain the cause of why things happen. (4) **A recognition of agency and structure**. Critical Realism takes cognisance of (i) the factors that exist within the individual (agency) and (ii) the contexts and structures within which human actions take place

(structure). (5) **The notion of reality as a complex, open system.** From Clark's (2015) viewpoint the world is neither simple nor complicated, but it is complex, natural and uncontrollable. Although there may be general trends, there are also exceptions or demi-regularities (Lawson, 1997). Thus, the world is neither totally chaotic nor uniformly patterned but reality exists somewhere in between. (6) **A methodological eclecticism and a post disciplinarity approach.** Critical realism advocates an eclectic methodological approach which is led by the research question, rather than by the methodological preferences of the researcher (Clarke, 2015).<sup>69</sup> By not privileging a specific methodology, critical realism empowers the researcher to work with the methodological tools and methods best suited to the research question.

This philosophy was chosen for this thesis as firstly it recognizes complexity, secondly it acknowledges that reality is independent of the researcher and thirdly, it accepts the inherent fallibility of the human condition thereby demanding that the researcher works reflexively. The qualitative nature of the research, the complexity of the political and economic contexts, combined with the historical perspective justifies the use of critical realism. Critical realism has been used across disciplines such as economics (Lawson, 1997; Fleetwood, 1999), Management Information Systems (MIS) (Zachariadis et al., 2013; Wynn & Williams, 2012), management and organisational studies (Fletcher, 2017; Frederiksen & Kingelum, 2020), and historical research (Steinmetz, 1998). It is therefore a suitable approach for this research, both in terms of the historical perspective and the interdisciplinary nature of International Business (IB).

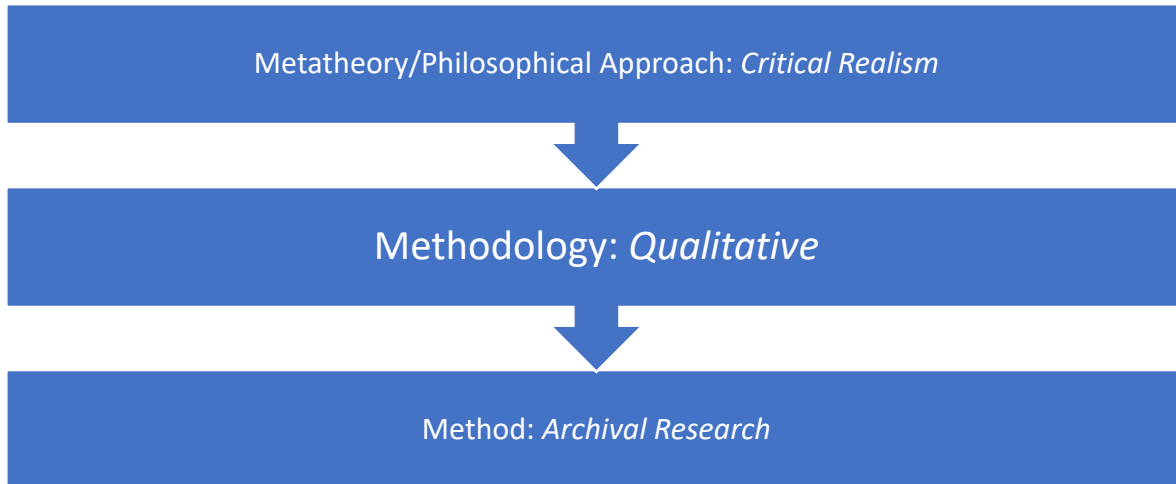
## 3.2 Methodology

The epistemological and ontological choices, together with the research questions, inform the methodology (Lor, 2019; Birkenshaw et al., 2011). Lor (2011:1) claims that methodology is a bridge between metatheory (also referred to as a paradigm or world view) and method (the practical procedures used to carry out and analyse the research), illustrated in Figure 3.4. As noted in the previous section critical realism supports a methodologically eclectic approach

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<sup>69</sup> While accepting this point in principle, this research would add a delimiting factor, suggesting that at a fundamental level, the methodological choices that we as researchers make, are mediated, and shaped by our disciplinary backgrounds and preferences. Nevertheless, Clarke's assumption promotes the notion that the methodology and methods are driven by the research question, and this allows for flexibility of method within a research endeavor.

guided ‘*Not by our methodological predilection or disciplinary lens*’, but by the nature of the ontological nature of the research (Clarke, 2015:4).



Source: Adapted from Lor (2019). The information in italics relates to the overarching qualitative approach adopted in each of the three research questions in this thesis.

**Figure 3.4 Relationship Between Metatheory, Methodology and Methods and Approaches Used in this Research**

### 3.2.1 Qualitative Research

At its broadest level, methodology can be envisaged as a continuum, represented by the commonly identified extremes of quantitative research and qualitative research. This thesis adopts a qualitative approach, the rationale for which resonates with Mills and Huberman (1984:21) ‘*With qualitative data, one can preserve chronological flow, assess local causality, and derive fruitful explanations. Serendipitous findings and new theoretical integrations can appear*’.

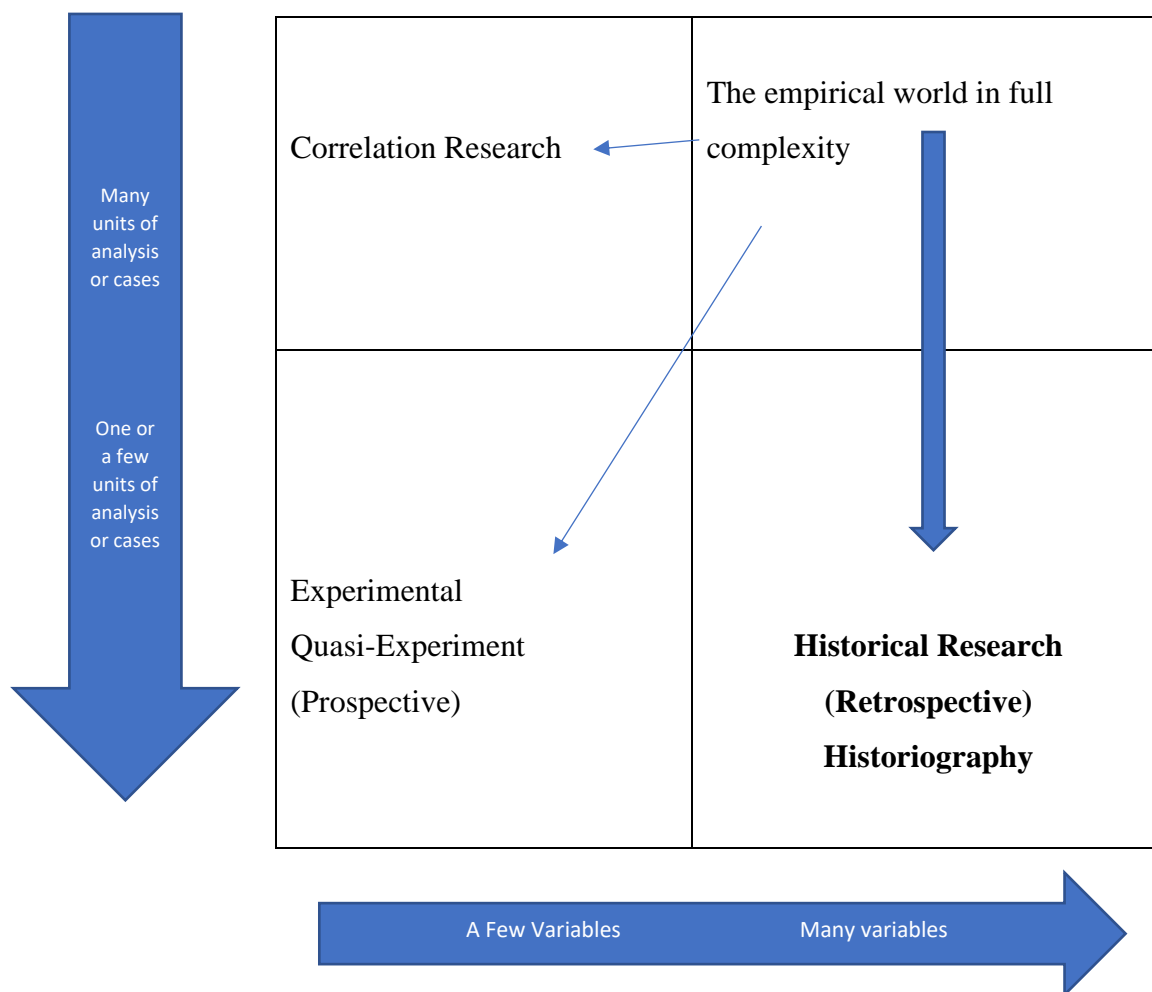
**Table 3.1 Fundamental Differences Between Quantitative and Qualitative Research Strategies**

	<b>Quantitative</b>	<b>Qualitative</b>
Principle orientation to the role of theory in relation to research	Deductive; testing of theory	Inductive; generation of theory
Epistemology orientation	Natural science model, in particular positivism	Interpretivism
Ontological orientation	Objectivism	Constructivism/ Constructionism

Source: Bryman and Bell, 2015:25

### **3.2.2 Research Design**

This thesis explores events located in the past and uses an historical research design. Figure 3.5 illustrates research design from the perspectives of the nature of the investigation and the reference period. The nature of the investigation guides the research design (Johansson, 2003). Real-world complexity can be studied quantitatively (using for example, correlation research or experimental/quasi-experimental design) or qualitatively (using for example, case-studies or historiographies (in the case of historical research)). Kumar (2011:111) notes that research design can be categorized by the reference period which *'Refers to the time-frame in which a study is exploring a phenomenon, situation, event or problem'*. This can be classified as retrospective, prospective or retrospective-prospective. This study uses a retrospective design as it investigates *'A phenomenon, situation, problem or issue that has happened in the past'* (Kumar, 2011:111).



Source: Adapted from Kumar (2011) and Johansson (2003)

**Figure 3.5 Study Designs Based on (a) the Reference Period and (b) the Nature of the Investigation**

### 3.2.3 The Historical Turn in the Social Sciences

*History is rather a craftlike discipline, which means that it tends to be governed by convention and custom rather than by methodology and theory and to utilize ordinary or natural languages for the description of its objects of study and representation of the historian's thought about those objects. (White, 1995:243).*

The 21<sup>st</sup> Century has seen a 'historical turn' in fields such as organisational studies (Decker, 2013), international business (Buckley, 2009; Jones, 2012, 2009;) and economics (Barry, 2014, 2016, 2018; Brownlow, 2007, 2015). Social scientists focus on theory building leading to a tendency among this academic group to label the historical method as atheoretical (Perchard et al., 2017). Working predominantly within the disciplines of historical organisational studies and business history, Decker (2013:2) notes that the 'Issue is that historians are not explaining

*their methodology, and in fact are missing a language and a format to do so that are compatible with the approach in social sciences*'. Decker acknowledges however that *'It is neither possible nor desirable to choose a single methodological framework for business history, and that it is more appropriate to speak of and foster the development of a variety of reflective methodologies in business historical research'* (Decker, 2013:31).

In contrast historians have both defended the rigour of their work (Hansen, 2012) and roundly criticised the emergence of alternative approaches to history *'More history than ever is today being revised or invented by people who do not want the real past, but only a past that suits their purpose'* (Hobsbawn, as cited in Decker et al. (2021:1127)). Hansen (2012:716) challenges

*The social sciences' capture of the concept of rigor, where it has come to signify mainly the use of quantitative methods and nomothetic ideals of generalization. Good qualitative business history is every inch as rigorous as quantitative discipline; it just yields a different kind of knowledge and understanding.*

At the same time, he acknowledges the need for explicit explanations:

*Business historians should explicitly explain to the reader their theoretical approach, analytical strategy, and use of sources. Adopting the term 'analytical strategy' implies a conscious choice behind any approach to the empirical material – whether it comes from a corporate archive, newspapers, government documents, or published work. This is important because methods are not neutral. On the contrary, they have consequences for our results* (Hansen, 2012: 712).

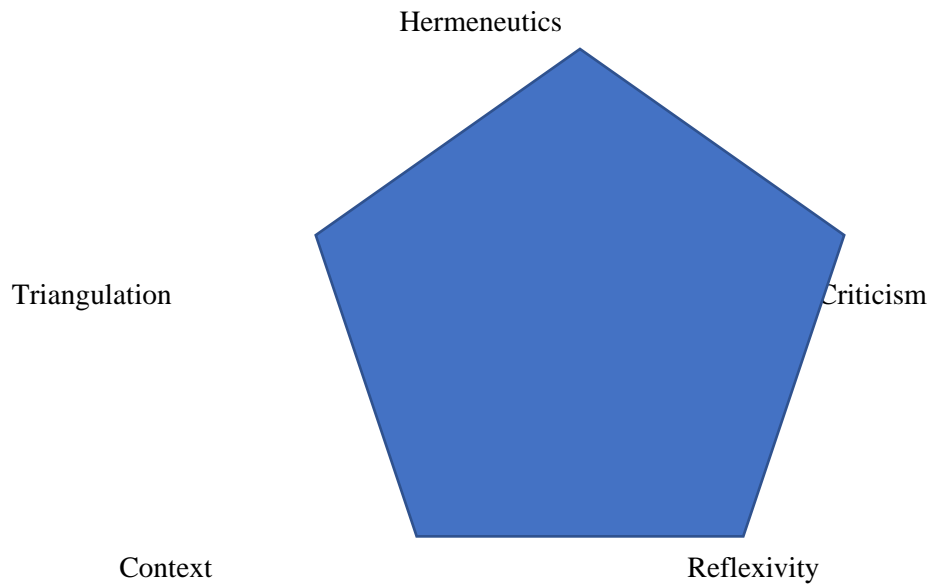
### **3.2.4 Methodological Framework**

The methodological framework in this historically oriented research combines the approaches of Kipping et al. (2014), Decker (2019) and Archer (2007). Kipping et al. (2014) advocate a commitment to (1) hermeneutics (2) triangulation and (3) source criticism to ensure that the *'Practice and reflection of the historian'* meets the academic rigour of the social scientist. Similarly Decker (2019) notes that engaging with archival material requires three components (1) critical source analysis to establish the internal validity of the sources, (2) triangulation and (3) contextualisation.<sup>70</sup> Decker's (2019) inclusion of *'context'* is consistent with the

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<sup>70</sup> The source of documents used in this thesis was not confined solely to archival material. Sources included media sources, secondary material, internet resources, academic and official data-base sets etc. This is addressed more specifically in the individual methods section below.

hermeneutical commitment to context. Finally, Archer’s call for reflexivity requires that researchers reflect on their own position and potential biases. As a major contributor to the critical realism movement, the inclusion of Archer’s reflexivity approach is consistent with the critical realist perspective adopted throughout this work.



Source: Based on the writings of Archer (2007), Decker (2019) and Kipping et al. (2014).

**Figure 3.6 A Methodological Framework for Qualitative Historical Research**

### 3.2.4.1 Hermeneutics

*‘Hermeneutics is one of the bodies of theory and methods that organizational scholars have used to interpret organizational texts within their cultural settings and to critically analyse the intent of authors’* (McAuley, 2004). Patterson and Williams (2002) see hermeneutics as ‘A family of interpretive approaches to science rather than a single, wholly unified scientific philosophy’. At its broadest level hermeneutics is a philosophical approach primarily associated with German philosophers Martin Heidegger, Hans-Georg Gadamer and Wilhelm Dilthey, and was originally associated with the interpretation of biblical texts (Forrester, 2010). Hermeneutic and thematic analysis are similar in that they focus on interpreting the data and are both suitable for theory generation (Bryman 2008; Miles and Huberman 1994).



Tomkins and Eatough (2018) differentiate between hermeneutics as either a philosophy of understanding or as a way of interpreting text. The approach used in this thesis reflects the latter, and as such is seen as a method that can be fruitfully employed within the Kipping et al. (2014) framework to facilitate historical analysis. In addition, positioning hermeneutics as a method rather than as a metatheory ensures that the approach is compatible with a critical realist ontology. The critical realist approach, positioned between the positivist and the interpretivist realm, accommodates the intrinsic interpretivist nature of hermeneutics. Collier (1994:167) noted that '*Bhaskar regards explanation of social phenomena as being "both causal (as does the positivist) and interpretive (as does the hermeneuticist)"*'. The hermeneutic circle '*Offers a process for formally engaging in interpretation*' and is an analytical process aimed at '*Relating parts to wholes, and wholes to parts*' (Quinn Patton, 2002: 497-498; Vieira & Queiroz, 2012). The aim of the interpreter is to ensure that their own historical situation does not '*Distort the bid to uncover the actual meaning embedded in the text, act or utterance, thereby helping to ensure the objectivity of the interpretation*' (Schwandt, 2001, as cited in Quinn Patton, 2002: 497).

#### **3.2.4.2 Triangulation**

Triangulation, defined by Bryman and Bell (2003:291) as the use of '*More than one method or source of data in the study of social phenomena*', is an important part of the research process (L'Eplattenier, 2012; Silverman, 2011; Stake, 1995). Bryman (2012) suggests that triangulation can take place along four '*lines of action*' (1) multiple data (from different sources), (2) multiple investigators (with different researchers gathering and analysing data independently); (3) multiple theories (applying different perspectives to the same object of study) and (4) multiple methods (combining quantitative and qualitative methods and/or different qualitative methods such as participant observation, interviews, document and text analysis). Historical researchers frequently use the concept of *multiple data* in relation to triangulation: '*Typically, historians do not rely on just one source to study an event or a historical process, but on many, and they construct their own interpretations about the past by means of comparison among sources*' (Howell & Prevenier, 2001: 69).

### 3.2.4.3 Historic Sources and Source Criticism

#### 3.2.4.3.1 Historic Sources

*'History stands or falls on the researcher's ability to obtain a range of reputable and credible sources of evidence'* (O'Brien et al., 2004:139). Historical research relies on the use and analysis of *'sources'*.

Primary sources are defined as texts and objects from the time-period of interest such as interviews, minutes of meetings, diaries and contracts (O'Brien et al., 2004). Decker (2013: 13) notes that *'Sources that are close in time, internal and written with only immediate uses in mind are deemed more valuable. Those are really the "most primary" of the primary sources.'*

Secondary sources include articles in newspapers, books and other information supplied by authors or commentators who were not directly involved in the situation being studied, commentaries and writings on the past from a later date (Lipartito, 2014; O'Brien et al., 2004; Salkind, 2015).

Silverman (2011) calls for historical, political and contextual sensitivity in social research. In relation to interpretive accounts, meanings are context dependent (Dey, 1993). According to Dey (1993:35) *...Interpretation depends on context, but this does not preclude an objective appraisal of how events are interpreted'*. Berg (2009: 272) notes that *'Commercial media accounts represent any written, drawn, or recorded (video or audio) materials produced for general or mass consumption. This may include such items as newspapers, books, magazines, television program transcripts, videotapes and DVDs, drawn comics, maps, and so forth.* This suggests that the researcher's ability to consider the wider economic, political and historical contexts of the research is an important factor in evaluating sources. It also suggests a need to engage with the hermeneutic circle, and it is consistent with the critical realist approach.

**Table 3.2 Data Sources**

Data Collection Type	Options within Type	Advantages of the Type	Limitation of the Type
Documents	Public documents: minutes of meetings ( <i>'temporally embedded artifacts'</i> ), Langley, 2011); Newspapers; Private documents i.e. journals, letters, memos Government documents; Official reports. <sup>71</sup>	Enables researcher to obtain the language and words of the participant. Can be accessed at a time convenient to the researcher. Represents data which are thoughtful in that participants have given attention to compiling them. As written evidence, it saves a researcher the time and expense of transcribing.	Not all people are equally articulate and perceptive. May be protected information Requires researcher to search out the information in hard-to-find places. Requires transcribing or optically scanning computer entry. Material may be incomplete. Documents may not be authentic or accurate. Archival Data poses challenges in post-colonial settings (Decker, 2011).

Source: Adapted from Berg (2009); Creswell (2009); O'Brien et al, (2004).

### 3.2.4.3.2 Source Criticism

*Source criticism places heavy emphasis on the question of authorial authority and perspective—the extent to which the producer of a source can be thought of as trustworthy and capable of speaking to the issue at hand. Do they have the competency to address the issue or development of concern? Do they have a reason to shape impressions or hide facts? What are likely to be their biases? Do they have a regular pattern of dependably reporting on the events or developments? (Donnelly & Norton, 2011; Howell & Prevenier, 2001).*

Kipping et al. (2014) suggest that source criticism is analogous to the concepts of validity and reliability which are used in quantitative research. Lincoln and Guba (1995) use the concepts

<sup>71</sup> Chapter four places particular emphasis on minutes of meetings and official reports.

of credibility, transferability, dependability and confirmability as alternatives to validity and reliability when considering qualitative data. Lincoln and Guba further suggest that there are several accounts of the truth and they are thus ‘*Critical of the realist viewpoint that there are absolute truths about the social world*’ (as cited in Bryan & Bell, 2015: 288).

Berg (2009: 314) notes that source criticism is an attempt to establish validity (through external source criticism) and reliability (through internal source criticism) when researching historical documents ‘*Analysing the validity of a source requires attention not only to the individual motives surrounding its production, but also to the institutional setting in which it was produced*’. All documents in this thesis were interrogated using the concepts of internal and external validity as outlined in table 3.3. Berg notes that external criticism focuses on the authenticity of the document and is related to the concept of validity. He suggests that internal criticism is the qualitative equivalent of reliability in relation to the analysis of historical documents.

**Table 3.3 External and Internal Criticism**

<b>External Criticism (Validity)</b>	<b>Internal Criticism (Reliability)</b>
Who wrote the source (primary or secondary)?	What was the author trying to say?
What is the authenticity, authority, bias/interest, and intelligibility of the source?	What was the author’s motive for making the statement or creating the document?
What was the view of the event or phenomenon when the document was written?	What inferences are offered in the statement by the author?
What or who was the intended audience?	Is the author’s statement accurate?
What sources were privileged or ignored in the narrative?	Was the sentiment of the author similar or contrary to one of the time periods?
What evidence is offered or compiled?	Was the statement or document supposed to provide moral lessons?
In what historical context was the document itself written?	

Source: Adapted from Berg (2009:306-309).

#### **3.2.4.4 Reflexivity**

- Researcher engagement with the hermeneutic circle requires both an acknowledgement of and an adherence to personal reflexivity. Cutcliffe (2000: 1480) invites the researcher to explicate all prior knowledge of the topic under consideration, noting that it affects data collection and theory development. Archer (2007:84) promotes the concept of reflexivity through the process of '*internal conversations*', which privileges a commitment to an internal dialogue about the topic at hand. Miles and Huberman (1984) suggest that qualitative researchers could use the technique of '*memoing*' to regularly reflect upon, and record progress. '*The memo is a brief conceptual look at some aspect of the accumulating data set: an insight, a puzzle, a category, an emerging explanation, a striking event*' (Miles and Huberman, 1984: 9). This technique was employed during this research.
- Archer's (2007) call to reflexivity and the internal voice was of particular relevance in this regard, (albeit limited by this researcher's personal epistemic limitations). This harks back to the nature of the hermeneutic circle, to critical realism and to the unavoidable fact that the fallibility of human competence will lead to a sub-optimal outcome.

#### **3.2.4.5 Contextualisation**

Context is the key supposition of the critical realist (Archer, 1995). Context embodies both the temporal contexts of the research era and also considers events prior to the research period. Chapters one and two have provided an overview of the political, social, historical and economic contexts within which this research is embedded.

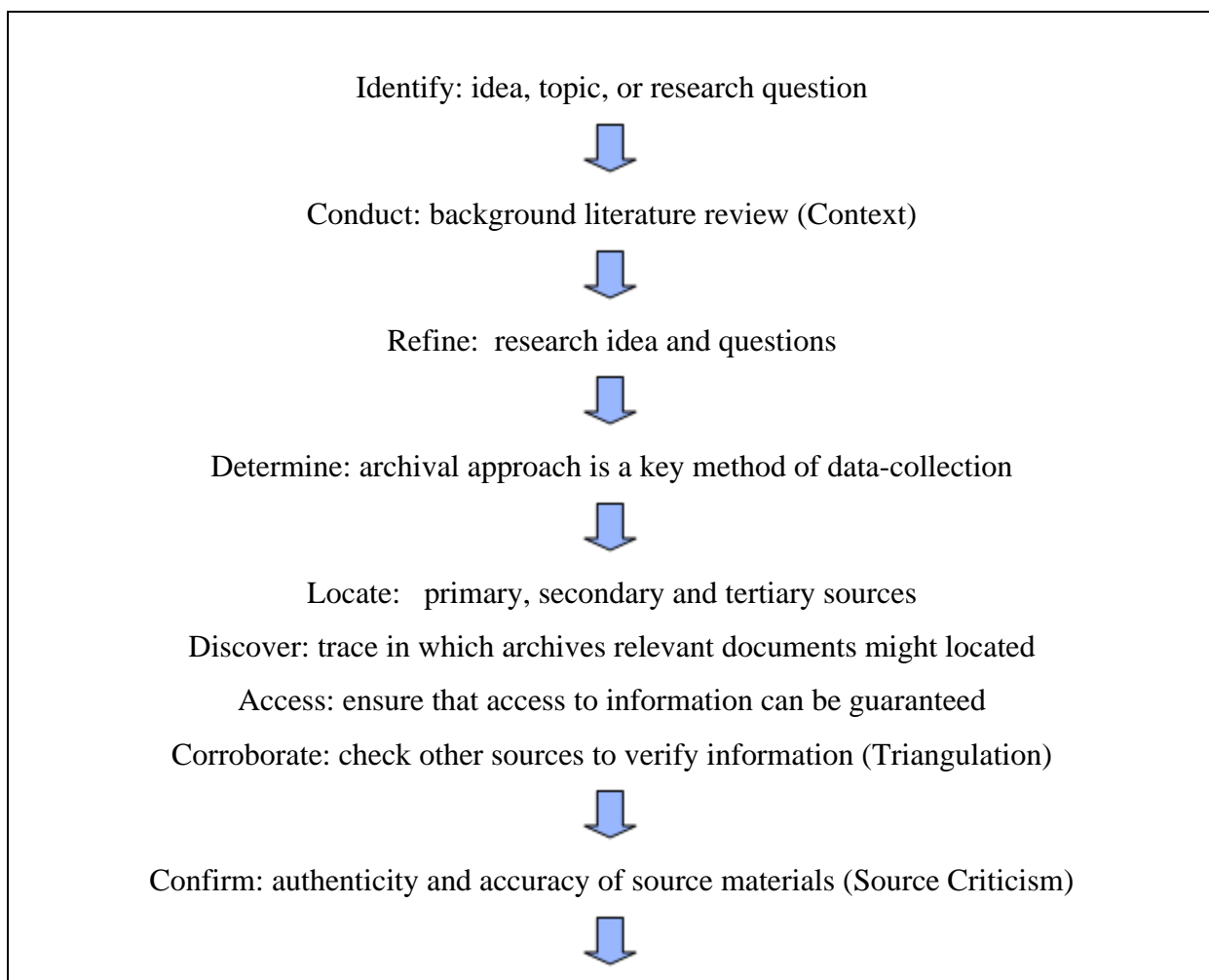
#### **3.2.5 Archival Research**

Gathering historical data requires access to a variety of documents from a wide range of sources. Data collection in this thesis relied heavily, although not exclusively on the archival method.

Das et al. (2018: 138) define archival data as '*That data which are gathered and stored prior to the commencement of the research, intended for later use*'. Archives represent a key repository for historical information; however, these are '*Neither value-free, nor unbiased spaces*'. Das et al. (2018: 140) note further disadvantages regarding archival sources in terms of potential non-representativeness, potential restricted access to certain data and susceptibility to experimenter bias. Harris (2002:68) suggests that

*The assumption that there is ‘a reality’ capable of reflection in records is debatable insofar as the action to which a record refers is irrecoverable, and it is a product of a process which itself is shaped fundamentally by the act of recording.*

Rojas (2010:1268) argues that ‘Archives tend to be rich in documents from leaders, but they have fewer materials from other actors.’ He suggests supplementing archival sources with ‘Newspaper accounts, interviews, memoirs, and other materials’. This was reflected during this archival research which focused on cabinet and ministry meetings, along with official correspondence, both inter-governmental and external.<sup>72</sup> Decker (2013) notes the importance of ‘gaps’ in archival data. These are elements or events which have not been recorded, are absent or unavailable within the archive. Welch (2000) encourages researchers who are using an archival approach to follow a pre-defined protocol. Figure 3.7 below illustrates the archival protocol which was used during this research, combining Welch’s (2000) and Berg’s (2009) framework for archival research.



<sup>72</sup> This is particularly relevant to the research in chapters four and six.

Analyse the data and develop a narrative exposition of the findings (Hermeneutics)

Source: Adapted from Berg (2009, 302), Kipping et al. (2014) and Welch (2000).

### Figure 3.7 Archival Research Process and Protocol

#### 3.2.5.1 Researcher Engagement with the Archives

This section provides a personal account of how the archival endeavour was approached. Issues in relation to access, organisation, data-management and analysis of archival material are also considered. Sense-making was enhanced by site visits to the locations of companies discussed in chapter five.<sup>73</sup> This also facilitated a greater understanding of the historical and locational contexts of the research.

An archival protocol (Kipping et al., 2014; Berg, 2009; Welch 2002) was developed for the purposes of the archival research (see figure 3.7 above). For this researcher, archival research proved to be iterative, involved a significant commitment to building a (almost anthropomorphic) relationship with the source materials and involved an on-going thoughtful and reflexive consideration of how archival material are presented. In practical terms archival research is not linear in nature. However, the archival protocol did provide some sense of control over what could otherwise become a never-ending task. In summary, engagement with the archives can be messy, complex and in the case of this researcher, seldom linear.

**Table 3.4 Archives Consulted During the Research**

The National Archives of Ireland	The UCD Archives
The Public Records Office of Northern Ireland	The Old Records and Archives of TCD
The National Archives – UK	Special Collections at Queen’s University Belfast

The layout and accessibility of archives differ (Gaillet, 2012). Decker (2013) advocates the use, where possible, of several archival sources so that the same topic and issue can be explored from different perspectives. As an example, information on the NIDC and the NIEC in chapter four were cross referenced with minutes of meetings from both the PRONI and UK National archives.<sup>74</sup>

<sup>73</sup> This is particularly relevant in the case of chapter five, which focuses on inward investment in the manufacturing sector.

<sup>74</sup> See chapter four.

In terms of the practical recording of information in the archives, this researcher decided against the overuse of technology while in an archive (i.e. simultaneous write-up on a laptop). Photos were taken (where permissible), the information was then transferred to a computer.<sup>75</sup> Information was then inputted into an Excel file.

*I'm searching through the computerised records, looking for 'something' – a 'find' within the files listed. A friendly archivist enquires if she can help, but I am vague, because I don't really know. I do know that when I open up a large box file, and carefully unwrap the frayed ribbons and yellowed files, I am connecting to the past, and I wonder what I am doing here, with this box, at this time, and why I am not outside in the world today but have chosen to be here and to give my time to this file, this document, this paper. I am trying to bring myself back there, to the past, to that space, to see these words as though I was back there; I need to reflect on my own relationship with the archives...how can I analyse words if I just see them as solely through today's lens?*

Researcher notes from personal reflective journal<sup>76</sup>

### **Figure 3.8 The Archival Space as a Reflexive Endeavour**

Maintaining a reflexive approach on the part of the researcher was key throughout the process. This constituted the need to approach the archives with an open mind, and continuously acknowledge and reflect upon personal biases. A reflective journal was kept both prior to and after each archive visit. This allowed for better engagement with the requirements of the research and facilitated the setting of goals and objectives going forward. The time needed to reflect upon, consider, categorise, internalise, and triangulate the information gathered in the archives was time-consuming yet fundamental on an on-going basis.

### **3.2.6 Overview of Methodology**

This section outlines the methodological approach adopted and introduces document and archival sources as the key data gathering method. The next section discusses the specific methods used in each of the three subsequent research papers. In summary this research is qualitative and historic in nature. A framework was constructed which drew on the works of Decker (2019), Kipping et al. (2014) and Archer (2007). Source criticism (Berg, 2009; Bryman and Bell, 2003), as it applies to documentary analysis, was chosen as a suitable qualitative equivalent to the hypo-deductive concepts of validity and reliability.

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<sup>75</sup> Apps for the transfer of data included *Jot-note Pro* and *MS Lens*.

<sup>76</sup> Hand-written journals were compiled which included both reflections on the archival, together with visual mind-mapping of theoretical concepts, literatures etc. These facilitated the research journey by providing a useful hard-copy trace of this researcher's thought development and associated reflexive considerations.



### **3.3 Methods Used in Each Paper**

#### **3.3.1 Paper One (Chapter Four) Method**

##### **3.3.1.1 Methodology and Methods Employed**

As noted in prior sections, a qualitative methodology and a critical realism approach are used in this research paper.

##### **3.3.1.2 Data Collection Methods: Archival Research**

Decker (2012) notes that the archival method and historical research are often conflated. Extensive reading took place prior to the research to establish and clarify the political, government and economic context of the time under investigation. Elements of the literature review relevant to this chapter focused particularly on regional policy, economic development and the post-war international political economy.

Publicly accessible sources of evidence, both digital and in hard-copy format were collected. There was extensive access to digital print media due to the digitization of many newspaper records over the last number of decades. The focus of this research is based on the relatively ‘near past’ which made access to on-line sources relatively straightforward.

Information on the political and social developments in Northern Ireland, both before and after the research period, was collected to provide a temporal context. Newspaper articles were primarily sourced from national and regional papers in Northern Ireland, the UK and the Republic of Ireland. Newspaper articles from the US and European (national and regional) press were also used, as well as articles from trade, scientific and business journals.<sup>77</sup> All documents were subjected to source criticism, as outlined above. Files were created (in both hard and soft copies) to categorise information according to date, source and sub-topic. A researcher database was created to record all the information in the sub-topics (Yin, 2014).

The initial objective was to uncover information regarding inward investment into Northern Ireland after the war. Early explorations through the print media drew attention to the ‘*Chandos Commission*’. This led to uncovering information about the *Chandos Commission*, otherwise known as the Northern Ireland Development Council (NIDC) which provided the basis for

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<sup>77</sup> A complete listing of all newspapers used for this research is contained in the reference section.

considering key elements of inward investment in the post war era. Information from the archives at PRONI (Public Records Office of Northern Ireland) were triangulated with newspaper articles. Information was verified by consulting documents from two separate archives - PRONI in Belfast and the UK National Archives at Kew. Data collection focused significantly on organisational meetings, and annual reports, drawing heavily on socially embedded artifacts (Langley, 1999) such as original minutes of meeting etc. Parliamentary debates were also consulted to explore the opinions of the political elite. This iterative process ensured triangulation between the minutes of meetings, contemporaneous press cuttings, and parliamentary debates. Some of the key source documents are presented in table 3.5.

**Table 3.5 Key data analysed**

Minutes of 34 out of 36 meeting of the NIDC between 22 <sup>nd</sup> November 1955 and 1 <sup>st</sup> March 1965
Annual Reports (9 in total) of the NIDC
Press cutting and minutes of the NIEC 1963 – 1972) where available
Over 500 newspaper cuttings relating to the NIDC and economic development in Northern Ireland
Parliamentary debates
Archival materials relating to contemporaneous discussions on economic developments
Six official Economic Reports, and where available, archival material regarding the drafting and consultation of same.

### 3.3.1.3 Data Analysis and Data Presentation – Narrative Approach

*‘...Writing is ‘not only writing’, but also a period of thinking and processing in which the scholar formulates and reformulates, not only the story but the research question, the focus and perhaps even the whole basis of the research’ (Popp and Fellman, 2017).*

The narrative approach is often considered the traditional way in which historians present their work (Jenkins, 2003; Decker, 2012). Decker points to the key role of narrative expression within the context of historical research and she draws on the unique elements of historical research: (1) the interpretation of the evidence; (2) the conceptualisation of temporality and (3) the mode of explanation, The narrative historical approach demands a deep engagement with the material, a commitment to reflexivity, and it was used to present the information.

Popp and Fellman (2017) interviewed historians about their experience of writing a narrative based on archival material. The following extract from that paper resonated with this research

as it sums up this researcher's experience of writing a narrative and with the iterative writing and re-drafting procedure as a 'sense-making' process:

*For all of them [The historians who were interviewed], storying and the narrative form are largely indivisible from sense-making and knowledge creation. Critically, sense-making occurs, at least in part, through the act of writing. Writing emerges as a difficult but extremely important process, one through which much of their thinking takes place and during which much of the construction of the narrative takes shape. It is also a period when they feel creative. The writing process can be gratifying, enjoyable, and even invigorating. Writing 'matters,' and to what we say, not simply how we say it (Popp & Feldman, 2017).*

### **3.3.2 Paper Two (Chapter Five) Method**

#### **3.3.2.1 Methodology and Methods Employed**

Parts one and two of this chapter outlined and justified the key philosophical and methodological choices in relation to this research overall. A database was constructed to consolidate information regarding key firms in the region. There is a lack of official sources providing details of foreign inward investment prior to 1963 (Dunning, 1998; Jones & Bostock, 1996; Teague, 1987).

#### **3.3.2.2 Data Collection Methods: Archival Research**

Similar to prior historical research aimed at developing firm-level databases on FDI (Bostock and Jones, 1994; Barry 2018; Fletcher and Godley, 2000), the research relies on '*Historical methods of investigation: the exploitation of a wide variety of written sources in an effort to identify all past FDI*' (Fletcher & Godley, 2000: 44).

#### **3.3.2.3 Data Sources**

Background reading was undertaken to establish key elements of context for the purposes of the research. The literature review focused on economic developments in Northern Ireland, MNEs development in the post war era, globalisation and the effects of inward investment into a regional economy. The initial phase of data collection involved the systematic collection of hundreds of newspaper articles, business magazine reports, annual reports, internal letters, and internal company magazines and other public material.

Publicly accessible sources of evidence, both digitally and in hard-copy format were located. There was extensive access to digital print media due to the digitization of many newspaper records over the last number of decades. TCD University's database provided access to many digital newspaper archives. This was supplemented by articles acquired through membership of the British Newspaper On-Line Archives, which proved an invaluable source of firm level data. US and European newspapers were also consulted, as were business databases which provided information on industry sectors and individual companies. See table 3.6.

Data relating to individual companies and employment figures are primarily based on contemporaneous newspaper articles (periodical press), specialised trade directories, company and industry histories, archival sources, annual reports, and trade, scientific and business journal. Multiple sources such as government files, archival sources, media reports, prior academic papers, on-lines searches, company reports and grey matter *inter alia* were used to gather information for this research. Where available, archival research provided insights into the circumstances facing individual companies as they set to establish a presence in the region. While every attempt was made to include all relevant companies, the possibility of omitting a company exists, although this would most likely have been be a smaller company. Prior research papers focusing on specific companies and industrial sectors proved also to be invaluable.

**Table 3.6 Key Business Sources and Databases Consulted**

Lexis-Nexis
Factiva
InfoTrac
EBSCO
ProQuestion
Securities and Exchange Commission's filings (SEC)
Moody's Industrial Manual and Value Line
International Data Corporation (IDC)
Gale Research's U.S. Industry Profiles
Standard and Poor's (S&P) Industry Surveys

#### **3.3.2.4 Data Management and Organisation**

Excel files for all the newspaper and press articles that were collected and organised by theme, date, author, and newspaper. Each article therein was subjected to a source criticism analysis. This holds true for all material identified and analysed herein.

#### **3.3.2.5 Data-Base Development**

A database of manufacturing investment originating from outside the United Kingdom between the years 1945 and 1973 was developed using Excel. Best practice in relation to the creation of databases was facilitated by an on-line course in the development of historical databases via the University of London.<sup>78</sup> Database attributes are presented in Table 3.7 and are based on the variables developed for the Jones and Bostock database (1994).

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<sup>78</sup> 'Designing Data-base for Historical Research' by Mark Merry. Postgraduate Online Research Training (PORT), Institute of Historical Research, School of Advanced Study, University of London

**Table 3.7 Data-base Attributes**

<b>Main topics:</b>	<b>Inward investment; Direct Foreign Investment</b>
Coverage	Time Period Covered: 1945 – 1973
Country:	United Kingdom
Spatial Units:	(A) Country (B) Region
Observation Units	Organisations/Companies
Universe Sampled	Yes – all FDI Investment
Location of Units of Observation	Regional: Northern Ireland
Population	US Manufacturing Companies; European Manufacturing
Methodology	Qualitative
Sampling Procedures:	None – Total Universe
Methods of Data Collection:	Compilation or synthesise of existing material; archival material; secondary sources from print media
Data Sources	See figure below

Source: Adapted from Jones and Bostock (1996)

### 3.3.2.5.1 Selection Criteria for Inclusion into Database

This research focuses on the manufacturing sector, referred to as is the ‘*engine of growth*’ (Bradley, 2006:2) and excludes FDI in the services and retail sectors.<sup>79</sup> ‘*A multinational has been defined simply as a firm with at least one manufacturing, assembling or packaging facility in a foreign country*’ (Bostock & Jones, 1994: 91), while Wilkins (1994:18) define an MNE as ‘*A firm headquartered in one country (or less frequently more than one country) that extends its operations to do business in at least one country abroad*’.

Drawing on conventions adopted by Bostock and Jones (1996) and Barry (2018), ownership descriptors reflect the parent company, rather than the nationality of the owners - thus a newly established business in Northern Ireland set up by a US national would be considered a Northern Irish company rather than a US company. Most of the companies discussed are either wholly owned subsidiaries or joint ventures with at least 50% foreign ownership. The firms and information pertaining to same has been triangulated from several sources.

- The database excludes companies which were set up prior to 1945, and Northern Irish companies.
- The date of establishment was given as the date when production first started, and employment figures relate to the highest level of employment.
- Many companies availed of generous grants; however, the receipt of grants is not a prerequisite of entry into the database.

<sup>79</sup> For a historical analysis of the retail sector, see Fletcher and Godley (2000).

- The date base excludes British companies, but it includes foreign companies that relocated to Northern Ireland from Britain.

### 3.3.2.5.2 Standard Industrial Classification of Economic Activities

Foreign companies that located in Northern Ireland were classified using the 1980 UK SIC code.

The 1980 UK SIC code was used for a number of reasons:

1. The classification system was significantly changed in the 1980 up-date and it was the first up-date in the classification system since 1968.
2. It follows the convention previously used by Jones and Bostock (1994). That study focused on the number of foreign multinationals in the UK from 1850-1962. Using the same criteria to measure the sectoral of the incoming companies in this study allows for the direct comparisons with findings from that of Bostock and Jones (1994).
3. It is an official source:

[ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationsofeconomicactivities/uksicarchive](https://ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationsofeconomicactivities/uksicarchive)

### 3.3.2.6 Employment Figures

There was no existing database that provides a detailed analysis of the new investment into Northern Ireland prior to 1963. This database thus serves to illustrate the nature, type and size of the new investment in the aftermath of WW2. In particular, this research outlines the employment numbers in each of the individual foreign companies which located in the region.

There are significant challenges in developing accurate employment figures from a longitudinal and historical perspective and every effort is made to limit inaccuracies (Barry, 2018; Jeremy & Farnie, 2001; Wardley, 2001).<sup>80</sup> Every effort has been made to reflect exact employment numbers and all estimates are recorded. The procedures used to maximise trustworthiness in relation to employment figures follows that of Wardley (2001). Employment figures are based

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<sup>80</sup> Barry (2018) has outlined the challenges of estimating employment levels longitudinally, and across firms. See Wardley, P. (2001). *On the ranking of firms: a response to Jeremy and Farnie*. *Business History*, xliii (3), 119-34; See also Jeremy, D. and Farnie, D. (2001). Debate - The Ranking of Firms, the Counting of Employees, and the Classification of Data: A Cautionary Not, *Business History*, 43(3), 105-18.

on actual figures rather than officially projected figures due to a possible tendency among development agencies to inflate projected numbers (O’Hearn, 2000).

### **3.3.3 Paper Three (Chapter Six) Method**

The aim of Chapter Six is two-fold.

- (1) To explore if policy transfer occurred in relation to inward investment-related policies between Northern Ireland and the ROI and/or visa-versa.
- (2) To explore if the extent of policy transfer between NI and the ROI changed over time (in the event that (1) is shown to have occurred).

In the empirical analysis undertaken (and elaborated upon in Chapter Six), this research concluded that:

- (1) Inward investment-related policies were transferred between Northern Ireland and the ROI and visa-versa.
- (2) The extent of policy transfer changed over time.

#### **3.3.3.1 Methods Employed**

- Archival records
- Contemporaneous media accounts
- Secondary sources i.e. previous analysis and commentary by historians reflecting on the nature of the relationship between North and South and between the Republic and Britain.

The broader philosophical and methodological choices have been documented in sections 3.1 and 3.2 above. The timespan of over 25 years (1945 to 1973) facilitated a longitudinal study of the relationship between North and South in respect of how policies were transferred or shared between the two economic spaces.<sup>81</sup>

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<sup>81</sup> The justification for using this time-period was provided in chapter one.



The chapter is presented as an historiography which has similarities to the single case study approach. *'Historiography...attempts to fashion a descriptive written account of the past. Such a narrative account is flowing, revealing, vibrant, and alive'* (Berg, 2009: 296). O'Brien et al. (2004) state that *'historiographical research also resonates with the case study family of research methods'*. Yin (2014) uses the term the history method of research as similar to the case study, except that the focus is not on contemporary events and states that *'the distinctive contribution of the historical method is in dealing with the 'dead' past – that is, when no relevant persons are alive to report, even retrospectively, what occurred, and when an investigator must rely on primary documents, secondary documents and cultural and physical artifacts as the main sources of evidence'* (Yin, 2003: 6). From an economic history perspective, de Jon and van Driel (2018) suggest that the case-study approach is a fruitful way of using archival data. They distinguish between (1) exploratory; (2) unique and (3) hypothesis-testing cases, noting however that the labels of *'exploratory'* or *'unique'* as applied to a particular case may be a matter of interpretation, depending on the viewpoint and aim of the researcher.

This chapter employs a of historiography as proposed by O'Brien et al. (2004), whose research considers the application of historiography to management studies. Table 3.8 presents their interpretation of the alternative emphases in the case-study and historiographic approaches. O'Brien et al. (2004:141-142) further suggest that the historiographic method *'has much to offer'* those coming from a critical realist perspective and that although *'Historiography is unlikely to produce a rigorous academic theory, it will facilitate the development of such theories.'*

**Table 3.8 Different Emphases used in Historiography and Case Studies**

	<b>Historiography</b>	<b>Case-Study</b>
<b>Key Focus</b>	Chronology	Event/s
<b>Sources of Evidence</b>	Any authentic and credible source	Primarily interviews and corporate documents (in the case of organisational documents)
<b>Potential for the use of analytical or computer tools</b>	Low	Medium
<b>Delivery of Results</b>	Narrative leading to hypotheses	Narrative, hypotheses and theory
<b>Generalisability</b>	Not relevant	Some scope
<b>Validity</b>	Strong potential	Strong potential
<b>Potential for academic rigor</b>	Strong	Strong
<b>Major Challenges</b>	Finding authentic and credible evidence and objectively interpreting it	Obtaining adequate access to the people or organisations required

Source: Adapted from O'Brien et al. (2004).

## CHAPTER FOUR      INWARD INVESTMENT POLICY AND PROMOTION: NORTHERN IRELAND, 1945 - 1973

### 4.1      Introduction

The aim of this chapter is to explore NI's inward investment policy from 1945 and 1973 through an analysis of six official/government-sanctioned documents (see table 4.1) and two government-established councils, the Northern Ireland Development Council (NIDC) and the Northern Ireland Economic Board (NIEC).

Teague (1987) argues that the policy of encouraging FDI in Northern Ireland developed gradually between 1957 and 1959.<sup>82</sup> This chapter challenges this assumption, arguing instead that FDI as an official policy objective commenced with the establishment of the NIDC in 1955, while the importance of foreign investment is highlighted in government memos dating back to 1951.<sup>83</sup>

The concept of policy transfer and the search for policy solutions has been widely explored in the public policy and comparative politics literatures (Dolowitz & March, 1996; Rose, 1991; Stone, 2012).

The importance of '*ideas*' has been considered in the economic narrative literature particularly in relation to the role that ideas play in fostering economic growth (Romer, 1993; Rodrik, 2014; Barry & O'Mahony, 2017). Romer (1993) explores how the discovery of new ideas lies at the heart of economic growth and suggests that ideas represent an endogenous route to growth (in contrast to Solow's exogenous growth model). Furthermore, he draws on the theory of public goods by highlighting the non rivalrous nature of ideas as crucial to economic growth.

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<sup>82</sup> At the time of Teague's writing, many of the archive in this research were not accessible to the public. This research thus updates some of the prior assumptions, based on these more recently available documents.

<sup>83</sup>PRONI, Com 60/A/1/3/64, letter from W.V.McCleery, Ministry of Commerce, to President of the Board of Trade, 19 May 1951. A specific request was made for concessions for the importation of machinery for the first US company in Northern Ireland– Berkshire Knitting Mills – established in 1947, on the basis that '*Our interest in American participation is undoubtedly justified from the long-term view*'.

Hall (1993:297) notes that ‘...*policymakers customarily work within a framework of ideas and standards that specifies not only the goals of policy and the kind of instrument that can be used to attain them, but also the very nature of the problems that they are meant to be addressing*’. The belief that growth can be fostered by opening trade policies was a key *idea* of the post WW2 global landscape. (This idea was in direct contrast to the inter-war protectionist era). In addition, the idea that MNE growth could provide new employment opportunities in both developing and developed economies was a major tenant in the post war globalisation boom. Doubtlessly, NI, along with other European economies embraced this key idea. Policy-makers in NI, in conjunction with the Board of Trade actively sought new ideas and ways of learning from a myriad of sources, as a way of addressing the key challenge of economic decline and growing unemployment.

There was no shortage of officially commissioned reports to address, and pontificate upon, the economic challenges facing Northern Ireland during the period under investigation. The Reports on Employment Policy in Northern Ireland (1952 and 1955), the ‘*Cuthbert and Isles*’ Report (1957), the Arthur D. Little Survey (1959), along with the later Hall (1962) and Wilson (1964) reports presented numerous ideas, policy instruments and solutions dealing with the issue of deindustrialisation and economic decline, and the potential role of inward investment as a way of supporting economic development. Ultimately, this chapter will show that while the region embraced the overall concept of encouraging new industries into the region, there was a lack of imagination and creativity, and indeed competence regarding how this might be fruitfully implemented in practice.

Birnie and Hitchens (2001) reviewed eleven economic policy documents spanning 1955 to 1999. This chapter encapsulates a more limited timeframe of between 1945 and 1973, and considers three documents – two policy papers on employment (1952 and 1955) and a report carried out by external US consultants, Arthur D. Little (1959) - which were outside the remit of the Birnie and Hitchens analysis.

While acknowledged the difficulty in attributing direct causation for poor economic outcomes to a set of policy documents, Birnie and Hitchens (2001) note that the documents which they evaluated were, nonetheless, limited in their effectiveness and implementation. They also

considered the difficulty in determining the counterfactual outcome i.e. how the economy of Northern Ireland would have performed in the absence of such documents.

This chapter supports the prior assertions of Birnie and Hitchens. The chapter argues that there were fundamental flaws in policy initiatives concerning inward investment both at regional and central level. These included a lack of coherent planning (between the regional and national governments), a puerile belief among contemporaneous policy makers that the problems of structural economic decline could be easily and rapidly solved, and a belief that the promise of increased employment, because of inward investment, was a panacea to solve the economic problems of the day. Such flaws were in part attributable to the challenges facing both the core and periphery in their attempts to make policy decisions within a complex economic and political system. This chapter suggests that the optimal core-periphery policy-making relationship is co-created within the bi-lateral space. Policy making needs to be negotiated respectfully, and with clarity, insofar as the allocation of power and responsibility between the core and the periphery should be explicit from the outset.

**Table 4.1 An Overview of Economic Reports 1952 - 1965**

<b>Year</b>	<b>Working Title</b>	<b>Official Title</b>	<b>Author</b>	<b>Consultation Process</b>
1952	The Report of the First Working Group on Employment	Employment Policy in Northern Ireland – A Report by a Working Group of Officials of the Imperial and Northern Ireland Governments	Senior London and NI civil servants. Lead by senior civil servants. Chairman of the Steering Committee - Sir Edwin Plowden; NI Head Representative - Sir Willian Scott.	Meetings between May and July 1952 with supplementary papers from the Labour, Commerce, Finance and Agricultural ministries
1955	The Report of the Second Working Group on Employment	Employment Policy in Northern Ireland – A Report by a Working Group of Officials of the Imperial and Northern Ireland Governments	Senior London and NI civil servants. Lead by senior civil servant	Not clear
1955 (published in 1957)	Cuthbert and Isles	An Economic Survey of Northern Ireland	Professor and senior lecturer in the Department of economics QUB	Small number of interviews with business managers
1959	Arthur D. Little	A program to attract American industry to Northern Ireland	US (Boston, Mass.) based management consultants	Interviews with US companies; comparative data on Netherlands and Belgium
1962	The Report of the Third Working Group on Employment (The Hall Report)	Report of the Joint Working Party on the Economy of Northern Ireland Cmd. 446	Senior London and NI civil servants. Lead by senior civil servant	Three days of meetings in Belfast
1964	The Wilson Report	Economic Development in Northern Ireland Including the Report of the Economic Consultant Professor Thomas Wilson Cmd. 479	Professor of Economics, Glasgow	Trade unions, business and academics

Source: Expanded from Birnie and Hitchens (2001).

## 4.2 The Early Post-War Years

In 1945 Northern Ireland enacted new legislation under its regional development policy in an attempt to encourage new industry into the region.<sup>84</sup> The Ulster Unionist Party (UUP) stressed the success of the Northern Ireland in attracting investment.<sup>85</sup> A UUP leaflet (1950) highlighted the increasing levels of inward investment, (the majority of which availed of financial assistance) across a range of products including

*aircraft, art silk fabrics, batteries, carpets, cotton spinning and weaving, electrical engineering and equipment, fibre and metal boxes, footwear, fur goods, glass manufacture, glass fabrics, insulators, tiles and pottery, jewellery, numbering machines, optical components, precision engineering, prefabricated housing, radio equipment, silk and nylon hosiery, toys, vacuum cleaners, as well as food products of various kinds and other manufactures based on agriculture.*<sup>86</sup>

**Table 4.2 Northern Ireland’s Government Summary of New Industry from 1932 to 1948**

Date	With Financial Aid of Government		Without Financial Aid of Government	
	Expansion of existing firms	New firms	Expansion of existing firms	New firms
1932 -1939	11	28		
1939-1945	1	3		
1945-1948	25	59	5	39
Arranged for future		18		8

Source: Adapted from *Progress Report: A factual review of the period 1945-1949 under the Unionist Government of Northern Ireland.*<sup>87</sup>

<sup>84</sup> Northern Ireland had been implementing regional policy initiatives since 1932, commencing with the New Industries (Development Act) 1932. A new wave of Development Acts recommenced after the war, starting with the Industrial Development (NI) Act 1945. This was broadly based on similar UK legislation, however the Northern Ireland legislation was acknowledged as being more generous than its UK counterpart. See chapter two and table 2.8.

<sup>85</sup> The Ulster Unionist Party (UUP) formed the government of Northern Ireland from 1921 to 1972. It was predominantly protestant but there were exceptions. For example, Sir Denis Henry, a catholic unionist lawyer, was the first Lord Chief Justice of Northern Ireland (The Irish Times, 25 August 2021).

<sup>86</sup> NAI TAOIS/S 13524, Pamphlet: *Progress Report: A Factual Review of the period 1945-1949 under the Union Government of Northern Ireland*, published by the UUP, 1950.

<sup>87</sup> NAI TAOIS/S 13524, Pamphlet: *Progress Report: A Factual Review of the period 1945-1949 under the Union Government of Northern Ireland*, published by the UUP, 1950.

Table 4.2 suggests a significant increase in investment during these early post-war years. The majority of new investment came from Britain. One US company, Berkshire Knitting Mills, established a plant at the end of 1947 (this was a partnership with two British companies) and the numbers of foreign companies began to increase, albeit at a slow pace, during the early 1950s.<sup>88</sup> In the decade from 1945 to 1955, a total of sixty-two British manufacturing establishments and three branches of US manufacturing firms had located in the region.<sup>89</sup> According to Murie et. al. (1973) Northern Ireland's traditional bourgeoisie, and incumbent industrialists were wary of this new investment *'there seemed to be a feeling that the government, in their attempts to attract new industries, were overlooking the necessity for encouraging and helping existing firms'* (Murie et al., 1973:137). Buckland (1981:93) suggests that the introduction of new regional legislation such as the Re-equipment of Industry Act (NI) 1951 was aimed at appeasing local industry, in light of new regional policy incentives directed towards new investment.

### 4.3 Report on *'Employment Policy in Northern Ireland'* (1952)

In 1949, despite new inward investment in the early post war years, unemployment in Northern Ireland was 5.8%, compared to 3.6% in Wales, 2.5% in Scotland and an average of 1.3% in Great Britain overall (NI Ministry of Labour, 1952).<sup>90</sup> As illustrated in table 4.3, the comparatively high levels of unemployment continued in the NI would continue into the 1950s and 1960s.

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<sup>88</sup> PRONI Com/10/6. In 1947, the Ulster Knitting Mills established a plant in Northern Ireland. Berkshire Knitting Mills of Reading Pennsylvania had a minority shareholding in the Company and became a majority shareholder in 1951, coinciding with a change of name from the Ulster Knitting Mills to Berkshire Knitting Ltd. Although Berkshire Knitting had a minority shareholding prior to 1951, it had been heavily involved in the initial approaches to the UK Board of Trade regarding the establishment of a facility for the production of ladies' hosiery in Northern Ireland. By the 1920s, Berkshire Knitting Mills had become the largest manufacturer of women's hosiery in the world. The company had already garnered international renown by the time of its establishment in Northern Ireland, having revolutionised the hosiery business by introducing the nylon stocking in 1938 (the company also had a close association with DuPont company, which had invented nylon, the first completely man-made fibre, in 1936). The NI venture was the first overseas manufacturing plant for Berkshire Knitting. At its peak, the company had over 500 employees in Northern Ireland. See 'American Firm's success in Northern Ireland', by Ferdinand K. Thun, Chairman, Berkshire Knitting (Ulster) Ltd, *The Board of Trade Journal*, 1959. See also chapter five (5.5.1.1)

<sup>89</sup> The US companies were Berkshire Knitting (1947); Norton Abrasives (1953); Hughes Tools (1954). See chapter five.

<sup>90</sup> PRONI Cab/9/A/116, Cuthbert and Isles Report (Draft, 1952). This figure measured the percentage unemployment of all insured workers, aged 14 and over, in industry and agriculture.



A working group comprised of civil servants from the Northern Irish and British governments was set up in 1952, tasked with identifying the main causes of unemployment in the region and suggesting possible solutions.

**Table 4.3 Percentage of Total Insured Population, by Selected Regions, Registered as Unemployed (Selected dates 1945 - 1970)**

	1945	1949	1956	1958	1960	1962	1965	1967	1970
<b>Great Britain (average)</b>	0.8	1.3					1.4	2.4	2.6
<b>Wales</b>	3.2	3.6	2.2	4.1	2.5	3.0	2.6	4.1	4
<b>Scotland</b>	1.5	2.5	2.2	3.7	3.4	3.5	3.0	3.9	4.3
<b>Northern Ireland</b>	4.7	5.8	6.8 (1955)	9.3	6.7	7.5	6.1	7.7	7

Sources: Tables 21 & 26, as cited in Busteed (1974:7). [1945-1949 Ministry of Labour Gazette. N.I. Ministry of Labour. Cited in Cuthbert and Isles Report (Draft Report 1952); 1956, 1958, 1960, 1962, in Buckland (1981: 94); 1965, 1967, 1970, Statistics for Economic Planning Regions from: Abstract of Regional Statistics, No. 7, 1971 (H.M.S.O., London, 1972)].

The resultant document would be the first in a triad of reports on the topic of unemployment (the second was a short follow-up published in 1955, and the third 1962 document, eponymously referred to as the ‘Hall Report’ after its chairman). This 1952 ‘Employment Policy in Northern Ireland’ document suggested *inter alia* that the low levels of purchasing power among the Northern Ireland population had a negative effect on employment.<sup>91</sup> The report did not consider specialisation of industry a problem:

*There is no such need for further diversification... the figures do not, however, suggest that the degree of Northern Ireland’s dependence on a few major industries is in any way exceptional, and that economy is certainly very much more diversified already than say, the textiles areas of Lancashire or the coalfields of South Yorkshire which both have a greater working population.*<sup>92</sup>

A contrasting view was put forward in an article from 1954 in the *Statist* magazine by the economist Charles Carter (1954:3) who noted that ‘Northern Ireland badly needs to be famous

<sup>91</sup> PRONI Cab/9/F/188/5, *Employment Policy in Northern Ireland – A Report by a Working Group of Officials of the Imperial and Northern Ireland Governments*. 1 August 1952.

<sup>92</sup> PRONI Cab/9/F/188/5, *Employment Policy in Northern Ireland – A Report by a Working Group of Officials of the Imperial and Northern Ireland Governments*. 1 August 1952.

*for something other than linen and ships*'.<sup>93</sup> Similarly, Wilson (1990) later propounded that after the WW2 the industrial structure needed to change and that increased diversification would lead to less vulnerability.

The 1952 report provided a number of potential recommendations including a possible remission of local rates and the reimbursement of employers' national insurance contribution.<sup>94</sup>

The possibility of Northern Ireland obtaining some form of special status was contemplated

*...we believe that the most compelling argument for according special treatment to Northern Ireland is to be found in the historical fact that thirty years ago the Six Counties chose to stand by Great Britain rather than throw in their lot with the South. The value of this association to Britain herself was never more clearly demonstrated than during the recent war when the possession of vital bases in Northern Ireland proved of incalculable advantage to the Allied cause – and the denial of similar bases in the South a cruel handicap.*<sup>95</sup>

In relation to according special fiscal treatment to the region, the report noted that although the '*unique constitutional position*' of Northern Ireland would, in principle facilitate the implementation of some sort of special treatment, any such initiative might create excessive costs to the United Kingdom as a whole and that

*income tax, profits tax and E.P.L are all 'reserved taxes' and any special remission in favour of business in Northern Ireland would infringe the important principle of parity between the United Kingdom and Northern Ireland. We do not think that this principle should be lightly discarded.*<sup>96</sup>

The report did not advocate the establishment of a regional development council.<sup>97</sup> However it referred positively to the Scottish Development Council

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<sup>93</sup> 'A Change of Prosperity!' C.F. Carter, in 'The Economy of Northern Ireland'. *The Statist*, November 27 1954,3.

<sup>94</sup> These measures had been proposed in the 1944 UK White Paper on Employment Policy (Employment Policy presented by the Minister of Reconstruction to Parliament by Command of His Majesty, May 1944, Cmd. 6527).

<sup>95</sup> PRONI Cab/9/F/188/5, *Employment Policy in Northern Ireland – A Report by a Working Group of Officials of the Imperial and Northern Ireland Governments*. 1<sup>st</sup> August 1952.

<sup>96</sup> PRONI Cab/9/F/188/5, *Employment Policy in Northern Ireland – A Report by a Working Group of Officials of the Imperial and Northern Ireland Governments*. 1<sup>st</sup> August 1952.

<sup>97</sup> This was in contrast to the recommendation of the *Cuthbert and Isles Report* (1955) which advocated the establishment of some form of development council/committee.

*...it is worth noting the considerable degree of success achieved in Scotland since the war by the Scottish Development Council, an independent body set up in 1946 and financed by subscriptions from Local Authorities, Chambers of Commerce, Trade Associations, Trade Unions, Co-operative Societies, industrial concerns and various other sources.*

The report included a list of product characteristics most suitable for manufacture in the region such as (a) a dependence on raw materials or semi-manufactured goods produced in Northern Ireland, (b) fuel costs as a low percentage of total costs, (c) transport costs, both of raw materials and finished goods, which were low in relation to total costs, (d) relatively labour-intensive (male), (e) a large export demand, (f) the ability to make use of skills and factory capacity available in Northern Ireland (for example, there was an expectation that the newer synthetic fibre manufacturers could take up spare capacity in the linen industry), and (g) the ability to operate in relatively small units.<sup>98</sup>

The overall conclusion was that: *'We are convinced that in the long run the only really satisfactory solution of Northern Ireland's unemployment problem is to be found in the creation there of new industries and the development of existing ones'*.<sup>99</sup>

On the basis of the working party's recommendation that the creation of new companies was the key to alleviating the unemployment problem, the Ministry of Commerce set about ways to promote the region to British industry.<sup>100</sup> A two-page promotional leaflet was circulated in the Federation of British Industries' (FBI) monthly review.<sup>101</sup> The leaflet focused on the high level of incentives: *'The Ministry of Commerce carries on a continuous programme of factory building (Advance Factories) designed to provide modern accommodation of varying size in different parts of the province'*.<sup>102</sup> The pro-business culture, the inclusive attitude of the Northern Ireland government towards industry (for example, the regional Government

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<sup>98</sup> PRONI Cab/9/F/188/5, *Employment Policy in Northern Ireland – A Report by a Working Group of Officials of the Imperial and Northern Ireland Governments*. 1<sup>st</sup> August 1952.

<sup>99</sup> PRONI Cab/9/F/188/5, *Employment Policy in Northern Ireland – A Report by a Working Group of Officials of the Imperial and Northern Ireland Governments*. 1<sup>st</sup> August 1952.

<sup>100</sup> PRONI Cab/9/F/188/5, Working Party Report on Employment in Northern Ireland Federation of British Industries (Confidential). 1952.

<sup>101</sup> The FBI (1916 -1965) was a representative organization for industry. By 1964 its membership comprised of over 9000 firms and 272 trade associations. In 1965 it merged with the British Employers Association and the National Association of British manufacturers to form a new organization – the Confederation of British Industry.

<sup>102</sup> PRONI Cab /928, *'Industrial Opportunities in Northern Ireland'* report to the Federation of British Industries, October 1952.

consulted businesses on new legislation), and the lenient attitude towards planning and development charges were all stressed in this promotional literature, as suggested by the phrase ‘*the maximum assistance with the minimum interference*’.<sup>103</sup> From the viewpoint of the investor, this relaxed business environment was regularly cited as a significant advantage to investing in the region. For example, US investors in NI, such as Hughes Tools (US) and British Enkalon (NL), roundly endorsed contemporary regional business practices in terms of access to ministers and minimal bureaucracy.<sup>104</sup>

#### **4.4 The ‘Group of Three’ and the ‘Eight Point Plan’**

The unemployment problem saw no signs of abating and in November 1954, three British Labour party MPs, led by Alfred Robens, undertook a three-day visit to Northern Ireland on the invitation of the Northern Ireland Labour Party (hereafter NILP) to examine at first-hand the employment problem.<sup>105</sup> <sup>106</sup> News of the visit received a lukewarm reception from the UUP, who nonetheless agreed to a lunch with the visitors, which was to be attended by a small group of officials.<sup>107</sup>

This ‘*group of three*’ subsequently submitted a so-called *Eight-Point Programme on Unemployment in Northern Ireland* to the Home Secretary.<sup>108</sup> Their recommendations included an expansion of public works, the development of a new dry-dock, and oil refinery, increased finance from central government, the expansion of the agricultural sector and the establishment of both a textile council and a development corporation/council. The group also advised the immediate publication of the Cuthbert and Isles report.<sup>109</sup>

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<sup>103</sup> PRONI Cab/928, ‘*Industrial Opportunities in Northern Ireland*’ report to the Federation of British Industries, October 1952.

<sup>104</sup> These individual companies are further explored in chapter five.

<sup>105</sup> The NILP had no MPs in Stormont or Westminster at the time but would subsequently gain three seats in 1958. For a discussion on the NILP see Edwards, A. (2009) ‘A History of the Northern Ireland Labour Party: Democracy, Socialism and Sectarianism’. Manchester University Press. 2009.

<sup>106</sup> PRONI Com/60/A/1/3/119, Visit to N.I of Rt. Hon. A. Robens, MP; Mr. James Callaghan M.P. and Mr. A. Bottomley MP, November 1954.

<sup>107</sup> PRONI Com/60/A/1/3/119, letter to Robens from Ivan O’Neill, 20 October, 1954.

<sup>108</sup> Gwilym Lloyd George (1894 – 1967) held the position of Home Secretary from 19<sup>th</sup> October 1954 to 14<sup>th</sup> January 1957. He was the younger son of former British Prime Minister David Lloyd George (1863 -1945).

<sup>109</sup> The Cuthbert and Isles report was completed by 1955 but its publication was delayed for two years by the UUP, due to the negative implications of the report. In this context the call by the Labour group for the publication of the Isles Report was contrary to the UUP position.

The NI Government appeared not to frame the Labour visit within a political context. A confidential memo from within the NI Ministry of Commerce noted that ‘*so far as he [Alfred Robens] personally was concerned, there was no element of party politics in his approach to the subject.*’<sup>110</sup> The only action taken by the NI Ministry was to promptly forward their own document on unemployment to the Home Secretary. The Northern Ireland Cabinet Employment Committee decided against taking an immediate action on the Labour group’s suggestions and left the responsibility for dealing with the ‘Robens Report’ to the UK ministers.<sup>111</sup>

In contrast the Home Secretary confidentially outlined his wish to leave matters to Northern Ireland.<sup>112</sup> The attitude of the UUP therefore was to distance itself from the Robens report and place the responsibility for same firmly back to the core in London.

Robens insisted that the reason for his engagement in the economic affairs of Northern Ireland were not politically motivated, an assertion which was at best naïve and at worst disingenuous. Within a week of the visit, the Daily Herald reported that James O’Callaghan, another participant of the Robens’ mission had likened Northern Ireland to ‘*a bad dream of the nineteen-thirties*’ noting that ‘*Northern Ireland’s trouble is that it was a distressed area for years - but its Tory Government refused to recognize the fact*’.<sup>113</sup> The final line of the article notes ‘*20,000 NEW JOBS WOULD SOLVE THE PROBLEM. OF COURSE IT CAN BE DONE*’.<sup>114</sup>

The Conservative party’s challenge was to limit political repercussions from the Labour visit. Given that the problem had effectively been handed back to central government, the British Treasury advocated the reconvening of the original 1952 working group which, they suggested, should be tasked with providing an up-date on the 1952 report. The 1955 working group (otherwise referred to as the 2<sup>nd</sup> working group) mainly consisted of the same by the same group of officials from both NI and the British officials who had worked on the 1952 report

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<sup>110</sup> PRONI Com 60/A/1/3/119, ‘Confidential memo, Department of Commerce’, 1 December 1954.

<sup>111</sup> PRONI Com 69/40, ‘Cabinet Employment Committee’, 30 November 1954.

<sup>112</sup> PRONI Com 60/A/1/3/119, Confidential letter from Gwilym Lloyd-George, Home Secretary to Alfred Robens, 31 January 1955.

<sup>113</sup> *Daily Herald*, The people that prosperity forgot. 17 November 1954.

<sup>114</sup> This view that the economic problem could be solved by the creation of jobs would be continually reinforced throughout the following decade and the focus on employment numbers was a narrative which would run within Northern Ireland officialdom for the subsequent decades. Lord Chandos’ attitude to solving the unemployment crisis was very similar. See section 4.5 below.

.<sup>115</sup> This led to the 1955 Report on Unemployment, the second in a trilogy of official economic reports – the third report would follow in 1962, eponymously referred to as the Hall Report, after its chairman.<sup>116</sup> This was an-update on the 1952 Working Group report which further incorporated some recommendations set out in the Robens’ Report and additional proposals put forward by the of Ulster Unionist Parliamentary Party.<sup>117</sup> By producing an official report, the Government could minimize political fallout from the Robens’ report by being seen to actively address the unemployment situation.

The response on the part of the UUP ministers ensured that responsibility for any of the issues raised by Robens was handed firmly back to Whitehall and was arguably indicative of the level of responsibility which the party was willing to accept for the economic woes of the day.<sup>118</sup> Moreover, it illustrates the reason for on-going concern in both Whitehall and Westminster who were anxious for the UUP to take more responsibility with the regard to the economic challenges in the region.<sup>119</sup> However, a confidential letter from Robens to the Home Secretary noted that *‘I do not believe that the Northern Ireland Government is capable of doing this job on its own, it is therefore a matter in which the United Kingdom Government must play a leading part.’*<sup>120</sup>

Arising from the on-going challenges facing NI, the formation of a new development council for NI was proposed. The subsequent establishment of the Northern Ireland Development Council (NIDC) was announced by the Home Secretary, Gwilym Lloyd George in Parliament in May 1955

*we have come to the conclusion that a development corporation with executive powers would be not a desirable instrument...It would overlap many of the purposes and functions of the NI Government and of the normal business activities*

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<sup>115</sup> The First Working Party (1952); the Second Working Party, (1955); the Third Working Party (The Hall Report: 1963).

<sup>116</sup> PRONI Com 69/40, Working Group on Employment Policy in Northern Ireland 1955. Unemployment trends in Northern Ireland.

<sup>117</sup> Letter from B.W. Gilbert, Treasury Chambers to Harkness. 3<sup>rd</sup> December 1954. This title was subsequently rejected by the Unionist governments.

<sup>118</sup> Westminster refers to the parliamentary wing of the political institution. Whitehall refers to the British Civil Service.

<sup>119</sup> This argument is further explored below in the section on the NIDC.

<sup>120</sup> PRONI Com 60/A/1/3/119, Letter from Robens to Home Secretary Gwilym Lloyd-George. 25<sup>th</sup> January 1955. In a subsequent parliamentary debate however, Robens stated that he believed that the NI Government was not competent to deal with the unemployment situation, in the sense that *‘they cannot do the job on their own. I do not believe that they have all the necessary facilities for doing it.’* Hansard 5<sup>th</sup> May 1955 Vol 540

*of private enterprise...we have agreed with the view of the Northern Ireland Government that they should set up without delay an advisory development council, including representatives of both sides of industry from both sides of the Channel, to assist in tackling this stubborn problem of unemployment in Northern Ireland.*<sup>121</sup>

Originally envisioned as a development council without statutory powers, its proposed terms of reference were:

- *To study means of encouraging economic development in Northern Ireland suitable to its needs and potentialities and of attracting new industry, in order to reduce unemployment: and to advise the Northern Ireland Government generally on the use of funds made available for these purposes.*
- *To make more widely known in the United Kingdom and elsewhere the facilities which Northern Ireland offers to new industry*<sup>122</sup>.

The British Government was keen to ensure consensus from the NI Government for its establishment. Therefore, the Board of Trade (hereafter BOT) secured Lord Chandos as Chairman, as he was the preferred choice of the Northern Ireland Government.<sup>123</sup> Lord Chandos initially appeared unenthusiastic about assuming the position, making his acceptance conditional on several demands, which had the effect of altering the nature and remit of the new body. Among Chandos' demands was that the board should be more than '*advisory*' in nature, with the power to entice industrialists to locate in the region.<sup>124</sup>

The BOT envisaged that an economist would sit on the board of the newly established council, but Lord Chandos deemed this unnecessary. The BOT did not challenge his decision and thus no economist was appointed.<sup>125</sup> Chandos expected the new council to be '*a short-term project*'

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<sup>121</sup> Hansard 5 May 1955 Vol 540.

<sup>122</sup> PRONI Cab/9/F/188/8, Letter from A.C. Brooke to R.S Brownell. Ministry of Commerce Files. 15<sup>th</sup> November 1955.

<sup>123</sup> TNA T 229/895. Lord Chandos was not the first choice. The role had originally been offered to Sir Harry Pilkington, who turned it down due to work commitments. He was head of a glass manufacturing company (Pilkington Brothers Ltd) and President of the Council of European Industrial Federations.

<sup>124</sup> TNA BT 177/1487, Memo from the Board of Trade regarding the appointment of Lord Chandos. 20 June 1955.

<sup>125</sup> TNA BT 177/1487, The Board of Trade had gone as far as seeking potential recommendations for a suitable economist to sit on the board of the NIDC and had sought the advice of Robert Hall (who subsequently chaired the Hall Report) in this regard. Hall had recommended Professor Charles Carter of Queen's University for the position. The other contender was Professor Isles (also an economics professor at Queen's, and co-author of the Cuthbert and Isles Report), who, albeit senior, was not the preferred choice.

and stated that he *'would take the job for a limited period'* because *'if it cannot be done quickly, it cannot be done at all'*.<sup>126</sup> Before accepting the job, he suggested to the Home Secretary, that securing employment for 30,000 persons in Northern Ireland would be necessary to solve the unemployment problem. On this basis, he estimated that capital expenditure on buildings, equipment etc. of between £36 million and £40 million (about £1,300 per worker) would be required.<sup>127</sup> These figures were broadly accepted by both the BOT and the NI Government. This suggests firstly, that the prevailing attitude among policy makers was that the economic problems in Northern Ireland could be easily and quickly fixed and secondly, that the council would be temporary in nature.

The final terms of reference for the NIDC *'to promote new industries and to reduce unemployment in Northern Ireland'* were deliberately kept broad to accommodate Chandos. The changed nature of the proposed Council caused concern for the Board of Trade, but they acquiesced, feeling that it was primarily a matter for the NI Government.

Given the stipulations put forward by Chandos, the nature and remit of this new council was very different from that envisioned by the Board of Trade (and arguably the Cuthbert and Isles (1955) report). The lack of an economist created a situation whereby the new organisation rapidly became a promotional body, rather than as an economic council, which had been its original remit. The move away from a solely advisory board both strengthened the council, and created a level of ambiguity regarding its relationship with the Ministry of Commerce, thereby setting the scene for potential conflict between them. The authoritative position of Lord Chandos was consolidated, and he remained chairman of the NIDC (often eponymously referred to as *'Chandos Council'*) for the duration of its existence (1955 - 1965).

#### **4.5 The Northern Ireland Development Council – NIDC (1955 - 1965)**

*There does not appear to be a particular point when attracting multinational companies became the explicit goal of industrial policy. It seems, rather, to have evolved over a period of two years, between 1957 and 1959. Before 1957 little*

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<sup>126</sup> TNA BT 177/1487, Memo from the Board of Trade regarding the appointment of Lord Chandos. 20 June 1955.

<sup>127</sup>TNA T229/895, Lord Chandos was Chairman of British Thompson Houston (BTH), which, at the time, was building a factory at Larne for the production of turbines. Chandos noted that the cost per worker at the new BTH plant was £2,800.



*emphasis has been given to this method of industrial development* (Teague, 1987: 162).

Contrary to Teague's assertion, FDI was specifically targeted upon the establishment of the Northern Ireland Development Council (NIDC) in 1955.<sup>128</sup> In a Press Statement in 1955, Lord Chandos outlined his objectives for the new council:

*the most hopeful and the quickest prospect of growth for Northern Ireland will be found, I believe in the establishment there of new productive plants and the extension of existing ones. I am firmly persuaded that many British and American firms will find advantageous opportunities in Northern Ireland...Our operations will be chiefly in the UK, and also overseas, notably in the U.S.A. because our primary task will be to bring the facts about Northern Ireland to the knowledge of industrialists here and abroad.*<sup>129</sup>

The Council had nine board members, three of whom were actively involved in Council activities. It was made up primarily of industrialists, rather than civil servants, the Government believing that such a group would be best placed to promote its benefits, and identify practical challenges, which the region faced.<sup>130</sup> Its funding came via the Ministry of Commerce (approximately £40,000 for each of the first three years) and the Chairman was to be directly appointed by the Prime Minister of Northern Ireland. At its inaugural meeting, a report on the level of technical skills available among the Northern Ireland workforce was commissioned.<sup>131</sup> However, from its inception the NIDC focused increasingly on promotional activities – organising promotional visits to the US in an effort to attract new industry, organising inward

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<sup>128</sup> The assertion by Teague was made prior to the release of documents on the NIDC, which were used for the purposes of this research, and which were released in 1992, after Teague's publication.

<sup>129</sup> PRONI Cab/9/F/188/8, 'Lord Chandos' Statement to a press conference on Monday 14<sup>th</sup> November 1955, at Crown House, Aldwych, London.

<sup>130</sup> TNA T/229/895, The Board of Trade, acknowledged a potential conflict of interest in having industrialists on the Council 'I suppose that a very austere critic might argue that their respective interests in the areas concerned should debar these gentlemen from appointment of the Chairmanship of the Development Council – not on the grounds that they themselves stand to gain anything from the appointment (there has been no suggestion so far that the Chairman should be paid, though it may be necessary to give some sort of retainer to the members of the Council ),but on the grounds that the advice which they might give to the Northern Ireland Government might be so framed as to be of particular benefit to their own establishments in Ulster'. Board of Trade Memo. 12 May 1955. Lord Chandos was chairman of British Thompson Houston (BTH), which, at the time of his appointment as Chairman of the NIDC was building a manufacturing plant at Larne, and which began production in 1956.

<sup>131</sup> TNA T/229/895

missions to Northern Ireland, instigating promotional and advertising campaigns in national UK and US publications, and hiring advertising agencies to develop Northern Ireland's profile in both the UK and US (Ó'Gráda, 2008).

Within the first year of the Council's establishment, the BOT wrote to the Northern Ireland Ministry of Finance to express its '*alarm*' that the Council was considering offering a grant of 25% to two potential investments: a fertiliser plant owned by Imperial Chemical Industries (ICI), and a paper mill.<sup>132</sup> On BOT calculations, the ICI grant would mean a grant of £25,000 per worker, while the paper mill project would constitute a £14,000 grant per worker which, it stated '*is widely out of scale with Lord Chandos' estimate of £1,300*'. The Board were concerned about this proposed level of grant aid on several grounds: firstly, that an automatic grant of 25% might become an accepted norm, that it was more generous than the assistance given to industry in Great Britain (thus potentially leading to conflict with other regions). In relation specifically to the ICI project, the BOT was critical of the potentially small level of employment, relative to expenditure, that would be provided, and the fact that the company was looking to employ skilled rather than un-skilled workers. The issue was further complicated by the fact that Sir Ewart Smith of ICI was vice chairman of the NIDC.<sup>133</sup>

#### **4.5.1 Promotional Activities**

Responsibility for inward investment lay with the Ministry for Commerce (NI), supported by the Board of Trade in London. Early discussions between the NIDC and the Northern Ireland ministries centred on the best way to market Northern Ireland. One debate was whether general publicity or via targeted selling (i.e., direct mails, personal calls) was the best strategy. The Council engaged the services of Ogilvy and Maher, a British-American advertising agency to promote Northern Ireland. David Ogilvy had previously had significant success working on a series of advertisements for the Puerto Rican authorities in their attempt to attract inward investment.<sup>134</sup> An advertising campaign was carried out by the Ogilvy agency with

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<sup>132</sup> TNA T/233/1765. The proposed paper mill was '*a project of Lord Beaverbrook's for having a source of newspaper manufacture under his own control*'.

<sup>133</sup> ICI established a branch in the Northern Ireland in 1961, opening a plant to produce Terylene polyester fibre in Antrim

<sup>134</sup> David Ogilvy (1911-1999) was instrumental in creating a series of advertisements in the print media to encourage both tourism and investment into Puerto Rico during the 1950s. One of the most successful advertisements involved the renowned Cellist Pablo Casals, a Catalonian cellist whose mother was born in Puerto Rico of Catalan decent. The advertisement, with the tag-line – '*Pablo Casals is coming home...to Puerto Rico*', garnered significant attention at the time. The Puerto Rican government also engaged Ogilvy to promote its 'Operation Bootstrap' campaign, with provided taxation incentives for US companies to locate plants on the Island (See also, a discussion on the ADL report later in this chapter).

advertisements promoting Northern Ireland as an investment location in the New York Times and the Wall Street Journal in late 1957.<sup>135</sup> Minutes of a Council meeting in November 1957 suggest that these advertisements had elicited 307 replies and 85 follow-ups. Subsequent meetings suggest that this campaign was unsuccessful, with the Ogilvy agency suggesting that a targeted approach would be more effective. Given the emphasis that the NIDC placed on promotion activities, this research suggests that it rapidly developed into an Investment Promotional Agency (IPA). Based on the guidelines of Wells and Wint (2000), table 4.3 outlines the NIDC's main promotional activities.

**Table 4.4 IPA tasks carried out by the NIDC 1955 – 1965**

<b>Image Building</b>		<b>Investment Generation</b>	
Advertising in General	✓	Engaging in direct-mail or telemarketing campaigns	✓
Advertising in Financial Media	✓	Conducting industry-or sector -specific investment missions from source country to host country or vice versa	✓
Participating in investment exhibitions	✓	Conducting industry or sector specific information seminars	✓
Advertising in industry-or-sector -specific media	✓	Engaging in firm-specific research followed by sales presentations	✓
Conducting general information seminars on investment opportunities	✓		
<b>Investor Services</b>		<b>Policy Advocacy</b>	
Providing investment counseling services	✓	Participating policy task forces	
Expediting the process of applications and permits		Developing lobbying activities	
Providing post investment services		Drafting laws or policy recommendations	
		Reporting investors' perceptions	

Source: Adapted from Morisset and Andrews-Johnson (2004:7).

<sup>135</sup> PRONI Cab/9/F/188/10, Minutes of the 11<sup>th</sup> Meeting of the NIDC, 10<sup>th</sup> December 1957: An advertising campaign was carried out by the Ogilvy agency with advertisements promoting Northern Ireland as an investment location in the New York Times (25 October 1957) and Wall Street Journal (24/25 September 1957).

Some similarities between the NIDC and similar Scottish and Welsh bodies were acknowledged by the BOT.<sup>136</sup> The NIDC also bore a resemblance to the Industrial Development Authority (IDA) which had been established in the Republic of Ireland in 1949.<sup>137</sup>

The creation of an IPA-type agency the NIDC added a layer of complexity to the promotional machinery of NI. This also meant that the focus on economic development was of secondary interest to the NIDC – a direct consequence of not having an economist on its board.

#### 4.5.2 The US Sub-Committee of the NIDC

By 1958 responsibility in New York for the promotion of NI as an investment location lay with a representative at the British Consulate-General (who was an officer of the Ministry of Commerce, appointed to the post in 1957 for a two-year trial posting. Functions included promotion activities and tours in the US. and with the US sub-committee of the Development Council.<sup>138</sup> In addition, the BOT played a key role in promoting inward investment and specifically in directing investment towards Northern Ireland and the Development Regions.<sup>139</sup>

From 1957 to 1960, the NIDC had sub-committee based in New York which was comprised of American businesspersons with a specific interest in Northern Ireland and the sub-committee shared office space with the UK Consulate.<sup>140</sup> Convened by Mr. A.E. Cooper (Head of the Ulster Bank in the US), its functions included

*(a) advising the Council on the activities it might usefully undertake in the United States to secure American industry for Northern Ireland (b) disseminating information about industrial development in Northern Ireland; (c) putting the*

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<sup>136</sup> TNA BT 177/1454, According to the Board of Trade (1955), the structure of the proposed newly established Council could best be compared to the Scottish Council and the Lloyd Committee, *'but these analogies should not be pushed too far'*. The Lloyd Committee was an advisory body tasked with advising the government on the modernisation of West South Wales.

<sup>137</sup> No mention of a similarity between the IDA and the NIDC was found in the Northern Ireland or UK archives. However, the Irish Department of An Taoiseach alludes to a *'resemblance'* between the two organisations (NAI TAOIS/S14186 Department of the Taoiseach December 1955).

<sup>138</sup> The Northern Ireland Government representative in the British Consulate General, New York was Colonel J. Victor Morrison.

<sup>139</sup> This is discussed in chapter two. Chapter five further highlights the role played by the Board of Trade in directing major US investors towards NI - for example Hughes Tools, Chemstrand and Du Pont.

<sup>140</sup> Ferdinand Thun, joint owner of Berkshire Knitting (the first US company to locate in NI region in 1947), was a board member of the NIDC US sub-committee. This is further discussed in chapter five.

*Council in touch with American industrialists likely to be considering the establishment of a plant in Europe.*<sup>141</sup>

In 1958, the US sub-committee reported a significant increase in interest among potential US investors in the countries of the newly formed European Common Market, but also noted the lack of a coherent approach in the UK to the attraction of foreign investment, coupled with an element of complacency regarding overall US investment into the UK.<sup>142</sup>

The sub-committee also noted the increased promotion to attract US investment from both EC and non-EC countries. *'A number of the Latin American countries are campaigning to secure US investment, as are also Australia, South Africa and India. Of the European countries the most active campaigners are Italy, Belgium, Austria, the Irish Republic, and Holland'*.<sup>143</sup>

In 1960, the US sub-committee of the NIDC was disbanded by the UK Government. This was the result of changes by the Foreign Office and the UK BOT to the structure of UK promotional activities in the US.<sup>144</sup> Representatives of a newly established UK-wide promotional council – the British Industrial Development Office (BIDO) - would co-ordinate the work previously done by several regional organisations, including the sub-committee of the NIDC.<sup>145</sup> The BIDO was located at the British Consulate in New York.<sup>146</sup> The rationale for this decision lay in the desire to streamline US promotions and communication throughout the UK regions. In the case of NI, there had been confusion over the roles of the Ministry of Commerce, the NIDC and the Board of Trade (BOT), particularly in relation to interactions with potential investors.<sup>147</sup>

Thereafter the NIDC redirected its focus on the promotion of inward investment from continental Europe and mainland Britain.<sup>148</sup> However the lack of a co-ordinated approach to

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<sup>141</sup> PRONI Cab/9/F/188/19, Northern Ireland Development Council. Establishment of United States Liaison Group. Third Report of the Northern Ireland Development Council – December 1957 – March 1959

<sup>142</sup> The overall lack of a coordinated approach to the promotion of investment in the US was also highlighted in the subsequent Arthur D. Little (ADL). Report in 1959.

<sup>143</sup> PRONI CAB/9/F/188/15, Report of the Sub-Committee of the NIDC, 4 March 1959.

<sup>144</sup> PRONI Cab 9/F/188/33, 4<sup>th</sup> Report of the Northern Ireland Development Council', Fourth Report April 1959 – October 1960.

<sup>145</sup> It was feared that Lord Chandos would resign over the matter but he remained in his position.. He had wanted the New York office under the direct control of the Council rather than the Ministry of Commerce..

<sup>146</sup> PRONI Cab 9/F/188/19, 'Opening of the United Kingdom Industrial Development Office in New York', 9 February 1960.

<sup>147</sup> This issue was also raised in the Arthur D. Little (ADL) report (see 4.5.3).

<sup>148</sup> The effect of this change was to render one of the key recommendations of the ADL report – to increase NIDC presence in New York - void

promotional activities remained an issue. A memo from 1961 suggests that at least four separate entities were responsible for encouraging investment in Northern Ireland.<sup>149</sup>

There were on-going tensions between the NIDC and the Ministry of Commerce possibly fuelled by a lack of clarity over its precise role, by the perceived level of its efficacy and due to its increasingly high budgetary requests. In 1958, Lord Chandos requested an increase in the Council's annual budget from £40,000 to £115,000 for advertising and promotion funding in the US, and to employ a second representative in the New York office. The request was declined and the annual budget remained at £40,000. In declining the request of additional funding, the Ministry of Commerce questioned the remit of the Council who it saw as infringing on its own mission '*The circumstances in which the Development was appointed make it difficult to restrain their activities*'.<sup>150</sup> The Ministry also questioned the Council's track record in attracting inward investment from Britain:

*In the three years of the Council's existence 18 new industries decided to come to Northern Ireland. None of these originated directly from action by the Council. In the period over 90 British firms have seriously investigated Northern Ireland as a location. Of these only about 6 could be considered to have had their interest aroused by the Council.*<sup>151</sup>

In addition, the Ministry of Commerce criticised a recent advertising campaign by the Ogilvy Group arguing that a more targeted approach should be used to develop contacts.<sup>152</sup>

The Ministry was more positive about the Council's effectiveness, via its US sub-committee in relation to securing direct industrial contacts in the US.<sup>153</sup>

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<sup>149</sup> PRONI Cab 9/F/188/23, NIDC Minutes. 25<sup>th</sup> Meeting. 10 January 1961. The memo suggests that the NIDC, the NI Ministry of Commerce, The British Board of Trade, and the UK Consultant in New York, were separately responsible for securing US investment over the previous year.

<sup>150</sup> PRONI Cab 4/1076, Northern Ireland Development Council Report to the Minister of Commerce Section H Recommendations. 1958

<sup>151</sup> PRONI Cab 4/1076, Northern Ireland Development Council Report to the Minister of Commerce Section H Recommendations. 1958

<sup>152</sup> PRONI Cab 4/1076, Northern Ireland Development Council Report to the Minister of Commerce Section H Recommendations. 1958

<sup>153</sup> PRONI Cab 4/1076, Northern Ireland Development Council Report to the Minister of Commerce Section H Recommendations. 1958

### 4.5.3 The Arthur D Little (ADL) Report (1959)

In early 1959, the NIDC enlisted the services of US consultants Arthur D. Little (ADL) to explore the best way of encouraging investment into Northern Ireland, particularly in relation to the following questions:

- *How does Northern Ireland rate in term of attractiveness to American capital when compared to other European regions or other comparative situations?*
- *What segments of American industry are the most likely prospects for the establishment of manufacturing plants in Northern Ireland?*
- *What programme should be adopted to secure the interest of U.S firms in manufacturing in Northern Ireland and what organisation will be required to give effect to this programme?*

ADL was chosen due to prior, similar work internationally in Jamaica and Norway, and in provinces such as Manitoba, Newfoundland and Nova Scotia, and had also advised Puerto Rico on its investment campaign.<sup>154</sup>

The completed document, '*A program to attract American industry to Northern Ireland*' was dated 15th October 1959.<sup>155</sup> The report does not give any data on how successful NI had been compared to other UK regions in attracting US FDI however, it included several issues that were relevant to the region, more specifically:

- a. The effect of the EC on investment into Northern Ireland
- b. The Commonwealth and Northern Ireland
- c. Taxation
- d. The nature of promotional activities in Northern Ireland

The report noted that the newly established EC created a potential challenge to the UK and more specifically to Northern Ireland in terms of using it as a base from which the Common Market, notwithstanding the generous financial incentives in place.<sup>156</sup> More positively it noted that the region could be an option for those companies considering a second base outside the EC to service non-member countries

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<sup>154</sup> PRONI Cab/9/F/188/15, Meeting of the NIDC. Discussion on the attraction of US firms to NI.

<sup>155</sup> PRONI Cab/9/F/188/17. '*A program to attract American industry to Northern Ireland*' (15 October 1959).

<sup>156</sup> PRONI Cab/9/F/188/17, '*A program to attract American industry to Northern Ireland*' (15<sup>th</sup> October 1959).

*the tariff system set up by the Rome Treaty will encourage non-member nations to increase trade among themselves rather than with the Community will serve to motivate U.S firms interested in European markets to establish two European operations. There is little question that the most logical European location outside the Common Market is in the United Kingdom.*<sup>157</sup>

Thus the potential for the North to benefit from its place within the wider UK economy, was highlighted.

The document was circumspect regarding the possibility of Northern Ireland being a potential base for Commonwealth companies, pointing out that while countries such as India, Australia and South Africa wished to become less import-dependent, they were more likely, given their location and the availability of domestic steel, to attract US investment directly rather than through a conduit such as Northern Ireland.

In terms of taxation, the document determined that the tax base in Northern Ireland did not pose a significant deterrent to inward investment, as long as tax levels remained below those in the US '*it appears that the slight differences in tax levels [among West European countries] constitute a negligible attraction to foreign investors. The high tax levels in the Scandinavian countries, however, serve to limit their attractiveness to American companies*'.<sup>158</sup>

The document noted that incentives were considered more attractive than tax relief measures to foreign investors because they could be applied equally to indigenous investment and were less likely to be altered by government.

*It is our opinion – substantially confirmed in our interview program – that most American companies consider a capital-grant program a much more satisfactory indication of government encouragement than a tax-concession program. This view is based on the fact that tax concessions to new industry tend to distinguish these companies from local companies not receiving tax concessions, prevent a new company from being received on equal term in the community, and stir up ill will from established companies. A second important consideration is that tax laws can*

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<sup>157</sup> PRONI Cab/9/F/188/17, 'A program to attract American industry to Northern Ireland' (15<sup>th</sup> October 1959), 14.

<sup>158</sup> PRONI Cab/9/F/188/17, A program to attract American industry to Northern Ireland' (15 October 1959), 26.



*be changed at any time, thereby eliminating any advantage, while the capital grant, once given, cannot be cancelled retroactively.*<sup>159</sup>

The report recommended that a targeted approach to promotional activities should be used which should highlight its abundant labour supply. In relation to the supply of labour *‘Northern Ireland, then, offers the advantage of a much less competitive situation for obtaining labour, particularly as unemployment continues to decrease in Great Britain. This advantage should be stressed in promotional activities directed towards attracting new industries.’*

Somewhat contradictorily, in another part of the document, the consultants laud the use of tax incentives

*Puerto Rico is perhaps the outstanding example of what can be done with tax exemption. Under its Industrial Incentives Act of 1954, manufacturing concerns may be granted exemptions from corporate income tax for the first 10 years of operation, from personal income tax or dividends or distribution of partnership profits accrued during the first 7 years of operation, from other personal income taxes for 5 to 10 years, from all other municipal levies for 10 years, and from excise taxes on raw materials, manufacturing equipment, and machinery used in production. The success of Puerto Rico in attracting American companies is largely due to the tax incentives that it offers. Other countries, including South Africa and Canada, offer tax holidays in specific cases.*<sup>160</sup>

The report noted that the region’s main competitors were other UK regions *‘Northern Ireland is therefore competing with the balance of the United Kingdom for companies seeking a location to serve the U.K. market and it is against these other areas that Northern Ireland will be compared... With the exception of the Irish Republic, capital grants to the extent offered by Northern Ireland are not available to American industries in any of the competing European nations.’*<sup>161</sup>

The ADL report was met with criticism by the American sub-committee of the Council.

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<sup>159</sup> PRONI Cab/9/F/188/17, A program to attract American industry to Northern Ireland’ (15 October 1959), 31.

<sup>160</sup> PRONI Cab/ 9/F/188/17, A program to attract American industry to Northern Ireland’ (15 October 1959), 25.

<sup>161</sup> PRONI Cab/ 9/F/188/17, A program to attract American industry to Northern Ireland’ (15 October 1959), 29.

*Mr Cooper was disappointed with the material they received; he thought it was of inferior quality and contained very little new. More specifically, he has for long believed, with support from some members of the U.S. Committee, that the inducements offered by Northern Ireland did not overcome its inherent industrial disadvantages, and that no reorganisation of the promotional machine in the U.S. would produce worthwhile results without improving the competitive position of Northern Ireland.*<sup>162</sup>

The sub-committee also suggested that the report was poorly researched and that it advised the sanction of excessive wages for potential employees, noting that

*A large part of the report consists of an elaboration of a five-and-a-half-page statement prepared for Arthur D. Little Inc. by Mr. Morrison on March 10<sup>th</sup> last. Since the Committee was in complete agreement with the views expressed by Mr. Morrison in that statement it follows that we do not disagree with Little's presentation thereof.*<sup>163</sup>

The appointment of ADL by the NIDC illustrates a move towards the use of external policy entrepreneurs rather than more traditional policy actors such as elected officials, political parties and civil servants, and academics. The ADL management consultancy is an example of an epistemic community. The company's role as a global arbiter of policy transfer is apparent, insofar as they advised several countries about the potential for inward investment, and the use of tax incentives.<sup>164</sup> <sup>165</sup> The level of economic analysis in the ADL report was however minimal, and arguably inconsistent: On the one hand the report suggested that grants were superior to tax incentives from an incoming company's perspective. This was then followed up by an exaltation of the benefits of low corporation tax, which was contradictory to its opinion on grants, and was not a viable option for the region, given the fiscal constraints of the UK. The sub-committee's response is interesting in the light of criticisms against management consultants which have been accused of providing 'a one-size fits all' approach to economic

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<sup>162</sup> TNA T/233/1765, Report from the US sub-committee of the NIDC.

<sup>163</sup> PRONI Cab/ 9/F/188/17, A program to attract American industry to Northern Ireland' (15 October 1959),

<sup>164</sup> For a discussion on the role of epistemic communities' actors within the international policy space see Stone (1999, 2001) and Kipping and Saint-Martin (2005).

<sup>165</sup> The Republic of Ireland subsequently commissioned ADL to carry out a report on industrial development policy in 1967 (Barry and O'Mahony, 2017:49; Barry, 2019:96). A prior reference to the Puerto Rican example was made in a previous report commissioned by the Irish Government – the IBEC (Stacy May) Report 1952 (Barry and O'Mahony, 2017:53).

challenges, particularly in the case of developing countries (Dolowitz and March, 2000; Rodrik, 2014).

#### 4.5.4 The NIDC after 1960

The ADL report recommended that the NIDC should have a separate office for the promotion of NI in New York, which would be located in the offices of the British Consular Service as *'the U.S. businessman would normally prefer to deal direct from the start with an accredited representative of the Government'*. This would be maned by three senior executives and one administrator, at a projected cost of £100,000 and would be under the direct control of the of the NIDC. The proposal was immediately turned down by both UK and NI officials, who insisted that any such body would need direct oversight by the Government. At the same time, the UK Government was reconfiguring its promotional and networking presence in the US, particularly in relation to the regions. Responsibility for US promotion were taken over by the British Investment Development Office (BIDO) which took over responsibility for all the UK regions. The NI Ministry of Commerce was however, offered an adjoining office space, which would be under the direct remit of the Ministry, rather than the NIDC. Government officials expressed concern that Chandos might resign over the issue, noting that, from the outset, he had requested some form of statutory authority.<sup>166</sup> The decision was taken by the NIDC to disband the US sub-committee the NIDC continued to take a keen interest in the US. The sub-committee's last official function in America was representation at the British Exhibition in New York in June.<sup>167</sup> Northern Ireland continued to be actively promoted in the United States directly by the Ministry of Commerce. In September 1960, Lord Glentoran spent a month touring North America. Accompanied by John Rodgers, the Parliamentary Secretary to the BOT in New York, he particularly wanted *'to meet industrialists engaged in the light engineering, chemical and textile industries'*, as he felt *'they would be best suited for expansion*

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<sup>166</sup> TNA, File 1 – T 229/89, Encouragement of U.S. Industrial Investment in Northern Ireland.

<sup>167</sup> PRONI Cab/ 9/F/188/34, 8<sup>th</sup> Annual Report of the NIDC.

*in the North*'.<sup>168</sup> Ultimately he noted however, that the North was still looking to Britain 'to provide the bulk of our new industry'.<sup>169</sup>

The NIDC continued its promotional work but from the start of the 1960s, began to increasingly re-focus its promotional attention towards companies in mainland Europe. In addition it commenced active engagement with the British Trade Council, to continue its program of encouraging British investment into Northern Ireland. Arguably, the Council was beginning to view its continental neighbours both as a competitive threat in the face of attracting US investment, but simultaneously as a source of potential inward investment. The ADL report had furnished the council with key information offered by European countries in order to encourage investment.

The Council was concerned about potential entry of the UK into the EC in the early 1960s and outlined the possible negative effects of non-membership on Northern Ireland '*British membership of the E.E.C.*<sup>170</sup> would, in the view of B.I.D.O, be likely to lead almost immediately to decisions in favour of Northern Ireland. Final exclusion might well reduce Northern Ireland's attractiveness to a marginal level'.<sup>171</sup>

The Council also expressed disquiet about potential changes in the US treatment of taxation in overseas corporations, and how this that might affect the in-flow of US capital. In 1961/62, major amendments to the law on taxation of foreign earnings were under consideration by the US Congress. The potential outcome of these changes was that profits made after December 1962 that were received directly from foreign affiliates in '*developed*' countries', would be grossed up (i.e. the US foreign tax credit would be calculated before, rather than after, foreign income taxes were applied).<sup>172</sup>

In 1965, the BIDO, in a letter to the BOT commended the Northern Ireland government on its '*efficiency*' in relation to its US promotional activities but queried the nature of some of the

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<sup>168</sup> By 1960, five US companies, in the textile, chemicals and engineering sectors, had already established subsidiaries in Northern Ireland (Berkshire Knitting, 1947; Norton Abrasives, 1953; Hughes Tools, 1954; Mission Manufacturing, 1956; Chemstrand, 1958). Du Pont established a plant in 1960.

<sup>169</sup> *The Irish Times*. London letter, 21 September 1960.

<sup>170</sup> The EC is European Economic Community established in 1957 by the Treaty of Rome with six founding members: Germany, France Luxembourg, The Netherlands, and Italy. The UK, the Republic of Ireland and Denmark became official members of the EEC on 1<sup>st</sup> January 1973.

<sup>171</sup> PRONI Cab/9F/188/15, Report from the United States for period June – September 1962.

<sup>172</sup> PRONI Cab /9F/188/15, Report from the United States for Period June-September 1962. Northern Ireland Development Council Minutes. The UK was excluded from the list of '*Less-Developed Countries*'.

region's promotional efforts: The BIDO felt that the best prospects for continued, inward US investment lay 'with the subsidiaries already established in the United Kingdom, rather than the 'identification and cultivation' of 'new' American firms. 'In this latter connexion, I believe there is a real problem. The Northern Ireland organisation permits a 'hard sell' campaign on all fronts, which never lets up as long as there is the faintest hope of success.'<sup>173</sup>

#### **4.5.5 The Dissolution of the NIDC**

On 31<sup>st</sup> March 1965 the NIDC was officially wound-up after 10 years in existence. In 1963, Lord Chandos had written to the newly appointed Prime Minister of NI, Captain Terence O'Neill, offering his resignation. He expressed his wish to retire citing wish to retire as he was 70 and had recently retired from his role as chairman of the A.E.I. In this letter, he was positive about the Ministry of Commerce

*Of course the work of the N.I.D.C is purely promotional, and the blood is drawn by the Ministry of Commerce, for which Department I have unbounded admiration. I cannot think of any instance where a salmon which has been properly hooked, has not been gaffed and brought to the bank by the Ministry.*<sup>174</sup>

While acknowledging some progress in relation to industrialisation, he admitted defeat in relation to the overall lack of success of the organisation in curbing the unemployment problem, referring specifically to his own lack of insight into the issues facing the Northern Ireland economy

*We all of us, Ministers and the Council alike, have of course had the feeling during these even years that we have been pouring water into something of a sieve...I look back on the early days with much regret, because I said at the time that I thought we could make a very large hole in the problem within six months. At that time, I had a promise from a company who were going to employ about 8,000 people, but they afterwards changed their minds.*<sup>175</sup>

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<sup>173</sup> TNA BT 258/1110, Letter from BIDO to Board of Trade, 29 April 1965.

<sup>174</sup> PRONI Cab 9F/188/33, Letter from Lord Chandos to the Northern Ireland Prime Minister, 11 April 1963.

<sup>175</sup> PRONI Cab 9F/188/33, Lord Chandos does not state who this company is. However, a Confidential Note for the Record, from the Board of Trade dated 1955 (TNA BT 177/1487), leads me to believe that the company *may* have been Ferguson Cars. The memo discusses some of the ideas put forward by Lord Chandos at the time, stating that 'He would want a pretty free hand to do it in his own way. He envisages the Chairman's function as primarily one of personally canvassing the leading industrialists to persuade them to establish plants and so on

Captain O'Neill responded to the letter, urging Lord Chandos to remain in his position and Chandos remained in the position until the NIDC was dissolved in 1965.<sup>176</sup>

The Hall Report (1962) had mooted the possibility of forming a new economic board, although it not envisage this as a replacement for the NIDC. However, the decision to create a new organisation was announced during the Prime Minister's speech on the publication of the Wilson Report '*In this vital advisory role it will inevitably perform some of the functions which have hitherto been discharged by the Northern Ireland Development Council*'.<sup>177</sup> A new council – the Northern Ireland Economic Council (NIEC) (1963) had thus resulted from recommendations in the Hall Report and its first task was to address issues raised by the subsequent Wilson Report (1965).

Notwithstanding the stated desire of Lord Chandos to retire, a letter from him to the Prime Minister suggested an element of tension

*I have read in Hansard with interest, and I confess, some surprise, the proposed formation of an Economic Council for Northern Ireland. This decision by your government seems greatly to reinforce the proposals which I set down in my previous letter, because the economic council appears to be charged with the greater part of the duties which previously fell to the N.I.D.C.*<sup>178</sup>

Ultimately, the creation of a new advisory board, coupled with the desire of Lord Chandos to retire led to the dissolution of the NIDC. The first meeting of the newly formed Northern Ireland Economic Council (NIEC), was held in the same year.<sup>179</sup>

An economic advisor to the NI Prime Minister was appointed in 1961, whose function was to advise on general economic matters and consider the potential effects of EC membership on

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*in Northern Ireland...As an example he mentioned Mr. Harry Ferguson and his new people's car. If Mr. Ferguson were to start producing his new car in Northern Ireland, this would of itself, go a long way towards solving the problem of unemployment there*'. Henry George 'Harry' Ferguson (1884 – 1960) was an engineer born near Dromore Co. Down. He was also involved in the also establishment of Massey-Ferguson Tractors [BBC News-on-line. 18 Feb 2004 '*Village Honours NI Engineer*']

<sup>176</sup> PRONI Cab 9F/188/33, Letter from NI Prime Minister Captain O'Neill to Lord Chandos, 19 April 1963. See also letter from the Ministry of Commerce to Terence O'Neill, 12 February 1964.

<sup>177</sup> TNA T224/1821, PM discussion on the Wilson Report, 17 February 1965.

<sup>178</sup> PRONI Cab /9/A/120/1, Letter from Lord Chandos to the NI Prime Minister Captain O'Neill. 15 December 1964.

<sup>179</sup> The NIEC has been established in 1963 but due to conflict over the Trade Union representation on its board, the first proper official meeting of the NIEC did not occur until 1965. See also Brownlow (2014).

the region. At a meeting of the Joint Working Paper for the Hall Report, it was noted that the newly appointed candidate, Sir Douglas Harkness '*did not think there was any question of the NIDC being associated with the work of the economic advisor, although they had been informed of his appointment*'.<sup>180</sup> This suggests that even by 1961, the NIDC had been functioning primarily as an Investment Promotions Agency (IPA), and that in this respect it had developed into a significantly different type of organisation than that originally proposed by the Home Secretary and NI governments.

#### **4.6 An Economic Study of Northern Ireland (1957) - The Cuthbert and Isles Report**

'*An Economic Study of Northern Ireland*' (The Cuthbert and Isles Report) had been commissioned in 1946 by Sir Roland Nugent,<sup>181</sup> with the stated aim of providing '*a basis for policy by assessing Northern Ireland's economic condition and examining the factors limiting its economic development*' (Campbell, 1958). Professors Cuthbert and Isles were economics professors at Queen's University Belfast, and according to Murie (1973), this was reflected in the report, which relied on deep economic analysis.

Key challenges facing Northern Ireland identified in the report included its locational disadvantage, a lack of independence over its economic policy, and a lack of support and interest from Westminster. Challenges in relation to control, independence and autonomy were outlined '*The provincial government has limited authority and limited techniques for controlling the rate and form of economic development*'<sup>182</sup> and while the report explored the potential for varying degrees of autonomy (in relation to, for example autonomous taxation policy), it concluded that

*notwithstanding the limitations of the arrangements, the overall reliance of Northern Ireland's economy on the United Kingdom, necessitated central decision-making in Westminster in relation to taxation arrangements, although that might not always work in the best interests of the economy's investment strategy.*<sup>183</sup>

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<sup>180</sup> PRONI Cab/4/1198 Minutes of the 6<sup>th</sup> Meeting of the Working party (Hall Report). Wednesday 20 September 1961.

<sup>181</sup> Sir Roland Nugent was Northern Ireland Minister of Commerce and Production (1945-1949).

<sup>182</sup> An Economic Study of Northern Ireland (1957): The Cuthbert and Isles Report Isles Report: Chapter XVIII, Problems of Economic Policy, 1.

<sup>183</sup> Ibid.

The report acknowledged the importance for Westminster to be seen as acting equitably to all regions and thus advised against providing a preferential taxation rate to certain sectors in Northern Ireland, stating that the region's '*limited constitutional powers*' prevented '*any fundamental interference in economic matter: it cannot influence the rate of industrial development with its limited powers of taxation. It therefore cannot employ the accepted techniques available to separate countries to control the profitability of industry.*'<sup>184</sup>

While not referring specifically to FDI, the report identified the importance of encouraging inward investment to alleviate the unemployment crisis and recommended increased access to capital for indigenous companies (similar to the Industrial Credit Corporation (ICC) in the South of Ireland).<sup>185</sup> It supported the continued provision of incentives for inward investment but suggested that Northern Ireland might always be dependent on some form of regional aid. It was critical of Northern Ireland's economic policies. The report asserted that the lack of investment was due not to '*confiscatory*' levels of taxation but to an archaic industrial structure and the myopic self-interest of local capitalists.' It criticised the Ministry of Commerce '*for its failure to attract new industry, its lack of enterprise and flexibility and its wasteful concentration of resources on existing firms*' (Murie, 1973:143).

The report was met with hostility by Minister of Commerce (Lord Glentoran),<sup>186</sup> and although completed by 1955, was not published until 1957, which Murie (1973) suggests was politically motivated.

#### **4.7 The Joint Working Party Committee on the Economy of Northern Ireland - The Hall Report (1962)**

The Hall Committee, under the chairmanship of Sir Robert Hall was appointed '*to examine and report on the economic situation of Northern Ireland, the factors causing the persistent problems of high unemployment and what measures can be taken to bring about a lasting*

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<sup>184</sup> An Economic Study of Northern Ireland (1957): The Cuthbert and Isles Report Isles Report: Chapter xvii Economic Interdependence with Great Britain. Limited Constitutional Powers and Related Institutions (paras. 3-9),37.

<sup>185</sup> Notably, this was the only reference to the Republic of Ireland in the document.

<sup>186</sup> The Cuthbert and Isles Report had been commissioned by the Minister of Commerce, Sir Roland Nugent in 1946 but by the time of its publication in 1957, Lord Glenthorn was the Minister of Commerce.



*improvement*'.<sup>187</sup> The continuation of regional incentives to encourage inward investment was, as in previous reports, emphasised. According to the Committee, economic development, lay with increasing export activity, via investment from either indigenous or external sources.

Hall considered possible taxation and fiscal initiatives before concluding that these were unworkable in practise. Similar to the Cuthbert and Isles Report (1957), the lack of regional autonomy was highlighted

*If Northern Ireland were a separate country, she would not enjoy the benefits which she derives from her position as part of the United Kingdom but would be free (and indeed compelled) to develop independent policies to protect her balance of payments and foster economic growth.*<sup>188</sup>

Notably the report was quite pragmatic in its deliberations. Regardless of sector, labour or capital intensiveness or branch-plant, it noted that the region was in no position to practice a selective approach to choosing potential investors. Arguably, this had the effect of alleviating the authors from the burden of producing a document with decisive economic advice. Its main limitation was the lack of consensus regarding key recommendations. The group could neither agree on the whether a wage subsidy was a good idea, nor whether the seriousness of the unemployment situation would organically improve in the longer term. Overall the tone was one of slight detachment insofar as the group advocated for less government intervention going forward

*Finally in the attraction of new industry, there must be limits to what can and should be done by the Government...The present scale of help is, on average, very generous. We should be reluctant to see it raised to a level which might destroy initiative and responsibility of private enterprise and possibly involve the Government in questions of management.*<sup>189</sup>

The Report met with hostility from the NI Government who complained that it had not adhered to its stated terms of reference. In Lord Brookborough's opinion it offered no new solutions for the region. This, in hindsight, was a reasonably accurate conclusion.<sup>190</sup> Many of the

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<sup>187</sup> The Joint Working Party Committee on The Economy of Northern Ireland - The Hall Report (1962).

<sup>188</sup> Report of the Joint Working Party on the Economy of Northern Ireland (1962),12.

<sup>189</sup> Report of the Joint Working Party on the Economy of Northern Ireland (1962), 24.

<sup>190</sup> *The Belfast Telegraph*, Hall is disappointing says PM. No suitable approach in Report, 30 October 1962.

recommendations were simply updated from the 1952 Report of the First Working Group on Employment discussed above. The Report had advised against increasing the levels of grant aid, deeming them to be sufficiently generous, and had also rejected a NI Government proposal to introduce a wage subsidy, a decision that was upheld by the British Board of Trade.<sup>191</sup>

The newly appointed Northern Ireland economic advisor,<sup>192</sup> in a letter to the Board of Trade, stated

*It is apparent that some Ministers wish to attack the report for its alleged failure to carry out its terms of reference....It is of course quite untrue that the Committee failed in its remit – it may not have put forward proposals that are politically acceptable to the Government of Northern Ireland but that is quite another matter.*<sup>193</sup>

The main outcome of the Report was a recommendation for the establishment of a new Economic Council, which, unlike the NIDC would advise the Government on economic matters. This council would work with the newly established Economic Advisor to the Government, thus ensuring an increased focus on economic planning in the region, an aspiration which the NIDC had failed to deliver on. This led to the formation of the Northern Ireland Economic Council (NIEC) in 1963.<sup>194</sup>

#### **4.8 The Report on Economic Development in Northern Ireland – The Wilson Report (1964)**

The Wilson Report<sup>195</sup> further highlighted the need to combat unemployment,<sup>196</sup> and included a five-year plan up until 1970 with a target of 65,000 new jobs, 30,000 of which were to be new manufacturing jobs.<sup>197</sup> This Report focused on planned physical development, further

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<sup>191</sup> TNA HO 284/63, Confidential memo on the Hall Report.

<sup>192</sup> Sir Douglas Harkness was appointed as Economic Advisor to the NI Government upon the establishment of the Office of the Economic Advisor to the Government of Northern Ireland.

<sup>193</sup> PRONI Cab 9/A/133, Letter from the Economic Advisory Council to the Prime Minister, 18 October 1962

<sup>194</sup> See Cab/9/A/120

<sup>195</sup> Report on Economic Development in Northern Ireland. The Wilson Report, Published December 1964. Cmd. 479

<sup>196</sup> The Prime Minister announced in 1963 that he had initiated an interdepartmental inquiry with a view to publishing a comprehensive economic plan. Professor Thomas Wilson, professor of Political Economy at Glasgow University was appointed as economic consultant for the report.

<sup>197</sup> *Financial Times*, Five-Year Development Plan for Northern Ireland, 3 March 1965.

economic expansion and initiatives to increase employment (Simpson, 1984). The NI Government appeared to be more positively disposed to this Report than it was to the Hall Report, particularly in relation to its recommendations for further inward investment

*The Government accepts the need to foster the development of industries that offer the prospect of sustained growth and will continue to use all means open to it to make contact with expanding firms that might be interested in establishing a unit in Northern Ireland, whether they be, at present situated in the United Kingdom, the United States, Europe, or elsewhere.*<sup>198</sup>

The positive response may, in part have been as a result of the Report's contention that responsibility for NI's economic situation lay significantly with the UK Government

*... The growth of industry within Northern Ireland is, however, to a large extent dependent both on the economic circumstances of the whole of the United Kingdom, and on the measures taken by the United Kingdom Government to influence the location of further industrial expansion.*<sup>199</sup>

In contrast, the Hall Report had accorded more responsibility to the Northern Ireland authorities

*...although the economic powers of the Government of Northern Ireland are very limited, its existence as a separate Government does mean that it can formulate a policy for promoting employment in its areas which are different from and wider in scope than just pursued in Great Britain.*<sup>200</sup>

The Wilson Report was positive about the Ministry of Commerce and also complimented the NIDC's valuable and well-organised publicity.<sup>201</sup>

However, it raised some fundamental points about the overall strategies and lack of coherence in economic policy:

*Conflicting advice is sometimes given. On the one hand it is held that the Ministry should establish a complex of related industries; on the other hand, the need for*

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<sup>198</sup> TNA T 224/1821, Memo regarding the publication of the Wilson report. Undated. This was included in the final report: Wilson (IX. Industrial Development; Ref; 63; Pg: 12)

<sup>199</sup> Economic Development in Northern Ireland Including the Report of the Economic Consultant Professor Thomas Wilson (1964), 61.

<sup>200</sup> Report of the Joint Working Party on the Economy of Northern Ireland (1962), 3.

<sup>201</sup> Economic Development in Northern Ireland Including the Report of the Economic Consultant Professor Thomas Wilson (1964), 91.

*diversity is urged as a way of reducing the risk of fluctuations. Some compromise between these two considerations has to be found and will, in any case, tend to emerge in practice because the Ministry cannot, when it comes to the point, select industries precisely according to some a priori rule and, with unemployment high, will not often want to reject any new firm that offers a reasonable prospect of solvency. An industrial complex has already begun to emerge in artificial fibres and related industries, but a wide group of firms in other industries have also been attracted to Northern Ireland.*<sup>202</sup>

The key challenge raised by Wilson may have been correct, however, it seems particularly ironic that a region so desperately in need of proper strategic and economic guidance, was consistently presented with reports which while acknowledging the challenges, seemed incapable of providing some form of workable solution.

The Report called for a long-term strategy for manpower and training, and highlighted the need for flexible training, that should be focused on the *'future needs of incoming industry.'*<sup>203</sup>

The Wilson Report repeated some recommendations regarding fiscal changes such as the possibility of treating capital grants, and training grants as deductible expenditure for tax purposes (proposed in the Hall Report). These recommendations were discussed and subsequently dismissed by both the Board of Trade and the Inland Revenue.<sup>204</sup> Similar to previous reports, recommendations were put forward that contravened the fiscal constraints in the region. In such cases, alternatives were not put forward. Industrial development constituted just one theme in the report, which focused mainly on the concept of specific growth centres in the region. The Report acknowledged the importance of R&D and suggested that the inducements for R&D facilities could be extended to associations and research centres in the region.<sup>205</sup>

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<sup>202</sup> Economic Development in Northern Ireland Including the Report of the Economic Consultant Professor Thomas Wilson (1964), 97.

<sup>203</sup> Economic Development in Northern Ireland Including the Report of the Economic Consultant Professor Thomas Wilson (1964), 97.

<sup>204</sup> TNA T/224/1821 Secret Enclosure. Northern Ireland – The Wilson Report – Taxation Issues. 6<sup>th</sup> January 1965.

<sup>205</sup> Economic Development in Northern Ireland Including the Report of the Economic Consultant Professor Thomas Wilson (1964), 86. The report notes that industrial undertaking could already avail of assistance for building and equipment in R&D units under the Industrial Development Acts and the Capital Grants Acts for Industry.

The Wilson report was and its employment targets were not fulfilled. Although it lacked any economic analysis some credit can be given for highlighting the need for planning for future employment needs, and prioritising R&D development. Unfortunately, while it acknowledged the reliance on ‘*branch plants*’ it did not foresee any problems with the branch plant model, declaring that ‘*there is much exaggeration in the charge that all branch factories are regarded as expendable by the parent companies and will be closed down at once if total sales begin to decline.*’<sup>206</sup>

More critically however, its most insightful observation was the acknowledgment of the inherent complexity of addressing economic challenges at regional level

*it may be tempting to suppose that by means of a sufficiently rigorous use of controls, enough firms could be forced to come to Northern Ireland to provide with little delay all the additional employment that is required. But the problem of regional development is much more complicated than this. It is not enough to bring firms by any and every means to Northern Ireland. When they come they must be able to find the manpower and other facilities they need in order to start operations and they must be able to expand and prosper.*<sup>207</sup>

While the Report praised the work of the NIDC and the Board of Trade, the report noted that ‘*The purpose of the control should not be to ride roughshod over the views of experienced management but rather to oblige management to consider more fully the possibilities of unfamiliar locations.*’<sup>208</sup>

Such insight had been previously lacking in the deliberations of Lord Chandos who naïvely posited that 20,000 jobs would solve the problem relatively quickly. The Wilson report thus framed the success or otherwise of inward investment within the wider debate of long-term infrastructural development.

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<sup>206</sup> Economic Development in Northern Ireland Including the Report of the Economic Consultant Professor Thomas Wilson (1964), 84.

<sup>207</sup> Economic Development in Northern Ireland Including the Report of the Economic Consultant Professor Thomas Wilson (1964), 90. The reference to ‘*regular use of controls*’ most likely refers to the Industrial Development Certificates (IDC), as discussed in chapter two.

<sup>208</sup> Economic Development in Northern Ireland Including the Report of the Economic Consultant Professor Thomas Wilson (1964), 91.

## 4.9 The Northern Ireland Economic Council (NIEC)

Arising from recommendations in the Hall Report, the Northern Ireland Economic Board (hereafter NIEC) was established in 1963 under the Chairmanship of the Minister of Commerce. The terms of reference for this new body were:

*‘To consider and recommend on means of furthering the economic development of Northern Ireland, with particular reference to the provision of employment, the promotion of economic growth and improved economic efficiency’.*

The NIEC convened in February 1965 after a yearlong delay due to trade unions conflict.<sup>209</sup> One of its first tasks was to consider the targets set out in the Wilson Plan.<sup>210</sup> The Council, although more strategic and economically oriented in its remit than the NIDC, continued to focus on the promotion of new industry which increased during the latter years of the 1960s. However, persistent high unemployment, increasing civil unrest and its potential effect on inward investment were causes for concern by the end of the decade. One suggestion put forward by this new council was the introduction of a government-backed guarantee against riot damage for companies. It was however decided that such a move would need to be made available to all industry, rather than new investment

*If the guarantee was restricted...there would be an adverse reaction from existing industry. It seems advisable to pursue the possibility of introducing a premium insurance scheme applicable to all industry with, say 50% of the premiums being paid out of public funds.*<sup>211</sup>

Promotional activities such as a visit by the Board’s Chairman to West Germany in order to attract new investment, and a suggestion that the BOT might assist ‘*by means of regular articles in its journal featuring industrial development which had taken place in NI*’ suggest that, in reality, there had been very little advancement in relation to policies regarding inward investment in the intervening 17 years. The underlying belief was that the challenges faced by

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<sup>209</sup> See Brownlow (2007:85). See also PRONI Cab/9/A/120.

<sup>210</sup> TNA CJ 4/263, Speech by the NI Prime Minister at the Luncheon for Members of the Economic Council. 15 February 1965.

<sup>211</sup> TNA E W7/983, Minutes of Meeting Northern Ireland Economic Council. 9 September 1969.

the region could be solved by increased investment from Britain, better promotion, and the offer of ever more grants.

#### **4.10 Conclusion**

This chapter argues that while policy papers promoted inward investments, they lacked vision and substance when considered either individually or collectively. The Northern Ireland Government responded defensively towards any negative assessment of its economic management but simultaneously seemed reticent to take any responsibility for any suggested shortcomings. Criticism of the Northern Ireland economy, may have been seen as a fundamental attack on the body politic, given that the UUP had been in power since Partition, potentially undermining any valuable insights contained within such documents. Where government members are unhappy with the content of policy papers, they may be less lightly to implement the recommendations therein. This was certainly true in the cases of both the Cuthbert and Isles Report (1957) and the Hall Report (1963), both of which were met with hostility from the Northern Ireland Government.

The importance of ideas was highlighted in the introduction to this chapter. Undoubtedly most of the industrial development in NI after 1945 and up until the early 1970s was a result of the success of attracting manufacturing units into the region (Borooah, 1993; Hamilton, 1993), and this strategy was consistent with the prevailing economic ideas in the international post war space.

However, many policy ideas discussed in the documents were unworkable, given the legislative constraints in the region - The concept of providing taxation incentives to companies in Northern Ireland was, for example, a constant theme of official reports, before concluding, in each case, that the constitutional position of Northern Ireland precluded any such policy changes. The 1920 Ireland Act had set out the North's legal framework, its obligations and competencies, and as such, limited the policy instruments available in areas such as fiscal policy. This lack of autonomy in relation to fiscal matters was a recurring challenge to policy-making, particularly in relation to the flexibility that could be afforded to inward investment policies, a fact that was highlighted in a number of commissioned reports. Thus, the implementation of policy ideas was curtailed by the myriad of political limitations legislated by the 'core', and too much time was spent analysing unworkable recommendations. These

factors undermined the efficacy of implementing key policy ideas. Arguably therefore, the lack of ideas within the reports during the time period under investigation did little to nurture economic growth. 'Ideas' regarding improving the economic situation were poorly conceived, lacked coherency and overly simplistic in design and there appeared, firstly a lack of regional expertise to develop and fruitfully implement sound, consistent economic policies. Secondly there was a lack of consistency in relation to the economic ideas, and how these ideas might be implemented in practice. This was highlighted in the A.D.L Report (1959)

*'It seems clear that these are industries which (for whose products) have one or more of the following characteristics:*

- 1. Capital-intensive*
- 2. Labour-intensive*
- 3. High value-to-weight ratio*
- 4. High proportion of value added by manufacture*
- 5. High level of manufacturing integration.*

*....The first two characteristics named are frequently alternatives. [My emphasis] Automation, with the attendant higher capital costs, is frequently a means of avoiding the increasing cost of labour by substituting machine functions for manual functions. Several American manufacturers employing a high degree of automation in their U.S. plants have chosen not to automate their overseas plants in areas of low-cost labor. Location in Northern Ireland offers advantages with either alternative; that is, the benefit of a capital-grant program to reduce capital costs, and an abundant labor force at rates substantially below those in the United States....The difficult in attracting companies within industries having the characteristics cited is that any of these companies can generally locate anywhere and are therefore sought by all areas.*

The report thus acknowledged that the nature of regional grant-aided incentives privileged capital investment, which ran contrary to the provision of labour. ADL avoided recommending either capital or labour incentives industries as the desired approach. Thus no clear strategy was pursued.

On a broader level, an alternative strategic idea to promote new employment may have been to provide greater support to new indigenous industries, and to encourage the creation of new ones, rather than supporting inward companies, and declining traditional companies. Hitchens



et al. (1993:50) suggest that the policies pursued in the 1950s and 1960s may have had a displacement effect on existing firms. By focusing primarily on inward investment and job-creation rather than pursuing any attempt to actively follow a clear economic policy, the region inadvertently set itself up as vulnerable to the vagaries of international mobile investment in the longer run.

One of the four main tests of suitability for assistance under the Industries Development Acts (Northern Ireland) 1945 to 1953 was '*the extent to which the product will help to diversify Northern Ireland's industrial structure*'.<sup>212</sup> This test seems not to have been applied in practice and contemporaneous experts suggested that the lack of diversification was not a cause for concern. The Report on Employment (1952) saw no issue with specialisation in relation to incoming industry and subsequent reports, such as the ADL Report (1959) and Wilson Report (1964) offered no practical solution in this regard.

Northern Ireland depended on the UK for funding, grant aid and overall industrial policy guidance. However there existed an uneasy tension between the desire to maintain autonomy over economic management, while simultaneously looking to Westminster for guidance and continuing financial assistance and supports. The Northern Ireland Industrial policy was more generous than that in Britain. Ultimately, however, the more generous incentives would have to be paid by the UK taxpayer

*It was agreed that increased expenditure by the Northern Ireland Government would mean a corresponding reduction in their Imperial Contribution, i.e., in effect would be borne by the U.K. Exchequer. A reduction in the numbers of unemployed in Northern Ireland would, of course, mean a saving in the unemployment benefits and assistance paid by the U.K. Exchequer.*<sup>213</sup>

This suggests a somewhat cynical attitude at Central Government level insofar as it was willing to support grant-aid in NI, as long as costs remained below unemployment benefit. If this was indeed the case, it would, in part explain the lack of interest in active engagement with economic analysis at regional level. Notably, the Hall Report (1962) explicitly called for the formation of an Economic Council, which resulted in the establishment of the NIEC in 1963. This was eight years after such a council had been mooted by the Cuthbert and Isles report, (1955), The Labour group of MPs, led by Robens (1955) and Central Government/Home Secretary (1955).

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<sup>212</sup> TNA T 234/616. Financial inducements to Industrial Expansion in Northern Ireland.

<sup>213</sup> TNA T/233/1765, Internal memo, British Board of Trade, 1956.

An analysis of the NIDC further highlights a weakness in the execution of policy in the region. The Council was an initiative of the Home Secretary rather than the NI government. There was a need to garner the support of the NI Government, to ensure that NI took ownership of this new council, while providing assurances to the NI Government that this new Council would not dilute or undermine the existing power-structure in terms of regional economic decision. The BOT was anxious that the Northern Ireland Government would take full responsibility for the new Council and thus deferred to the Northern Ireland Government in the final negotiations regarding the new Council

*As a result of Lord Chandos's proposals, the Northern Ireland Development Council seems likely to develop along different lines than those we had envisaged. The idea had been that one of the Council's first and major tasks would be to decide what money needed to be spend and how (e.g., by improvement in transport services or technical education). The Terms of Reference were changed by agreement with the Northern Ireland government, but the Board of Trade were not consulted on the final terms of reference.<sup>214</sup>*

Lord Chandos believed that the issue of unemployment could be solved by the establishment by a small number of large multinationals, in a short timeframe, and that the role of a development council should be temporary in nature. This dismissive approach to the economics of Northern Ireland may have undermined any genuine attempts to alleviate problems in the region. The political imperative of mollifying the regional government took precedence over appropriate economic management, highlighting the complexities of policy development in regional areas.

The lack of coordination and clarity regarding the role the NIDC was highlighted when ICI was offered a 25% grant by the NIDC. Records suggest that the Board of Trade were anxious for the Northern Ireland government to take responsibility for ID policy and had tried to pursue an 'arm's length approach' to the NIDC, but the grant offered to ICI by the NIDC was a cause for 'alarm' for central government because it 'goes far beyond Lord Chandos' original estimates

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<sup>214</sup> TNA T/233/1765, Internal memo, British Board of Trade, 1956.

*either of the capital investment that would be required (whatever the source) or of the subvention that would be need from the Government*<sup>215</sup>.

The fact that the NIDC saw itself as primarily a promotions board while simultaneously offering substantial grants to companies, suggests a fundamental lack of co-ordination between the centre and the core

Arguably, the autonomous behaviour of the NIDC, albeit, inadvertently sanctioned by the Board of Trade, threatened the nature of the UK subsidy to Northern Ireland, during this time. Tellingly, the Board of Trade commented on the attitude of the Northern Ireland Government on the matter

*the Northern Ireland Government take a somewhat detached view of the business. They think that 25% grants to the I.C.I. and Beaverbrook scheme are very poor value in terms of employment. But they leave it to us to decide as we are the paymasters.*

Given, the perceived control that the regional government in Northern Ireland had in terms of its ID policies, this '*laissez faire*' attitude in the NI Government, coupled with the reticence of the central government to act decisively in the wake of such financial and economic ineptitude, suggests a deep-rooted flaw in the co-ordination, planning and execution of ID policies in Northern Ireland.

In discussing his potential role as Chairman of the NIDC Lord Chandos noted '*There is no theory or pattern of Northern Ireland trade which will help us much*'.<sup>216</sup> Herein lies a fundamental flaw. The BOT wanted to appoint an economist to the Council, however, Lord Chandos dismissed this as unnecessary. The blame cannot lie with Chandos however, who had been very clear from the outset about his vision for the new Council. In 1963, he outlined his despair at the lack of overall progress that had been made in relation to net manufacturing job creation and admitted his naivety in relation to solving the Northern Ireland employment problems quickly, and solely by means of inward investment.<sup>217</sup>

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<sup>215</sup> TNA T233/1765, Internal memo, British Board of Trade, 1956.

<sup>216</sup> TNA File 1 – T/229/89, Letter from Chandos to the Home Secretary: 27 June 1955.

<sup>217</sup> PRONI Cab /9/F/188/33, Letter from Lord Chandos to Prime Minister Terrance O'Neill, 11 April 1963.

The effectiveness of the NIDC has been dismissed (Coogan, 2015). While the NIDC was not fit-for-purpose as an economic advisory council it fulfilled some of the functions of an IPA particularly in terms of promoting the region as a brand (see table 4.4). In terms of the IPA literature it was flawed due to an over-emphasis on promotion, and a lack of focus on investor services which the literature suggests is positively co-related to FDI inflow (Wells & Wint, 2000). The precise influence of the NIDC on inward investment is hard to accurately assess. This challenge has also been acknowledged in the IPA literature (Morisset & Andrew-Johnson, 2004).

What should be acknowledged is that Chandos played a role in targeting FDI promotional efforts particularly in North America, but also in Britain and the Continent. He understood the power of branding Northern Ireland as an investment location and had an awareness of best practise in this regard, as elucidated by his engagement with advertising agencies such as Ogilvy and Maher, and US management consultants ADL. The blame cannot lie with Chandos, who was a businessman and not an economist, and who had clearly articulated his vision for the new Council from the outset.

The real criticism lies within the broader framework of competencies and devolved responsibility between the peripheral and the core, which was further complicated by political considerations between central government and regional government. The involvement of the British Labour party in the NI employment crisis further politicised the unemployment problem and necessitated a compromise between central and regional government in relation to policy initiatives. The establishment of the NIDC highlights a weakness in the execution of clear policy among stakeholders in the region.

This paper highlights the need for well-co-ordinated, policies in relation to inward investment. It sheds light on the complexities of policy co-ordination when a number of policy actors/groups, with different perspectives, attempt to jointly facilitate policies, against a background of complex economic challenges. It is not the aim of this paper to suggest that the many problems in Northern Ireland could solely be blamed on poorly co-ordinated policy initiatives. In reality, there was a dearth of workable ideas and the combination of recalcitrant regional policymakers and a central government, anxious to cede routine control to regional policy makers, did not expedite economy progression. In addition, legislative constraints made many of the potential 'solutions' suggested in Government commissioned reports unworkable

(particularly in relation to fiscally orientated solutions). This suggests that official reports are only valuable if their stated ideas and recommendations can be implemented in practice. Otherwise they simply represent an exercise in self-congratulatory, political posturing.

## CHAPTER FIVE FOREIGN MULTINATIONALS IN NORTHERN IRELAND MANUFACTURING, 1945 – 1973

### 5.1 Introduction

*‘The men and women who drudged their lives away in local factories – most prominently Wyomissing’s Berkshire Knitting Mills, fondly known as the Berkie – shared in the pith of a great enterprise, though their share, Marxists would point out, was insufficient’.*<sup>218</sup>

John Updike, 1998.

By the 1940s, the Berkshire Knitting Mills company of Reading, Pennsylvania had become the world’s largest manufacturer of ladies’ hosiery (Handley, 1999). In 1947 it was the first foreign company to establish a presence in post war Northern Ireland (hereafter NI).<sup>219</sup> The aim of this chapter is to make an empirical contribution to our understanding of Foreign Direct Investment (FDI) into Northern Ireland from the end of World War Two until the UK’s entry into the European Community (EC) in 1973.<sup>220</sup> The chapter focuses on companies under foreign ownership. The majority of these (circa 36 companies) were of US origin and a further 30 companies had origins in Europe and beyond. A database, consisting of the foreign-owned manufacturing companies which located in Northern Ireland between 1945 and 1973, was constructed for the purposes of this research.<sup>221</sup>

Using a historical narrative approach (Fletcher and Godley, 2000; Godley 1999) this chapter aims to provide firm-level information on foreign MNE investment. Based on archival and secondary sources, the companies are examined in terms of (a) ownership, (b) provenence, (c) industrial sector and (d) employment levels. This chapter uses rich archival sources to gain insights into the companies which located in the region during this time period.

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<sup>218</sup> Updike, J. (1998), A Sense of Change, 9 November 1998 in the New Yorker *‘The Gilded Age: The New Yorker Looks at the Culture of Affluence’*, Ed. David Remnick, 2008.

<sup>219</sup> Public Records Office of Northern Ireland (hereafter PRONI) Com/10/6. In 1945 Berkshire Knitting Mills was part of a three-company consortium involved in the establishment of the Ulster Knitting Mills. Berkshire Knitting Mills held a minority shareholding in the company and subsequently took a controlling interest in 1951 when the company was renamed the Berkshire Knitting Mills Ltd.

<sup>220</sup> The UK, the Republic of Ireland and Denmark joined the EC on 1 January 1973.

<sup>221</sup> See methodology, section 3.3.2.

This chapter adds to existing knowledge by providing (*inter alia*) estimated longitudinal employment numbers for each company, thereby presenting a more complete picture of FDI in the region.<sup>222</sup>

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<sup>222</sup> The challenges of gathering firm-level employment figures are explored in chapter three.

**Table 5.1 Number and Percentage of Externally Owned Manufacturing Plants in Northern Ireland by Country of ownership (1973), and Employment Levels and Percentage in Externally Owned Manufacturing Plants in Northern Ireland by Country of Ownership (1973).<sup>223</sup>**

Country	Number of externally owned manufacturing plants in Northern Ireland (1973)	% of the total number of externally owned manufacturing plants in Northern Ireland (1973)	Employment in externally owned manufacturing plants in Northern Ireland (1973)	% of the total employment in externally owned manufacturing plants in Northern Ireland (1973)
GB	290	83	64,445	74
US	31	9	17,344	20
Canada	4	1	606	1
RoI	15	4	1,379	2
Rest of EC	8	2	2,579	3
Other	3	1	1,208	1
Total	351	100	87,561*	100

Source: NIERC and Northern Ireland Economic Council (NIEC), as cited in Hamilton (1993: 196,197).

\* This figure represented 52.8% of total manufacturing employment in Northern Ireland in 1973 (Hamilton, 1993).

The early post-war years saw a significant influx of new investment from other regions of the UK, but towards the late 1950s the numbers of US companies began to increase albeit slowly. As noted in chapter two, the growth of US investment into Europe, and specifically into the UK was a feature of the post war global space and European investment increased from the early 1960s. Table 5.1 suggests that there were 15 plants in Northern Ireland under Republic of Ireland ownership in 1973, however it proved difficult to identify the majority of these

<sup>223</sup> As outlined above 'externally owned' companies refer to both FDI and inward investment from Great Britain. Hamilton (1993:214) notes that for 'for the purposes of [the] statistical analysis companies which are from either the Republic or Britain are classified as externally owned'; The statistics in table 5.1 refer to 'manufacturing plants.' Table 5.1 refers to all investment and not specifically to investment post 1945. The research carried out for this chapter focuses on investments made since 1945.



companies.<sup>224</sup> Investment from Europe, primarily from West Germany, made up the bulk of the ‘*Rest of EC*’ figure referred to in table 5.1 above.

## 5.2 The Evolution of External Investment into Northern Ireland

After 1945 the first wave of inward investment into Northern Ireland came from Britain, mostly taking the form of branch subsidiaries and in some cases re-locations. Investment from the US evolved more slowly and by 1955 only three US companies had invested in the region since the war - Berkshire Knitting Mills (1948), Behr Manning/Norton Abrasives Ltd (1953), and Hughes Tools (1954).<sup>225</sup> A confidential memo from the Board of Trade included a breakdown (reproduced in table 5.2 below) of the origins of inward investment from 1945 until 1955. This illustrates that by November 1955 the three US companies accounted for 5.8% (860 employees) of the total employment created by inward investment since the war, the majority of which came from Britain.<sup>226</sup>

**Table 5.2 Manufacturing establishments opened in Northern Ireland since the Second World War by firms from Great Britain or the US. 1945 – 1955 (November)**

Region of Origin of Parent Company	Number of establishments opened in N.I.	Potential Males	Potential Females	Potential Total	Actual Males	Actual Females	Actual Total
London and S.E.	25	1,880	2,430	4,310	1,800	1,800	3,600
Midland	7	4,450	1,730	6,180	2,460	810	3,270
Eastern	5	1,370	820	2,190	1,320	1,110	2,430
North-western	11	660	1,340	2,000	740	1,300	2,040
North Midland	7	560	650	1,210	620	650	1,270
Others	7	590	1,100	1,690	450	810	1,260
TOTAL GREAT BRITAIN	62	9,510	8,070	17,580	7,390	6,480	13,870
U.S.A.	3	840	270	1,110	530	330	<b>860</b>

Source: Adapted from a confidential report. Note by the Board of Trade Liaison Officer, 28<sup>th</sup> April 1956).<sup>227</sup> Actual employment figures for November 1955.

<sup>224</sup> Potential sources included archival and newspaper searches and analyses of the annual *List of companies incorporated during the year* published annually by the Government of Northern Ireland.

<sup>225</sup> PRONI Cab 9/F/188/5, ‘Industrial Development and Employment in Northern Ireland’, Board of Trade, Note of the Board of Trade Liaison Office, Confidential Report, 28 April 1956.

<sup>226</sup> These official numbers broadly concur with this researcher’s database, which estimated the breakdown of employment in these companies by the start of 1955 as follows: 300 employees in Berkshire Knitting Mills, 200 employees in Behr-Manning, and 300 employees in Hughes Tools. This amounted to a total of 820 by the start of 1955 (the Board of Trade figures relate to November of 1955, which may account for the discrepancy of 40 employees overall).

<sup>227</sup> PRONI Cab 9/F/188/5, ‘Industrial Development and Employment in Northern Ireland’, Board of Trade, 28 April 1956.

However, the first discussions between the Board of Trade and NI officials regarding potential US investment took place in September 1945 and referred to a potential joint partnership between a US company (Berkshire Knitting Mills), a British company and a Scottish company.<sup>228</sup> This suggest that the potential of FDI came to the attention of the regional policy-makers in the immediate aftermath of the war.<sup>229</sup> US investment into the region increased towards the latter part of the 1950s, reflecting the growing importance of the UK as a host for US investment. Other foreign investors, predominantly from West Germany began to increase during the 1960s. In 1960, Grundig, a West German company was the first post-war continental investor in the region.

Under-developed regions of the UK were positively discriminated towards receiving new investment.<sup>230</sup> This active ‘push’ towards the less developed regions of the UK did not go unnoticed by the US business community. The experiences of Du Pont, Chemstrand and Hughes Tools (See section 5.6 below) highlight the UK Board of Trade’s active encouragement of potential foreign investors towards Northern Ireland. Each of the three companies mentioned above were reluctant to even consider Northern Ireland as a potential investment location. The Northern Ireland Ministry of Commerce and the Northern Ireland Development Council (NIDC) played active roles in promoting the region to potential investors.<sup>231</sup> The effect of regional policies, coupled with the position of the UK as the main host for post-war US MNE investment ensured that Northern Ireland and regions such as Scotland, Wales and Yorkshire benefitted from an increase of inward investment, from other areas of the UK and from abroad.<sup>232</sup>

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<sup>228</sup> The Board of Trade was established in 1695. By the mid 20<sup>th</sup> Century, it was responsible for commerce, industry, overseas trade and commercial relations with other countries; imports and exports; tariffs; industrial development; consumer protection; tourism; and statistics of trade and industry at home and abroad, including censuses of production and distribution. The board was responsible for government relations with all industries not specifically the concern of other departments. In 1970 the board was merged with the Ministry of Technology to form the Department of Trade and Industry.

<sup>229</sup> PRONI Com/10/6. Internal memo. Berkshire Knitting Mills, Reading Pennsylvania, Donaldson Brothers (Alloa 1937) Ltd. Pool, Lorrimer & Tabberer Ltd., Leicester, 17 September 1945.

<sup>230</sup> The National Archives UK (hereafter NA) T 234/616 Secret Directive to British Information Services about Publicity regarding development areas and American industrial investment, 11 September 1956. See also Jones and Bostock (1996:249).

<sup>231</sup> The role of the NIDC is consider in Chapter four.

<sup>232</sup> See Chapter two – Regional Policy

However, it was not until the formation of the Northern Ireland Development Council (hereafter NIDC) in November 1955, under the Chairmanship of Lord Chandos, that active encouragement of FDI became a distinct policy objective of the region.<sup>233</sup> Between 1955 and 1960, the focus of the NIDC centred on the promotion of Northern Ireland as a location for investment for US companies.<sup>234</sup> The subsequent establishment of the Northern Ireland Economic Council (hereafter NIEC) in 1963 further supported inward investment and an examination of the directors of these two councils indicates of the growing importance of FDI in the region.<sup>235</sup> There had been no foreign industrialists on the Northern Ireland board of the NIDC. However, Mr. Ferdinand K. Thun, joint owner of Berkshire Knitting Mills, the first US company to locate in Post War NI had been a member of the NIDC's US sub-committee, before it was disbanded in 1960.<sup>236</sup>

The NIEC however, had a greater representation of FDI and between 1963 and 1973, three directors of foreign firms sat on its board - Mr. R.L. Scheirbeek, Managing Director of British Enkalon Ltd (The Netherlands) was appointed in 1963, while Mr. A.H. Fetherstone of Berkshire International (U.K.) Ltd (US) and Mr. J.S. Agate of Du Pont Co (UK) Ltd. (US) were both appointed in 1970.<sup>237</sup> The inclusion of foreign companies on the board of the NIEC suggests an increased acknowledgement of the growing importance of foreign investment to manufacturing in the region.

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<sup>233</sup> PRONI Cab/9/F/188/8, Establishment of Northern Ireland Development Council. 22 May 1955. The NIDC was established in 1955 under the Chairman of Lord Chandos (thus the NIDC was also referred to as the 'Chandos Commission' in the media), the aims of which included decreasing unemployment and promoting the region as an investment location. An analysis of the NIDC and its role in the promotional of external investment in the wider context of regional development is discussed in chapter four.

<sup>234</sup> PRONI Cab/9/F/188/8, At the Press Conference in November 1955 to launch the NIDC, the Chairman, Lord Chandos stated: *'I am firmly persuaded that many British and American firms will find advantageous opportunities in Northern Ireland. I have this claim on the attention of other industrialists The British Thomson Houston Company, of which I am the head, is now established on a large and growing scale in Northern Ireland'*.

<sup>235</sup> PRONI Cab/4/972, various files on the establishment of the NIEC

<sup>236</sup> See PRONI Cab/9/F/188/10, 'Minutes of the 5<sup>th</sup> Meeting of the Northern Ireland Development Council', 2 July 1956.

<sup>237</sup> PRONI Cab 9/A/120/4, 'Northern Ireland Development Council. List of Members'. PRONI Cab 9/A/120/5, 'Letter from Mais to Mr. K.P Bloomfield, Office of the Cabinet', 26 May 1970.

### 5.3 Locational choice of MNEs and the Theory of Internationalisation

The rationale for locational choices among multinationals after the war has been extensively researched (Vernon, 1966, 1974; Ohmae, 1995; Johanson and Vahlne, 1977; Buckley and Casson, 1985; Rugman, 1985; Caves, 1971). See chapter two.

Dunning's (1988) OLI model asserts that ownership, locational and internalization advantages determine whether a company chooses FDI over alternative foreign entry modes. *In summary, in the 1950s the main determinants of US fdi in UK manufacturing industry were, first the privileged possession of US-specific intangible assets – and particularly technology, managerial expertise and marketing skills; second the (perceived) lower production and /or transfer costs of adding value to these assets in the UK rather than in the US or elsewhere; and third, the belief by US producers that, due to the (perceived) high transaction and co-ordinating costs of using the transatlantic market for the direct sale of these assets, or the right to their use to UK firms, they could more profitably exploit these by establishing their own production facilities in the UK* (Dunning, 1998:261).

Table 5.3 provides aggregate data for US and EC MNE investment in the UK in terms of numbers of enterprises, establishments and employment levels from 1963 to 1973, illustrating that US inward investment represented over 70% of foreign enterprises between 1963 and 1973, accounting for approximately 8% of total manufacturing employment by 1973.

**Table 5.3 Number of US and other foreign-owned enterprises (a) and establishments (b) in UK manufacturing industry, 1963-1973; and employment levels (c) in US and other foreign owned affiliates in UK manufacturing industry, 1963 to 1973**

(a) Enterprises

Year	1 US	2 EC	3 Total foreign	4 All enterprises	5 1 as % of 3	6 1 as % of 4
1963	369	93	502	63,865	73.5	0.58
1968	499	124	667	61,078	73.2	0.80
1973	760	174	1,094	n.a.	69.5	n.a.

Source: COI, UK Census of Production (PA 1002), London: Central Statistical Office, various dates in Dunning (1998, 292)

(b) Establishments

Year	1 US	2 EC	3 Total foreign	4 All enterprises	5 1 as % of 3	6 1 as % of 4
1963	813	195	1,098	83,774	74	0.97
1968	1,144	301	1,573	82,343	72.7	1.39
1973	1,094	290	1,677	93,952	65.2	1.16

Source: COI, UK Census of Production (PA 1002), London: Central Statistical Office, various dates in Dunning (1998, 292).

(c) Employment total (000s)

Year	1 US	2 EC	3 Total foreign	4 All enterprises	5 1 as % of 3	6 1 as % of 4
1963	406.2	80.8	539	7,695	75.4	5.3
1968	533.8	126.6	703.5	7,249	75.9	7.4
1973	623.8	106.8	714.8	7,268.3	87.3	8.6

Sources: US Department of Commerce, Survey of Current Business and (UK) Central Statistical Office, Abstract of Annual Statistics (various issues) in Dunning (1998:295).

Vernon's (1966) Life Cycle theory envisioned post-war US trade and subsequent overseas investment as a multi-step, processual endeavour: as US products became standardised, companies sought to exploit cheaper resource costs overseas, initially in developed nations (such as the UK) and latterly in developing countries eventually leading to these products being imported back to the US from abroad.

## 5.4 Perceptions of Northern Ireland as a Location Choice for MNE Investment

Notwithstanding the high levels of US investment into the UK, and the vigour with which the Board of Trade directed new investment towards peripheral regions, Northern Ireland still faced significant challenges investment into the region. In addition to intense competition from other under-developed areas to secure investment, NI faced additional challenges including a lack of natural resources and geographical isolation and was therefore rarely the first locational choice for potential foreign investors, relying on positive discrimination from the UK Board of Trade, together with planning regulations which restricted the establishment of new manufacturing plants in more prosperous regions of Britain in order to secure investment.<sup>238</sup> A key factor in enticing MNE investment to the region was the suite of incentives available to incoming companies under regional policy, often more generous than the financial incentives available elsewhere in the UK to encourage inward investment (Harris, 1988).

In 1959, US management consultancy firm Arthur D. Little (ADL) surveyed 204 US companies as part of a wider report commissioned by the NIDC to explore, *inter alia*, their investment choices and general impressions of NI.<sup>239</sup>

These companies had not necessarily considered NI for overseas investment and thus the responses provide an overview of general attitudes to the region. The survey concluded that location was an important factor when choosing a location and that other factors

*included the availability and productivity of labour; the cost and availability of raw materials and manufactured components; the size of the local market, and accessibility to other markets; and government regulations in relation to taxes, tariffs, convertibility and licences for machinery and equipment.*<sup>240</sup>

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<sup>238</sup> The initial investment choices of companies such as Hughes Tools and Du Pont, both of which were initially reluctant to establish a manufacturing facility in NI, support this. This is further discussed below. In contrast, NI was the first locational choice in the UK for Berkshire Knitting Ltd. In that instance, the role of personal contacts played a key role in identifying Northern Ireland as a potential location., as discussed below.

<sup>239</sup> PRONI, Cab/9/F/188/17, 'Arthur D. Little Report - A Program to Attract American Industry to Northern Ireland', 15 October 1959. The sample of 204 US companies were interested in overseas expansion in general, not all of which had displayed a specific interest in investing in Northern Ireland.

<sup>240</sup> PRONI, Cab /9/F/188/17, 'Arthur D. Little Report - A Program to Attract American Industry to Northern Ireland', 15 October 1959.

The survey explored barriers to the viability of Northern Ireland as an investment location as outlined in table 5.4. Location was seen as the main obstacle to investment because of the desire to be as close as possible to the main British market. This concurs with Dunning's (2009) assertion that the location preference of foreign investors is dependent on motive rather than activity. The survey highlights the contemporaneous challenges facing under-developed regions which had to contend with perception issues (both from external parties in terms of general bias, a presumption of the lack of skilled labour, and an internal psychological bias arising from isolation (Harris, 1991)), in addition to the realities of their peripheral locations (i.e., distance from the 'core', and from markets, increase transport costs).

**Table 5.4 Arthur D. Little Report 1959: Reasons given for Excluding Northern Ireland from Consideration (absolute numbers in terms of companies' responses**

1	Preferred English Location so as to be closer to market	16
2	Not interested in the United Kingdom:	7
	a. No market there	5
	b. Because of import restrictions	2
	c. Existing competition too severe	4
3	No company for acquisition in product line	4
4	Components or raw materials not locally available	6
5	Comparative cost analysis	2
6	Bias against Northern Ireland	2
7	Lack of trained labor	2
8	Concessions inadequate	1
9	No knowledge of Northern Ireland	1
10	Bias against United Kingdom	1

Source: ADL Report (1959), (III)

**Table 5.5 Anecdotal evidence (1957) compiled by individual board members of the NIDC, and communications at Board Meeting and Board Meeting: Reasons given for excluding Northern Ireland from consideration (External companies)**

1	‘Our industry with its high material content in relation to selling price does not lend itself to an undertaking where transport is a prime consideration’ (Precision tools and machines company).
2	‘[we were] greatly influenced not only by the very high cost of transporting our raw and finished material back and forth and by the increased management overheads but also – and perhaps not least – by the regrettable political situation. I am afraid that the incident of the watchman at Ballymena was not without its effect...’ (Woollen and worsted spinners and manufacturers). <sup>241</sup>

The negative perception towards Northern Ireland was not limited to foreign investors. Table 5.5 highlights anecdotal feedback from British companies citing locational and political risk reasons for omitting Northern Ireland as a possible host location.<sup>242</sup>

## **5.5 US Multinationals in Northern Ireland Manufacturing, 1945 – 1973**

*THE DAY THAT we decided to start our first foreign mill in Northern Ireland was a lucky day for us. Since that time, we have started hosiery mills in eight other countries, and we have long since learned that doing business abroad can be a very aggravating as well as a very gratifying experience<sup>243</sup>*

Ferdinand K. Thun, 1959, Chairman, Berkshire Knitting Ltd.

<sup>241</sup> PRONI Cab /9/F/188/10, ‘Minutes of meeting of the NIDC Industrial Development Progress Report’, 30 April 1957.

<sup>242</sup> Archival evidence suggests that some of the negative perceptions suggested in the ADL report became a reality for some of the U.S. investors, most specifically in relation to labour issues, transportation challenges and political/civil unrest.

<sup>243</sup> *The Board of Trade Journal*, 1959, An interview with Ferdinand K. Thun in. ‘American Firm’s success in Northern Ireland’, by Ferdinand K. Thun, Chairman, Berkshire Knitting (Ulster) Ltd.



### 5.5.1 Overview of US FDI in Northern Ireland 1945 – 1973

According to this research, thirty-six US manufacturing companies located in Northern Ireland between 1945 and 1973. Table 5.6 (a) presents an overview of the sectoral breakdown of the total number of US companies in the post war period by the start of 1955, 1965 and 1973. According to the research carried out herein, by 1973, 36 companies had invested in the region, however, three of these companies had divested by 1973 (these are recorded as -1 in each of the relevant categories). As a result of these closures, it is estimated that 33 US companies were operating at the start of 1973. This contrasts slightly with table 5.1 which records an official number of 31 US companies in operation in Northern Ireland by 1973.<sup>244</sup>

**Table 5.6 (a) Industrial Profile of US Multinational Companies in Northern Ireland 1945 - 1973 (SIC 1980, 2-Digit)**

	Total number of US companies in NI by 1955	Total number of US companies in NI by 1965	Total number of US companies in NI by 1973
Footwear and Clothing	1	1	2
Textiles		2	4 (-1)
Production of manmade fibre		2	2
Chemical Industry	1	1	1
Mechanical engineering	1	5	9 (-1)
Electrical and electronic engineering			5
Instrument engineering		1	2
Rubber and plastics		1	3
Paper and paper products			2
Food and drink			2
Tobacco			1
Manufacturing of metal goods not elsewhere specified		1	1
Other Manufacturing industries		1	2 (-1)
<b>Total Number of US companies operating in the North at the start of the year</b>	<b>3</b>	<b>15</b>	<b>33</b>

Source: Researcher database.

Table 5.6 (b) outlines the total number of openings and closures by sector by 1955, 1965 and 1973 and illustrates that the increase in new investment began to accelerate from 1965. Between 1955 and 1965 12 US companies were established in Northern Ireland, bringing the total number of US companies to 15. By 1973, a further 21 companies had invested in the

<sup>244</sup> As the official figures do not provide a breakdown of individual companies, an explanation for this discrepancy is not available.

region, but three of these: A.G. Spaldings (1961-1971), the Ulster Textile Company (1962-72) and Worchester Values (1964-1970) had divested by 1973. These closures concur with the findings of Simpson (1984:13) who concluded that companies which were established during the 1960s had a higher attrition rate than those set up during the 1950s ‘*The projects started in 1960s were undertaken in a period of stability and relatively low unemployment, but their life spans have tended to be shorter than those launched in the 1950s*’. The closure of A.G. Spaldings in 1971 was not reported as being directly related to the increasing political unrest in the region, given the fact that the English subsidiary also faced closure.<sup>245</sup> The decision to close the Ulster Textile Company was however, more acrimonious and appears to have been directly influenced by on-going strikes and unrest within the workforce.

**Table 5.6 (b) Openings and Closures of US companies that located in Northern Ireland between 1945 and 1973 (SIC 1980, 2-digit)**

	Openings			Closures
	1945-1955	1956-1965	1966-1973	1966-1973*
Footwear and Clothing	1		1	
Textiles		2	2 (-1)	1 <sup>a</sup>
Production of manmade fibre		2		
Chemical Industry	1			
Mechanical engineering	1	4	4 (-1)	1 <sup>b</sup>
Electrical and electronic engineering			5	
Instrument engineering		1	1	
Rubber and plastics		1	2	
Paper and paper products			2	
Food and drink			2	
Tobacco			1	
Manufacturing of metal goods not elsewhere specified		1		
Other Manufacturing industries		1	1 (-1)	1 <sup>c</sup>
Total	3	12	21	3

Source: Research Database. a. Ulster Textile Mills (1962 - 1972); b. The Worchester Value Company (1964 - 1970); and c. A. G. Spaldings (1961 - 1971)

<sup>245</sup> *The Irish Times*, Industry in Northern Ireland not on ‘brink of disaster 12 January 1971.

## 5.6 US Manufacturing Firms in Northern Ireland by Sector (1945 - 1973)

**Table 5.7 List of US manufacturing firms in Northern Ireland between 1945 to 1973**

Sector	Company Name	Main products	Date est. in N.I.	Employment Level/Year
Footwear and Clothing	Berkshire International (UK) Ltd/Berkshire Knitting Ltd	Ladies Hosiery and Knitwear	1947	1200 (1967)
Footwear and Clothing	Warner Brothers (N.I) Ltd	Foundation Garments and Lingerie	1963	180 (1973)
Footwear and Clothing	S.H. Camp and Co. Ltd	Surgical Supports and Appliances	1967	12 (1973)
Textiles	Ulster Textile Mill Ltd.	Cotton and Rayon Yarns	1962	300 (1970)
Textiles	Nichols (Fibres) Ltd.	Nylon Thread	1966	125 (1973)
Textiles	Ballymoney Manufacturing Company	Cotton Yarn	1966	180 (1973)
Chemicals	(Behr Mannings) Norton Abrasives Ltd	Industrial Abrasives	1953	200 (1073)
Petrochemical /Production of Man-made Fibres	Chemstrand Ltd	Acrilan' acrylic fibres	1958	750 (1973)
Petrochemical /Production of Man-made Fibres	E.I. Du Pont de Nemours & Co	Neoprene', Isocyanates, 'Orion', 'Lycra'	1960	1650 (1973)
Mechanical Engineering	Hughes Tool Company Ltd	Oil Well Drill Bits	1954	300 (1973)
Mechanical Engineering	Mission Manufacturing Co. Ltd	Oil Well Equipment	1956	100 (1973)
Mechanical Engineering	Camco Ltd	Oil Well Gas Lift Equipment	1959	150 (1973)
Mechanical Engineering	Fafnir Bearing Co Ltd	Steel Balls and Ball Bearings	1964	400 (1971)
Mechanical Engineering	The Worcester Value Company Ltd.	Ball Values	1964	70 (1971)
Mechanical Engineering	Autolite Motor Products Ltd	Carburetors and Distributors	1965	700 (1973)
Mechanical Engineering	Walker (U.K.) Ltd.	Automobile Mufflers and Exhaust Systems	1965	180 (1973)
Mechanical Engineering	Ric-Wil (UK) Ltd.	District Heating Systems and Pipe Fabrication Work	1967	125 (1973)
Mechanical Engineering	A.M.F Beaird Belfast Ltd	Large Steel Pressure Vessels	1968	250 (1973)
Electrical and Electronic Engineering	Standard Telephones and Cables (Northern Ireland) Ltd. – International Telephones and Telegraphs	Telephone and Telephone Exchange Equipment	1962	2000 (1973)
Electrical and Electronic Engineering	Centralab Ltd	Capacitors, Resistors, Packaged Electronic Equipment	1966	300 (1973)

Electrical and Electronic Engineering	Ceramic Products Ltd	Ceramic Dielectrics	1966	50 (1973)
Electrical and Electronic Engineering	Mameo International Electronic Components Co	Diamond and Sapphire heads for Stereophonic record players	1967	50 (1973)
Electrical and Electronic Engineering	Plastic Capacitors Limited	Capacitors and Power Suppliers	1968	50 (1973)
Electrical and Electronic Engineering	Essex international Inc.	Automotive Wire Assemblies	1969	170 (1973)
Electrical and Electronic Engineering	International Rectifier Corporation Company (Great Britain) Ltd	Semi-conductors and Rectifiers	1969	250 (1973)
Instrument Engineering	Sherwood Medial Supplies Industries (U.K) Ltd.	Disposable Syringes and Medical Products	1966	400 (1973)
Manufacturing of Metal Goods not elsewhere specified	Oneida Silversmiths Ltd	Fine cutlery and tableware (flatware)	1961	400 (1973)
Rubber and Plastics	Kent Plastics (UK) Ltd.	Decorative Plastics for the Automobile and Appliance Industries	1967	200 (1973)
Rubber and Plastics	Bridgeport Brass Ltd	Tire Valves and Accessories	1961	400 (1973)
Rubber and Plastics	Goodyear Tyre and Rubber Company (GB) Ltd	Rubber, Chemicals, Plastics, Engineering and allied products	1967	1000 (1973)
Other Manufacturing Industries	A.G. Spalding Brothers Ltd.	Sports Equipment	1961	400 (1971)
Food and Drink/Tobacco	Ulster Swift Ltd	Wiltshire Bacon and cans and packages pork products	1966	335 (1973)
Food and Drink/Tobacco	Pickerings Foods Ltd (Heinz)	Dairy products	1969	500 (1973)
Food and Drink/Tobacco	Gallaher Ltd	Tobacco	1968	5600 (1973)

Paper Products	T.P.T Limited	Paper Cones and Tubes	1972	125 (1973)
Paper Products	Ulster Paper Company	Corrugated Board	1967	80 (1973)

Source: Researcher Database; See Appendix for further employment numbers

## 5.6.1 Footwear and Clothing

### 5.6.1.1 Berkshire Knitting Mills (1947)

Berkshire Knitting Mills was the first US investment in Northern Ireland. The company's objective was to manufacture 'fully-fashioned ladies silk stockings' for the U.K. and European markets.<sup>246</sup> The initial plan was to produce rayon stockings, and later switch to nylon when supplies became available from British Nylon Spinners (BNS) – a joint subsidiary of ICI and Courtaulds.<sup>247</sup> The company formed part of the Wyomissing industries group established in the late 19<sup>th</sup> century by two German immigrants, Ferdinand Thun and Henry Janssen.<sup>248</sup> By the 1930s they had built the world's largest hosiery mill in Reading, Pennsylvania.<sup>249</sup> The company was vertically integrated, manufacturing both textiles and industrial machinery for the production of hosiery and associated products, and in earlier years had manufactured silk and cotton tights, and pioneered the use of Rayon.<sup>250</sup> Northern Ireland was the first international investment for the company and according to the company's owner, it was the only location considered by the company within the UK.<sup>251</sup>

The company's establishment in Northern Ireland was not, however straightforward, and although initial contact was made with the Northern Ireland authorities in 1945, it was not until

<sup>246</sup> *Irish Independent*, 'Nylons from North will undercut US', 19 August 1948.

<sup>247</sup> PRONI Com /63/1/135, Newspaper cutting from 14 September 1948 (Newspaper not identified). 'F.C.I. back new nylon plan' by Frederick Ellis

<sup>248</sup> Wyomissing Industries was made up of three companies: Textile Machine Works (est. 1886), Berkshire Knitting Mills (est. 1906) and the Narrow Fibre Company (est. 1900)).

<sup>249</sup> *The Reading Eagle*, 'Ferdinand Thun and Henry K. Janssen were destined for shared success' by Ron Devlin. 19 January 2018.

<sup>250</sup> This vertical integration was the result of the skills/backgrounds of its founders: Thun had experience in the manufacture of braids and knitting, while Janssen was a machinist by trade. The forerunner to the company was the Textile Machine Works, a manufacturer of braiding and knitting equipment. Prior to the invention of Nylon (1936), Berkshire were pioneers in the Rayon was a semi-artificial product.

<sup>251</sup> *Board of Trade Journal*, 'American Firm's success in Northern Ireland by Ferdinand K. Thun', 9 Oct. 1959, 468-470.

1951 that the Berkshire Knitting Mills group took a majority shareholding in the Ulster Knitting Mills, a company which began manufacturing in 1948 with both UK and US investment.<sup>252</sup>

In 1945 a consortium of three companies, Alloa, a Scottish Knitwear company; Lorrimar and Tabherer, based in Leicester; and an American company Berkshire Textiles, jointly approached the Board of Trade in London ‘*about a project for setting up in Northern Ireland two factories, which might loosely be described as a joint enterprise*’.<sup>253</sup>

Unlike subsequent investments, the interest of Berkshire in establishing in Northern Ireland may have been the result of personal contacts: the honorary adviser to the Northern Ireland Council of Linen, Leslie Henderson, was a friend of Ferdinand Thun Jnr., and appears to have played a role in orchestrating the consortium and steering it towards Northern Ireland. In a 1951 letter to Leslie Henderson, Ferdinand Thun noted that

*the idea of the Berkshire venture in England was motivated, of course, by profit considerations but in addition to that there was a very real belief on my part that economic co-operation was one of the most sensible ways to promote international friendships.*<sup>254</sup>

The consortium presented a list of demands upon which the potential investment depended: On the basis that the Northern Ireland government would erect a factory of approximately 125,000 square feet on the site which has been selected at Newtownards, the consortium enquired:

- *On what terms of interest and repayments could a loan be obtained from the Government of Northern Ireland as and when required, of a sum not exceeding £350,000?*
- *What Income Tax allowance or benefits will be made and for what period would they apply?*
- *For what period would relief from local rates and taxes be given?*
- *Can 50,000 gallons of water per day be guaranteed?*<sup>255</sup>

On considering the application of grant approval the Advisory Committee of Northern Ireland noted that although the employment offered was small in relation of the loan the establishment

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<sup>252</sup> PRONI Com/ 63/1/135, ‘Ulster Knitting Mills, Limited’, 5 March 1951.

<sup>253</sup> PRONI Com/10/6, The group was made up of a Scottish company (Alloa) which produced, a Leicester firm, Lorrimer and Tabherer, and an American hosiery manufacturer, based in Pennsylvania, The Berkshire Knitting Mills.

<sup>254</sup> PRONI Com/ 63/1/135, ‘Letter from Ferdinand Thun to Leslie Henderson’, 13 May 1951.

<sup>255</sup> PRONI Com/10/6, ‘Letter from J.E. Limigood, BKM, to Thomas Donaldson, Alloa’, 9 October 1945.

of such an undertaking *'would be a contribution of major importance to the industrial development of Northern Ireland'*, and the full loan was granted. The consortium were, however, informed that income tax was outside the remit of the regional authorities.<sup>256</sup>

The American Board of Directors of Berkshire International decided against proceeding with the Northern Ireland investment.<sup>257</sup> In June 1946, the Ministry of Commerce recorded that the English and Scottish associates decided to proceed with the investment under the name Ulster Knitting Mills Ltd. Berkshire retained a minority shareholding: the company supplied the mill's machinery and Ferdinand Thun, President of the Berkshire Knitting Mills, Reading was on the Board of Directors.

*Nylons and rayon stockings for the British and world markets will be made at a new knitting mill at Newtownards to be operated by a London syndicate and the chief of one of America's largest nylon mills from Reading, Pennsylvania... The syndicate said it would be able to deliver nylon hosiery to New York at lower than the current American market price.*<sup>258</sup>

It emerged however, that

*when the details of the revised scheme were put up, however, it became clear that there was to be American financial participation by some of the Directors of B.K.M.[Berkshire Knitting Mills] in their personal capacities. This was originally stated to be 25 per cent. Of the equity but it finally turned out to be 20 per cent., i.e., 20,000 out of a paid-up ordinary share capital of £100,000.*<sup>259</sup>

Berkshire subsequently applied to the Ministry of Commerce to purchase a controlling interest in March 1951. At the time, unemployment was running at 6.5% of the insured population and the Ministry took the view that this new US investment should be welcomed

*it is considered that American investors, who are looking for a manufacturing centre for European or sterling area sales, would be less influenced by cross-Channel transport considerations than manufacturers in Great Britain. From this*

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<sup>256</sup> PRONI Com/10/6, Memo from Ministry of Commerce, 10 November 1945.

<sup>257</sup> PRONI Com /63/1/135, A letter from R.W. Burkitt of the Board of Trade to Jones of the Ministry of Commerce, 20 March 1951 suggests that the older generation of Berkshire withdrew from the deal in 1946, noting that the *'younger Thun Brothers were feeling very much embarrassed by the withdrawal of their elders'*, but that they *'came in with a minority holding to keep the door open, as they thought, for Berkshire to take control at a later stage'*. No reason is given in the archives for the decision not to proceed with the investment, but it is possible that the older members of US Board were less inclined towards expansion. The investment abroad would represent the first manufacturing plant outside North America.

<sup>258</sup> *Irish independent*, 'Nylons from North will undercut US', 19 August 1948.

<sup>259</sup> PRONI Com /63/1/135, Memo from Ministry of Commerce, 12 March 1951.

*point of view Northern Ireland, which has so far secured no U.S.A. investment such as is reported to have taken place in other regions, is anxious to sponsor this particular case.*<sup>260</sup>

The only cause for concern was that the American buy-out was contingent on the importation of replacement machinery for the plant, which ran contrary to established trade policy.<sup>261</sup>

*Northern Ireland has so far received little or no investment of American capital, this being the first worthwhile scheme. The proposed development is particularly desirable in that technical assistance would be available as well as finance. It seems that the American firm will not invest in the Northern Ireland concern if the import of machinery is impossible and would probably withdraw completely.*<sup>262</sup>

Following requests by both the Ministers of Commerce and Finance to the UK treasury, the matter was finally resolved by an agreement to import second-hand machinery, thus circumventing trade rules.

Original employment at Berkshire was approximately 300 people, rising to over 700 by the end of the 1950s. Over the following decade, the company established plants in Colombia, Peru, Japan, Argentina, South Africa, Greece, Spain but Northern Ireland remained its biggest overseas venture.

This first US investment is important for a number of reasons. Most importantly, the far-reaching set of demands made at the outset by the company, particularly in terms of requests which were outside the remit of both the Industrial Development legislation, and the Northern Ireland government (in relation to income tax reductions, for example) and the subsequent Governmental acquiescence in relation to import licences points to the flexibility that must surely have set a precedent for future investors. It is also worthy of note that this first investment owed much to the personal friendship between the company's owner, Ferdinand Thun, and Mr. Leslie Henderson, who, archival records suggest, was instrumental in assembling the

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<sup>260</sup> PRONI Com/ 63/1/135, Application by Berkshire Knitting Mills U.S.A for permission to purchase controlling interest in Ulster Knitting Mills, Northern Ireland. Ministry of Commerce, 15 March 1951.

<sup>261</sup> PRONI Com/ 63/1/135. The issue for Berkshire centered on the requirement to import 32 machines to produce hosiery from the home plant. The company was a vertically integrated and consisted of two families – one involved in the production of machinery, and the other in the manufacture of hosiery, so that machinery was not, by company agreement, supplied by third parties. From the Treasury's perspective, favoring an American manufacture over US imports was unacceptable.

<sup>262</sup> PRONI Com/10/ The Advisory Committee of Northern Ireland, October 1945.



US/English/Scottish consortium that established the early plant, and also in directing it to Northern Ireland.

### **5.6.1.2 Warner Bros (1963) and S.H. Camp and Co. (1967)**

During the 1960s, two companies with commercial connections, in the underwear/lingerie sector, began manufacturing in the region. In 1932 S.H. Camp, a Michigan company founded in 1908, devised the alphabetical classification system for bra sizes and lingerie manufacturer, Warner Bros (UK) a subsidiary of Warnaco Inc. of Bridgeport, Connecticut, became the first lingerie producer to adapt to the new classification system.<sup>263</sup> Warner Bros. started production in Dromore, Co. Down in 1963 and in 1967 S.H. Camp and Co., commenced production in Irvinestown, Co. Fermanagh. This was a modest investment in a factory of 7,000 sq. ft. and an initial workforce of 12 females.<sup>264</sup>

## **5.6.2 Textiles**

### **5.6.2.1 Ulster Textile Mill Ltd (1962)<sup>265</sup>**

In 1962, the Ulster Textile Mill Ltd., a subsidiary of T.J Stevenson and Company, New York, established a manufacturing presence in an advance factory in Newry for the production of yarn.<sup>266</sup> The company had been established by an Irish-American 25 years earlier.<sup>267</sup> On opening the new facility, a spokesman for the company stated

*We have found the basic ingredients for a successful operation – an attractive, modern plant; a trained work-force and excellent co-operation from the Ministry of Commerce, the local councils and trade unions. We believe that our operations are going to be most successful from our viewpoints and will make an important contribution for the future prosperity of the Newry region.*

The factory closed ten years later shortly after a six-week strike. According to local sources ‘No-one could have predicted that this enterprise, which was launched with such optimism and goodwill would come to an end, ten years later in bitter recriminations’. The dispute centred

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<sup>263</sup> See [smithsonianmag.com/smart-news/the-bra-is-being-reinvented-87785299](http://smithsonianmag.com/smart-news/the-bra-is-being-reinvented-87785299)

<sup>264</sup> *Belfast Telegraph*, ‘Growing Factory’. 22 Feb 1968

<sup>265</sup> **NOTE:** Ulster Textile Mills Ltd was a different company from Ulster Knitting Mills Ltd. (which was the precursor to Berkshire Knitting Mills.

<sup>266</sup> *The Irish Times*, ‘U.S. firm to establish factory in North’, 25 Oct. 1961.

<sup>267</sup> Dunning (1998) states that the issue of kinship was important in relation to the influx of US companies into Scotland. However, at the opening of the new factory, Mr. Stevenson Junior remarked that ‘*textile interests in Ireland, North and South in England and in America*’ were represented at the opening ceremony of the Ulster Textile Mill, (*The Irish Times*, ‘Newry gets new Textile Factory’, 17 August 1962).

on bonus payments and a statement issued following a meeting of the strike committee and a local civil rights association stated that the employees

*sick and tired of exploitation by foreign industrialists and fly-by-night opportunists, taking advantage of Newry's chronic unemployment situation. We are resolved to take extreme measures, where necessary to protect our inalienable right to a decent job and wages.*

The company closed shortly afterwards, and the Board of Directors declared that the company has made a total loss of £620,000 since opening in 1962.<sup>268</sup>

### **5.6.2.2 Nichols Fibre (1966); The Ballymoney Manufacturing Company (1966)**

Three further companies of US origin were involved in the production of yarn, and ancillary products. Nichols Fibre, of Boston, a manufacturer of Nylon thread, commenced production in Glengormley, Belfast, in 1966. The Ballymoney Manufacturing Company, a subsidiary of the Ames Textile Corporation of Lowell, Massachusetts established a unit in 1966 for the production of cotton yarn.

### **5.6.3 Chemicals**

#### **5.6.3.1 Behr-Manning (Norton) (1953)**

In 1951, the NI Ministry of Commerce concluded negotiations with Massachusetts firm Behr-Manning Corporation for the establishment of a plant in Castlereagh. In 1931 the Behr-Manning company had merged with Norton of Worcester, Mass.<sup>269</sup> According to the company's Articles of Association, the company were '*manufacturers and dealers in and importers of coated abrasives of all kinds of adhesive tapes, adhesives and coating of all kinds*'.<sup>270</sup> The company embarked on a significant expansion plan during the 1950s, establishing ten new plants in six countries within a seven year period.<sup>271</sup> The company began production in 1953 in Castlereagh with the promise of 200 jobs, locating in an advance factory originally built during the war, but '*re-designed and re-built*' to suit the needs of the firm.<sup>272</sup> In 1953 the Irish Times noted that '*It*

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<sup>268</sup> <http://www.newrymemoirs.com/stories-pages/bussingnewindustries!> html

<sup>269</sup> Herman Behr set up Herman Behr and Company in 1872. In 1911 the company merged with Troy of New York to form Behr-Manning. *The New York Times*, '\$37 million merger in Abrasive Field', 11 June 1931

<sup>270</sup> PRONI Com /40/2/3086, Behr Manning Memorandum and Articles of Association.

<sup>271</sup> *The Michigan Technic*, 'How wide a world would you like?' Volume 75, June 1955

<sup>272</sup> *The Irish Times*, 'U.S. factories in North to employ 2,500', 17 April 1957.

*is the first American-controlled industry to be set up in Northern Ireland. The Behr-Manning Corporation is the largest manufacturer of coated abrasives in the world*'.<sup>273</sup>

#### **5.6.4 Petrochemical/Production of Man-made Fibres**

##### **5.6.4.1 Chemstrand Ltd (1959)**

Chemstrand Ltd., the UK subsidiary of the Chemstrand Corporation, Decatur, Alabama (in turn was jointly owned by the American Viscose Corporation and Monsanto Chemical Company (St. Louis)) began operations in 1959 on a 70-acre site in Coleraine with a workforce of 200, which by 1967 had grown to 750. The company had considered a number of UK sites for its UK base and its original preference was Yorkshire due to the region's proximity to the wool spinning industry. On the supply side, the company also actively considered the South of England.<sup>274</sup> From the company's perspective another consideration was the access to a large fresh water supply. From the outset, the Ministry of Commerce outlined its rationale for generous grant assistance

*This is another case where it is doubtful whether anything less than 25% capital grant will attract the company to Northern Ireland in view of the disadvantage of its distance for the main market for the fibre in the North of England.*<sup>275</sup>

Simultaneously questions were raised within the Ministry for Commerce about the level of grant assistance that would be viable for the region.<sup>276</sup> According to one newspaper report, the chosen location was one of 61 UK sites which had been considered by the Company.<sup>277</sup> The company manufactured acrylic fibres under the brand name 'Acrilan', a synthetic textile and wool substitute whose popularity began to soar during the last 1950s and had plants in Coleraine and Londonderry.<sup>278</sup> It subsequently changed its name to Monsanto Textiles Ltd. in line with the American parent company name.<sup>279</sup> The company wanted to export to Canada and were

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<sup>273</sup> The evolving ownership in Berkshire Knitting which effectively passed from a majority British to US shareholding, was most likely the reason for stating that Behr-Manning was the first American-controlled company in Northern Ireland.

<sup>274</sup> PRONI Com/ 63/1/457, Confidential Letter from B.O.T, 24 August 1955. The B.O.T note that if the new plant successful, Monsanto would consider establishing an Acrylonitrile (a raw material) which 'for purely technical reasons' would have to be in the South of England'.

<sup>275</sup> PRONI Com /63/1/457, Letter from Brooke, Ministry of Commerce, 5 March 1956.

<sup>276</sup> PRONI Com/ 63/1/457, Letter from H. E. Jones to Harkness, 7 March 1956.

<sup>277</sup> *The Belfast Telegraph*, 'Whole town invited to sod-cutting', 20 Dec. 1956. See also PRONI Com/ 63/1/456. Other regions under consideration by the company were Lancashire and Ayrshire.

<sup>278</sup> *Manchester Guardian*, 'The Outlook for Acrilan', 21 August 1957. Acrilan was in direct competition with Du Pont's Orlon' fiber, which was manufactured at the Du Pont site in Maydown from 1968.

<sup>279</sup> *The Irish Times*, 'Chemstrand plant production up', 6 Nov. 1967.

thus anxious to ensure that its exports would be subject to freight rates on wool, rather than on the more expensive plastics rates. Their request was endorsed by the NIDC.<sup>280</sup>

#### 5.6.4.2 E.I. Du Pont de Nemours & Co (1960)

On 28<sup>th</sup> November 1956, E.I. Du Pont de Nemours & Co. of Wilmington Delaware (hereafter Du Pont) announced its decision to build a manufacturing plant for the production of Neoprene, on a 300+ acre site of a former airfield at Maydown approximately five miles outside Londonderry.<sup>281</sup> Production began in 1960. The initial employment target for Northern Ireland was approximately 450 employees (mostly men) and the Ministry of Commerce noted that it was Du Pont's first manufacturing plant in Europe.<sup>282</sup> The MNE had twelve divisions across a broad range of sectors including chemicals and fibres, and a global workforce of over 87,000. In 1936, the company had invented the nylon stocking.<sup>283</sup> The invention of nylon would

*free America from its dependence on foreign raw materials – particularly Japanese silk. Japan was then the world's largest supplier of pure silk fibre and America was its largest consumer: in reality, DuPont's nylon stocking was a declaration of economic war on Japan* Handley (1999:9).

Du Pont had close associations with the Berkshire Knitting Mills, which had been chosen to test their new 'nylon' material and to subsequently reconfigure textile machinery to produce the new fibre.<sup>284</sup> According to the company website, the decision to locate in the UK was a retaliatory action in response to Imperial Chemical Industries (ICI) which had established a dye-plant in the US.<sup>285</sup> *'In response, Du Pont's Organic Chemical Plant Department laid plans to enter the British rubber market by building a neoprene plant'*.<sup>286</sup> A confidential memo

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<sup>280</sup> PRONI COM/ 63/1/457. Memo Ministry of Commerce. 5 Nov. 1959

<sup>281</sup> *Belfast Telegraph*, 'New U.S. plant for Derry?' 26 Sept. 1956; PRONI Com/ 63/1/461, 'Du Pont to set up plant in Northern Ireland', N.I.D.C. 28th November 1956.

<sup>282</sup> PRONI Com /63/1/461, Letter to Welch, B.O.T., from H.E. Jones thanking the BOT for encouraging Du Pont to consider Northern Ireland but stating that the initial projected employment numbers were disappointing because the company had indicated an initial employment rate of 1,000, 3 Dec. 1956.

<sup>283</sup> In 1936 E.I. Du Pont invented 'Nylon'. This had involved over 11 years of research, £27 million in R&D costs and the input of over 230 scientists and researchers. Nylon was the first wholly man-made fibre. It was never trademarked, and the name was granted with the licence. The company quickly saw the potential for the new material in relation to its possibilities in the female stocking industry, but production was re-oriented towards items such as parachutes during the war. The invention of fibre-66, a key element in the production of nylon, had far-reaching applicability in the revolution of plastics, and other synthetic materials, which were heralded as superior at the time (Handley, 1999).

<sup>284</sup> In 1939, the Berkshire Knitting Company was chosen by DuPont to test out the production of the first Nylon stockings; and to produce textile machinery which would produce the new product. Berkshire, at the time, was the world leader in the production of ladies' hosiery.

<sup>285</sup> ICI subsequently established a plant in Northern Ireland at Kilroot between Larne and Carrickfergus to spin 'Terylene', with an employment target of 2,000 (*The Irish Times*. Industrial Estates, 3 July 1962).

<sup>286</sup> See [dupont.com/about/our-history.html](http://dupont.com/about/our-history.html).

indicates that the British Board of Trade had originally suggested Northern Ireland as a possible location but the Du Pont executives had declined and *'had gone to Wales and Humberside of their own accord. After returning to the Board of Trade the company expressed interest in Northern Ireland'*.<sup>287</sup>

In addition to the provision of generous capital grants, the Northern Ireland authorities redirected a power station from St. Columb's Park to a site adjacent to the proposed Du Pont site to ensure a supply of electricity and low-pressure steam for the Company.<sup>288</sup>

The company requested preferential agreements in relation to import licences and the local government, anxious to secure such a significant investment, forwarded the request to the Board of Trade. A letter from the Minister of Commerce, Lord Glentoran to the Head of the Board of Trade states that *'I believe it is no exaggeration to say that there here the best chance we have had for years for breaking the back of the Londonderry unemployment problem.'*<sup>289</sup> and continued

*You will readily appreciate the importance to us of bringing this project to a successful conclusion and I am therefore sure that I can count on you to do everything possible to meet the Du Pont requirements, even if this means making an exception to your established rules. I would urge that, industrially and politically, the project is certainly of exceptional importance to us.*<sup>290</sup>

In response to the request for a concession of import duties on materials required by the company, the Board of Trade agreed to grant import licences for any dollar equipment that could not be sourced elsewhere within the required timeframe, however the Board refused to consider a request by the company to obtain duty remittance for any imports.<sup>291</sup>

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<sup>287</sup> PRONI Com 6/3/1/460, 'Strictly confidential memo', Ministry of Commerce, July 1956.

<sup>288</sup> PRONI Com /63/1/460. The original location of the power station was changed to facilitate a request by the Company to ensure access to low-pressure steam. In a letter to the UK Board of Trade, the Minister of Commerce outlined that Du Pont's decision to locate in Londonderry was contingent on the building of a new power station adjacent to the DuPont site, thus giving them a supply of low-pressure steam.

<sup>289</sup> PRONI Com /63/1/460, 'Letter from Lord Glentoran to Peter Thorneycroft, Board of Trade', 6 July 1956

<sup>290</sup> PRONI Com /63/1/460, 'Letter from Lord Glentoran to Peter Thorneycroft, Board of Trade', 6 July 1956.

<sup>291</sup> PRONI Com /63/1/460, Requests from the Ministry of Commerce to the Board of Trade in relation to import concessions was also evident in the case of Berkshire Knitting Ltd, as noted above. PRONI Com /63/1/460. 'Letter from Peter Thorneycroft, Board of Trade to Lord Glentoran', 20 July 1956. Thorneycroft cites Section 10 of the Finance Act, 1932, which rendered fixed plant ineligible for import duty remission. Import duty remission was, however, available for imports of machinery with moving parts.

Du Pont began manufacturing in 1960 initially employing for 400 men.<sup>292</sup> By 1969, this number had risen to over 1,500, further growing to 1,650 employees by the end of 1972.<sup>293</sup> Carbide Industries Limited, a subsidiary of The British Oxygen Company (BOC), acquired a fifty-acre site adjacent to the Du Pont site in order to supply the U.S. plant with acetylene.<sup>294</sup>

This is in marked contrast to the initial attitude expressed by the company, as outlined correspondence from NI Ministry of Commerce regarding prior communication with an official in the Board of Trade

*He wrote to me on 8<sup>th</sup> March, 1956 and detailed the difficulty he had in interesting the firm in Northern Ireland. It is clear from his letter that he persisted in his efforts until at last he broke down the company's resistance to seeing some of our staff.*<sup>295</sup>

There is an irony contained herein when this is considered in the light of comments made at a press conference the following year, when Henry Du Pont, company vice President noted, on a visit to NI, that the site at Maydown was '*near an ideal site as we could possibly get.*'<sup>296</sup>

A total of four factories were built by Du Pont. Production started with the manufacture of Neoprene (synthetic rubber) in 1960 in order to supply the UK and European markets, which had previously been exported from the US.<sup>297</sup> In 1963, the production of Hylene commenced.<sup>298</sup> A plant for the manufacture of Orlon started operation in December 1968 and a fourth plant, close to the Maydown facility for the production of Lycra (elastomeric fibre) in 1969. The Lycra plant was intended to supply the UK and European Free Trade areas, which prior to this, had been supplied by Du Pont plants in the US and the Netherlands.<sup>299</sup> Upon announcing the fourth facility, the Northern Ireland Prime Minister, Brian Faulkner was optimistic '*We now have such a firm wedge in the synthetic fibre industry that I doubt whether*

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<sup>292</sup> PRONI Com /63/1/460, The Ministry of Commerce expressed concern that the low employment numbers in the initial stages but acknowledged the expectation that the employment levels were forecast to grow.

<sup>293</sup> *The Irish News*, 'Du Pont labour force in Derry now over 1,500', 30 September 1969. *Newsletter*, 'Derry may get £100m plant', 16 January, 1973.

<sup>294</sup> *Newsletter*, 'Beating the problems at Maydown', 2 February 1970. See also PRONI Com. 63/1/46, 'Statement for inclusion in Prime Minister's speech', 5 February, 1957.

<sup>295</sup> PRONI Com /63/1/46, 'Letter from H.E Jones to Welch', 3 December, 1956.

<sup>296</sup> *The Belfast Telegraph*, 'Derry site is ideal, Du Pont chief says', 2 April 1957.

<sup>297</sup> *Belfast Telegraph*, 'Du Pont expands at Maydown', 28 February 1962; *Belfast Telegraph*, 'Du Pont Chief Sees Maydown', 1 April 1957.

<sup>298</sup> *Belfast Telegraph*, 'Equipment for Du Pont plant', 14 June 1962.

<sup>299</sup> *Belfast Telegraph*, 'Du Pont's new fiber in production', 27 August 1969. See also *Board of Trade Journal* 3 June 1966. Du Pont's fourth plant in Northern Ireland.

*anything could hinder the development of this industry in Northern Ireland*<sup>300</sup>. The Maydown facility was Du Pont's largest manufacturing operation in the UK. However, a confidential document from 1980 by the Ministry of Commerce noted that the Orlon plant had '*never achieved a profit*'.<sup>301</sup>

The willingness of the Government to provide infrastructural support was not confined to foreign investment – a loan of approximately £400,000 had been made to the Belfast Water Commissioners to provide alternative water supplies to Belfast, thereby relieving the Carrickfergus system and enabling the Courtauld plant to access three million gallons per day (Garnsey, 1965: 55). The official flexibility in reconfiguring public infrastructural projects, to support private investments, echoes the sentiment propounded in 1953 by Ronald Nugent, former Minister of Commerce for NI: '*Let us first consider an extension of the principle embodied in the Industries Development Acts: the provision of public capital, to attract a further investment of private capital either from the United Kingdom or from the U.S.A.*' (1953:105). Arguably, the focus on public infrastructural improvements conferred positive externalities on the community, rather than solely benefitting the particular company.

### **5.6.5 Mechanical Engineering**

During the 1950s, three US companies, in the oil drilling equipment sector (Hughes Tools, TRW Mission and Cameo Ltd.) established manufacturing facilities in government-built advance factories located in a designated industrial estate in Castlereagh.<sup>302</sup>

Thomas (1956) suggests vertical integration had been a feature of Belfast manufacturing since the late 19<sup>th</sup> century. Boiler and engine shops had been set to by Harland and Wolff, which in turn led to the birth of the marine engineering industry in Belfast. Teague's (1987) subsequent suggestion that the concentration of mechanical engineering in the region supports the theory that multinationals locate in regions with a pre-existing concentration, and this may have been a reason for the influx of US companies involved in the manufacture of oil drilling equipment. However, the experience of Hughes Tools (and arguably the experiences of Chemstrand and Du Pont in the man-made fibre sectors) would suggest that the decisions to locate in Northern

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<sup>300</sup> *The Irish Times*, 'North poised for massive expansion', 23 September 1965. Brian Faulkner was Prime Minister of Northern Ireland 1971 -1972

<sup>301</sup> PRONI DMS/3/133, 'Commercial in Confidence – Ministry of Commerce - Du Pont (UK) Ltd., Maydown, Londonderry'. This 1980 document discusses the imminent closure of the Orlon plant.

<sup>302</sup> *The Irish Times*, 'Industrial Estates' 3 July 1962.

Ireland owed as much to a *'hard sell'* by the local authorities, combined with generous grant allocations, as much as to any perceived locational expertise and tradition in the relevant industrial sectors.<sup>303</sup>

A number of the mechanical engineering companies were involved in the motor industry, which developed into a cluster during the 1960s, and which is discussed below.

#### **5.6.5.1 Hughes Tools Co. (1954)**

In a 1953 meeting with the Board of Trade in London, the Hughes Tools Co. of Texas outlined its location requirements for the establishment of a plant in the United Kingdom: *'good port facilities, a favourable labour situation, near a source of steel and alloys and proximity to a drop forging plant if possible'*.<sup>304</sup> The company had initially considered Scotland, Merseyside and Wales and disregarded Northern Ireland as a potential investment location, a fact clearly stated in a Board of Trade letter to the Northern Ireland Ministry of Commerce *'The American Director does not wish to visit Northern Ireland in his present itinerary. At the moment, he regards your area as too remote for his purposes.'*<sup>305</sup>

It was only after direct intervention from the Northern Ireland Ministry that a visit to Ni was scheduled, and subsequently led to the company's decision to locate there (Swansea in Wales was the second locational choice). According to a submission to the Advisory Council in Northern Ireland for company's request for financial assistance *'The Hughes Tool Company proposes to establish a manufacturing unit in Europe from which to supply existing customers and from which to open up new market in the Eastern hemisphere especially in soft currency areas'*.<sup>306</sup> The company commenced production in 1954 specialising in the manufacture of oil well-drilling tools and creating initial employment for approximately 300 men. The factory had an area of over 86,000 sq. ft. and was located at the Castlereagh Estate, approximately four miles from Belfast city centre. It was envisaged that *'the project will result in a saving to the U.K. economy of some 1,500,000 dollars annually on the purchase of American equipment by*

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<sup>303</sup> See chapter four which discusses the promotional activities of the NIDC and other regional and national agencies.

<sup>304</sup> PRONI Com /63/1/443, Industries Development Acts (Northern Ireland) 1945-53. Submission to Advisory Council for financial assistance towards the establishment of an undertaking at Castlereagh Factory Estate: *'The Hughes Tool Company, an American concern founded in 1929 – specialises in the manufacture of oil field equipment and is owned completed by Mr. Howard R. Hughes who has very varied interests throughout U.S.A. including undertakings engaged in manufacture of aircraft, electronics, guided missiles, beer, etc.'* PRONI Com /63/1/443, Meeting between directors of Hughes Tools and the Board of Trade, 25 June 1953.

<sup>305</sup> PRONI Com /63/1/443, Letter from the Board of Trade to the Ministry of Commerce, July 8 1953.

<sup>306</sup> PRONI Com /63/1/443, Letter from the Board of Trade to the Ministry of Commerce, July 8 1953.



*British interests.*<sup>307</sup> Within a year of its establishment, it made the decision to expand, with employment expected to rise to in excess of 500.<sup>308</sup>

In 1964, an industrial magazine noted that *'Hughes Tools is one of three companies which has made Northern Ireland an important centre of the British oil well Equipment Industry.'*<sup>309</sup>

#### **5.6.5.2 TRW Mission Ltd. (1956)**

TRW Mission Ltd from Cleveland, Ohio, a company involved in oil drilling equipment began production in Belfast in 1956, with an initial work-force of 100. Archival sources suggest a positive relationship between Mission and the aforementioned Hughes Tools Company: *'When Mission Manufacturing decided to establish a unit here, Hughes Tools Co. allowed them, by agreement with the Ministry of Commerce, to use a portion of their factory pending completion of the building allocated to the newcomer'*.<sup>310</sup> Most of the company's produce was for export to locations such as South America, India, Pakistan and the Middle East.<sup>311</sup> The company noted that the availability of labour was the key reason for locating in the region.<sup>312</sup>

#### **5.6.5.3 Camco Ltd. (1959)**

In 1959 Camco, a Texan company specialising in the manufacture of oil drilling equipment business, established a presence in Belfast. The plant was established to *'export to all the oil-producing areas of the world, except the US'*.<sup>313</sup> In its 1959 annual report the company cited *'a government low-rental factory, tax breaks, currency advantages for Sterling area products, English-speaking trained labour...a stable, conservative government and friendly, co-operative people'* as the rationale for investing in the region (Bostock and Jones, 1994:115).

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<sup>307</sup> PRONI Cab/ 9/F/188/8, 'Background information continued in a Detailed Programme for Lord Chandos' visit to companies located in Northern Ireland.' 5 December 1955.

<sup>308</sup> The Belfast Telegraph, 'Belfast Factories to be extended', 31 December 1955.

<sup>309</sup> *News of Industry Ulster*, 20 November 1964.

<sup>310</sup> PRONI Cab /9/F/188/8, 'News of Industry Ulster', 20 November 1964. There were a number of examples of further positive co-operation was evident among companies in the region. For example, Ulster Knitting Mills Ltd. was permitted to sub-let a part of a facility (Glen Works) at Short Brothers and Harland Ltd in order to train operatives, while its premise was being completed (PRONI Cab 9/F/188/8, Letter to W. Crone, Ministry of Commerce from E.W.A Woolmar, Short Brothers & Harland Ltd, 3 March 1948). A.G. Spaldings and IT&T were involved in a joint training initiative for new employees.

<sup>311</sup> *Belfast Telegraph*, For Building Firm, 8 August 1956.

<sup>312</sup> *Belfast Telegraph*, Official Opening of Mission. 16 September 1959.

<sup>313</sup> *Belfast Telegraph*, US Firm's Plant nearly ready, 8 October 1958.

#### **5.6.5.4 Fafnir Co. Ltd (1964)**

Fafnir began manufacturing in Lisburn in 1964, which was the company's third UK subsidiary (Wolverhampton and Hednesford). The company's stated mission was to manufacture higher quality and cheaper ball bearings than those produced in Germany and England and with this in mind, the company began expanding its overseas network in 1959. The company had been established in Connecticut in 1911 producing ball bearings for the motor industry in Detroit, but by 1963 it had diversified into areas such as industrial machinery, construction and farm equipment, and aircraft, missiles and instruments.<sup>314</sup> By that time approximately 15% of its sales were to the US government and after World War Two, the company also became involved in the development of precision bearings for the Space programme.<sup>315</sup> Fafnir subsequently became part of the Textron Group of Rhode Island in 1967.

#### **5.6.5.5 Worcester Valve Co. Ltd (1964)**

In late 1964, the Worcester Valve Co Ltd began production in an advance factory in Armagh. The parent company, Worcester Controls Corporation which was originally established in 1955, produced valves for machinery in the food, petrochemicals, tobacco and pharmaceutical sectors.<sup>316</sup> The company's presence in the region was however short-lived and it was one of the three US companies to divest from the region by 1973.

#### **5.6.5.6 Autolite Motor Products Ltd (1965)**

Autolite Motor Products Ltd, a subsidiary of the Ford Motor Company, began manufacturing carburettors in 1965 at its plant at Finaghy, Belfast, employing over 700 people. The company also engaged at R&D at the plant.<sup>317</sup>

#### **5.6.5.7 Walkers (1965); Beaird (1967); Rik-Wil (1967)**

Walker's Manufacturing Company was established in Belfast in 1965 and produced automobile mufflers and exhaust systems, and its two main customers were Ford and Rootes.<sup>318</sup> The

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<sup>314</sup> *Barron's National Business and Financial Weekly* Broader stake overseas enhances Fafnir outlook'. 5 August 1963

<sup>315</sup> *The Guardian*, Three in one saves time and money, 31 March 1971.

<sup>316</sup> [www.libraries.wright.edu/special/collectionguides/files/m5251.pdf](http://www.libraries.wright.edu/special/collectionguides/files/m5251.pdf).

<sup>317</sup> Congress (1974). See also '*Eight Report of the Northern Ireland Development Council January 1, 1964 – March, 1965*'.

<sup>318</sup> Rootes Manufacturing was a UK car manufacturer was bought out by Chrysler Corp. (US) in 1967.

company was owned by Tenneco Inc. of Texas, and the company carried out an extension during 1967 to meet growing demand, at which time employment stood at 180.<sup>319</sup>

In 1966, the American Machine and Foundry Company announced that it was acquiring a 135,000 sq. ft. plant in Belfast. The facility would manufacture large pressure vessels/storage tanks for gas storage under the name A.M.F. Beaird Belfast, and subsequently commenced production in 1967.<sup>320</sup>

Ric-Wil (UK) commenced the manufacturing of heating systems and pipe fabrication in 1967. The company was owned by Anvil Industries of Ohio, and had 17 plants in the US. The company moved temporarily into a former building contractor's hanger at Newtownbreda and an initial workforce of 17. In 1969, the firm moved to another temporary advance factory at Derriaghy industrial estate with 50 employees, while construction for a newly constructed factory in Dunmore for an expected labour force of 150 to 200 was underway.<sup>321</sup> The company intended to manufacture a new product - fabricated chimneys at the Derriaghy plant. Wales was also under consideration for the Drumore plant.<sup>322</sup> The company noted '*We came to Northern Ireland because we felt it was a good central position for the United Kingdom and Europe. There are good shipping services out of here and the incentives that have been offered from the Ministry of Commerce has been really good.*'<sup>323</sup>

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<sup>319</sup> *Belfast Telegraph*, 'New industries give diversity and strength'. 25 January 1967.

<sup>320</sup> *AMF International* in Action. Published by the Public Relations Office AMF International Ltd, 1966.

<sup>321</sup> *Belfast Telegraph*, 'Firms are asked 'Tell of Faith in Ulster'', 19 May 1969.

<sup>322</sup> *Belfast Telegraph*, 'US firm adopts bigger plans', undated.

<sup>323</sup> *Belfast Telegraph*, 'Plans to Build Factory in Down', 4 July 1967.

## 5.6.6 Electrical and Electronic Engineering

Towards the mid-1960s, there was an increase in the establishment of branches of industrial and electrical components for the European and British markets. A surge in US investment occurred in 1966 and 1967 with 12 new companies locating in the region within that two-year timespan.

### 5.6.6.1 The Standard Telephones and Cables (1962)

The Standard Telephones and Cables Company opened in 1962 at Monkstown with an initial workforce of 300, which expanded rapidly to 2000 by 1964 as plants were subsequently established at Belfast, Larne and Enniskillen. The parent company - US International Telephones and Telecommunications - had been established in 1883 and by 1962, had a workforce of 26,000 in 12 British factories, and a total of 150,000 worldwide.<sup>324</sup> *'The initial factory at Monkstown is engaged in the assembly, wiring and testing of electro-mechanical switching equipment for use in telephone exchanges throughout the United Kingdom and Administrations abroad.'*<sup>325</sup> Another factory was planned for the following year for the production of telephone and radio sets.<sup>326</sup> Within two years, the Northern Ireland based plants had received significant orders from overseas: A memo from the Ministry of Commerce discussed a meeting with the company in relation to a potential deal to secure the provision of telephone and switching equipment for the Chile Telephone Company, the manufacturing of which, was ear-marked for Northern Ireland. A further contract worth £840,000 for the provision of telephone exchange equipment in Ceylon (Sri Lanka), was secured by the Monkstown plant in 1963.<sup>327</sup> A 1963 interview with Ken Frost, the company's general manager revealed that one reason why the company had chosen NI was to avoid competition, because telephone manufacturing was a *'completed new industry'* in the region.<sup>328</sup>

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<sup>324</sup> PRONI Com ,63/1/128. Assorted press cuttings; *Belfast Telegraph*, 'Another advance factory opening', 19 July 1962.

<sup>325</sup> *Belfast Newsletter*, 19 July 1962.

<sup>326</sup> *Belfast Newsletter*, 'Opening of New Telephone Factory', 26 July 1962.

<sup>327</sup> PRONI Com ,63/1/128, 'Ceylon exchange to be made at Monkstown', 4 July 1963; *The Wall Street Journal*, 'ITT British Units Gets Contract', 5 July 1963.

<sup>328</sup> *Belfast Telegraph* 'Phone man with an Irish flair – Ken Frost – Standard Telephones', 12 September 1963.

### **5.6.6.2 Centralab (1966), Ceramic Products (1966) and Mameo (1967)**

Centralab started production in 1966 in Antrim. The company has been formed in 1964 as a venture between Globe-Union Inc. of Milwaukee and N.S.F Ltd. (Simms Motor group) and made ceramic capacitors for radio and television companies in Britain and Europe.<sup>329</sup>

Ceramic Products was established in Antrim in 1966. At the time, it had been jointly owned by L.E.M. (London Electrical Manufacturing), U.K and a French company C.S.S. The U.K. Company's share was bought by Transitron Electronic Corporation in 1967 which was also in negotiation to buy out the French share.<sup>330</sup>

Mameo International, owned by the M.A. Miller Manufacturing Company of Illinois, began operations in 1967. The company planned to manufacture diamond and sapphire heads for record players, ski equipment and gold shafts, for the European market and had an existing factory at St. Alban's, Hertfordshire and four plants in the US. The hope was that 50 men would initially be employed in Kileel, Co. Down which was expected to rise to 100 '*within a short time*'. The 5,000 sq. ft. factory premises was leased by a local businessman for 10 years and the Irish Times noted that because of the investment '*it is expected that industrial activity will sharply increase in the fishing port of Killeel, Co. Down and that unemployment will be reduced by 50% and the drift of young people to Belfast halted.*'<sup>331</sup>

### **5.6.6.3 Plastic Capacitors Ltd. (1968); Essex International (1969); International Recifiers (1969)**

Plastic Capacitors Ltd was formed in partnership with Plastic Capacitors, Chicago and commenced business in 1968 in the Maydown Industrial Estate to manufacture a range of high voltage capacitors for the European market.<sup>332</sup>

In 1969 Essex International, a subsidiary of United Technologies Inc. Connecticut commenced operations in Derry, initially employing 170 workers.<sup>333</sup> The company manufactured motor wire assemblies and had close associations with the Ford Motor Company, having previously

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<sup>329</sup> *The Irish Times*, 'Centralab to open factory in Antrim', 20 September 1966.

<sup>330</sup> *The Irish Times*, 'Survey reveals shipbuilders can handle larger tankers', 9 January 1967.

<sup>331</sup> *The Irish Times*, 'Low-Cost Cotton Goods a Worry', 17 January 1966.

<sup>332</sup> Information obtained on the website of Hivolt Capacitors, which became the new name of the Company in 1979, when the Company became independent [www.hivoltcapacitors.com/about-us](http://www.hivoltcapacitors.com/about-us).

<sup>333</sup> *Belfast Telegraph*, 'Motor Components Factory for Derry', 5 February 1969.

acquired Ford's wire assembly operations. The partnership with Ford was further strengthened during the 1960s when the company sponsored, and was involved in, the Ford Motor Racing Team.<sup>334</sup> Essex underwent significant international expansion during the 1960s, and had 90 plants and over 26,000 employees worldwide, changing its name from Essex Wire Corporation to Essex International.<sup>335</sup>

In 1969 International Recifiers of California began manufacturing in Newry, Co. Down employing 250 people.

## **5.6.7 Instrument Engineering**

### **5.6.7.1 Sherwood Medical**

Sherwood Medical manufactured items such as disposable syringes and catheters at a plant at Ballymoney, Co Antrim, and employed over 400 people by 1972.<sup>336</sup> The company was owned by the Brunswick Corporation of Chicago. Some years later, a spokesman for the company noted that *'We chose Northern Ireland initially because of the very favorable financial incentives package offered by the Government'*.<sup>337</sup>

## **5.6.8 Manufacturing of Metal Goods not elsewhere specified**

### **5.6.8.1 Oneida (1961)**

Oneida an American-owned manufacturer of cutlery and tableware, opened in Bangor 1961. The company had been based in Sheffield since 1923. Upon opening, the company noted that the new plant was the *'most technically advanced in the world'*.<sup>338</sup> Within a year of the company's establishment in Northern Ireland, the Managing Director, Mr. J. C. Townsend noted that the local authority

*supplied the infant industry with its necessary facilities such as gas, electricity, waste disposal etc..... The labour we have employed in Bangor is good. Given the right working conditions, the same type of equipment, control, training and*

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<sup>334</sup> [www.essexwire.com/history](http://www.essexwire.com/history).

<sup>335</sup> The Northern Ireland investment was, however, short-lived and the company divested from Northern Ireland after six years in 1975.<sup>335</sup>

<sup>336</sup> *The Irish Times*, 'Award for Northern Ireland Plant', 26 April 1972.

<sup>337</sup> *Harvard Business Review*, 'The Manager's Experience of Northern Ireland', Brian Scott, Jul/Aug 1979, 57(4), 176-178 (Business Source Complete), Richard Jordan.

<sup>338</sup> *Irish Examiner*, Northern Firm 'Most Advanced in World', 25 February 1964.

*direction, we are sure their productivity to be just as good as the plants of the United States or Canada.*<sup>339</sup>

However, he also noted that management and executive groups were paid poorly, that shipping costs ‘were a big damper’, and that ‘it took one day to ship goods from Sheffield to London but about six or seven to transport them across to Ulster’ and many of the goods were ‘damaged in transit’.<sup>340</sup> By 1966, the Company employed 400 men, and planned to extend from a 40,000 sq. ft. factory to a 130,000 sq. factory and increase the workforce to over 600 workers in the following six years.<sup>341</sup> The company was originally founded in upstate New York as a commune by John Humphrey Noyles, a utopian scholar, subsequently becoming the largest manufacturer of tableware in the world.<sup>342</sup> Noyles’ great grandson, John Pierrepont Langford (JPL) Hatcher played a key role in the Oneida concern in Northern Ireland, spending eight years from 1961 at the UK plant, rising from advertising and merchandising manager to Sales Director and ultimately managing director. He returned to the US corporate headquarters in 1970.

## **5.6.9 Rubber and Plastics**

### **5.6.9.1 Kent Plastics**

Kent Plastics, a subsidiary of Ball Plastics Division, an Indiana based company promising initial employment of about 200 men, established a plant in Enniskillen to produce plastic items for the British motor industry, in addition to items such as record player panels. Kent Plastics had another subsidiary at Slough but had found ‘difficulty there in keeping pace with demand’.<sup>343</sup> The company moved into at the premises of the former Taylor Woods Company (a nylon company and lingerie company) which had closed down in 1966 after 20 years with the loss of 500 workers.<sup>344</sup> Kent Plastics made fascia panels, control knobs and decorative panels under contract for the Ford Company.<sup>345</sup> Further customers included Vauxhall and B.M.C.<sup>346</sup>

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<sup>339</sup> *Northern Whig*, ‘Ulster Good for Industry’, 16 March 1962.

<sup>340</sup> *Northern Whig*, ‘Ulster Good for Industry’, 16 March 1962.

<sup>341</sup> *The Irish Times*, ‘Three American firms may establish branches in N.I.’, 28 November 1966.

<sup>342</sup> For further information on the Oneida group see Smith, E.W. (2018) ‘*Oneida: From Free Love Utopia to the well-set table*’, Picador.

<sup>343</sup> *The Irish Times*, ‘American firm to take over factory in Enniskillen’, 12 October 1966.

<sup>344</sup> See Brownlow (2015) for an exploration of the demise of the Taylor Woods company.

<sup>345</sup> *The Irish Times*, ‘Progress in creating new jobs in Northern Ireland offset by contraction’, 17 March 1969.

<sup>346</sup> *Belfast Telegraph*, ‘New industries give diversity and strength’, 25 January 1967.

### 5.6.9.2 The Bridgeport Brass Company (1961)

The Bridgeport Brass Company of Bridgeport Connecticut was established in an advance factory of about 73,000 square feet, hoping to employ over 400 people in Lisburn and producing tyre valves, bicycle valves and accessories in 1961.<sup>347</sup> The parent company was the National Distillers and Chemical Corporation of New York. A local newspaper endorsed the new industry in the town of Lisburn, noting in 1964

*while it must be recorded that the traditional linen industry is still the most important to the town, it is the allying of new enterprises, such as Bridgeport Brass and the Fafnir Bearing Company, just beginning production, which will mean continuing prosperity and ever flourishing.*<sup>348</sup>

### 5.6.9.3 Goodyear UK Tyres (1967)

Goodyear UK Tyres opened a plant in Craigavon in 1967 with 1,000 employees.<sup>349</sup> A subsidiary of Goodyear Inc. Ohio, the Belfast Telegraph noted that the factory would be '*the largest that Goodyear has built anywhere among its 89 others in the world*'.<sup>350</sup> The Northern Ireland branch was established to manufacture industrial products such as conveyer and transmission belting, and moulded rubber products for the rubber industry, with an expectation that 30% of the output would be destined for markets outside the UK.<sup>351</sup>

## 5.6.10 Other Manufacturing Industries

### 5.6.10.1 A.G. Spaldings (1961)

In 1961 the US sports equipment company located in Monkstown, Antrim, transferring its entire London manufacturing facility.<sup>352</sup> The company had been founded in 1876 by Albert Spalding '*a pitcher and manager of a baseball team in Chicago*', who after starting a sports shop in Chicago, expanded to become a manufacturer of sports equipment.<sup>353</sup> Bostock and Jones (1994: 107) note that A.G. Spalding was an example of a firm that had passed in and out of British ownership. The company '*established a London subsidiary in 1915 to manufacture sports*

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<sup>347</sup> *The Irish Times*, 'North asks Britain for help', 1 October 1960.

<sup>348</sup> Ulster Star Borough, Saturday Supplement, 27 June 1964.  
[www.lisburn.com/books/star\\_brochure/star\\_brochure3.htm](http://www.lisburn.com/books/star_brochure/star_brochure3.htm).

<sup>349</sup> *The New York Times*, 'Goodyear closure', 26 July 1983.

<sup>350</sup> *Belfast Telegraph*, 'Designed, built by Northern Ireland firm', 15 May 1968.

<sup>351</sup> *Belfast Telegraph*, 'New Industries give diversity and strength', 25 January 1967.

<sup>352</sup> *Belfast Telegraph*, 'New Factory for Antrim', 10 January 1961.

<sup>353</sup> [www.spaldingbros.com/en/sp/ecommerce-info/heritage](http://www.spaldingbros.com/en/sp/ecommerce-info/heritage).



equipment. In 1937 this subsidiary was sold to BTR Industries, but in 1960 it was reacquired once more by A.G. Spalding'. The subsidiary closed in 1971, however a spokesman for the company said at the time that the closure was not due to the political situation as the English subsidiary also closed down.<sup>354</sup>

## **5.6.11 Food and Drink/Tobacco**

### **5.6.11.1 Ulster Swift (1966)**

In 1966, Ulster Swift was established in Enniskillen. The Bacon and Pork processor was a subsidiary of Swift and Company, Chicago, one of the world's largest meat packing companies. The company acknowledged that a key reason for its decision to locate in Northern Ireland was market-seeking. From 1962, the Company bought or leased four beef plants in the UK and had expansion plans in Italy and Spain. According to the company '*European countries aversion to substantial dependence on food imports, and their willingness to protect their farmers through subsidiaries or tariffs and levies against imports further curtail US opportunities and strict certification rules about the providence of animals*'.<sup>355</sup> In relation to the opening of the new Northern Ireland plant, the company stated

*Under a Joint Venture with the Pigs Marketing Boards of Northern Ireland, Swift will operate a plant in Ulster producing not only the bacon-side which are normal British fare, but also American cuts largely unknown in the UK: We will try to get them to try our merchandising techniques.*<sup>356</sup>

### **5.6.11.2 Pickering's Foods NI (1969)**

In 1969, the Heinz Corporation of Pittsburgh, Pennsylvania acquired Fisons – a UK company with diverse business interests including the dairy and canned food sector. The company's plant in Coleraine was one of the largest dairy unit in the UK. The Coleraine premises had been part of Bengers, one of the initial UK companies to locate in Northern Ireland after World War Two. On acquiring the new plant, the Managing Director noted 'Heinz see the addition of Fisons Foods as part of a planned development programme into expanding food markets new to the

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<sup>354</sup> *The Irish Times*, 'Industry in Northern Ireland not on 'brink of disaster'', 12 January 1971.

<sup>355</sup> Expansion of Beef Exports Hearing before the select Committee on Small Businesses U.S Senate 89<sup>th</sup> Congress 1<sup>st</sup> Ed on ocean freight rates and other barriers for expanding exports of U.S. Beef and Beef products. Feb 24/25<sup>th</sup> 1965. U.S. Government Printing Office, Washington 1965. Accessed online 14/04/2020.

<sup>356</sup> Expansion of Beef Exports Hearing before the select Committee on Small Businesses U.S Senate 89<sup>th</sup> Congress 1<sup>st</sup> Ed on ocean freight rates and other barriers for expanding exports of U.S. Beef and Beef products. Feb 24/25<sup>th</sup> 1965. U.S. Government Printing Office, Washington 1965. Accessed online 14/04/2020.

Company, but closely related to its management skills and sales, marketing and distribution operations'.<sup>357</sup> The company employed in excess of 500 people.

### **5.6.11.3 Gallaher Ltd (1968)**

The British-owned Gallaher tobacco group was bought out by the US Philip Morris Group (American Tobacco Company) in 1968, citing increased competition and the need to integrate into a larger organisation as a reason for the takeover.<sup>358</sup> The company had originated in Londonderry in 1857. In 1962, Gallaher's acquired J. Wix and Sons Ltd of London from the American Tobacco Company in exchange for a share of Gallaher's stock. By 1968, American Tobacco had increased its holdings in Gallaher Ltd to 69%. The company had two plants in the region and by 1971 had a workforce of over 5,600 people.<sup>359</sup> The company was the largest employer in the region, and the inclusion of this company significantly increases the employment figures of US companies in the region.<sup>360</sup>

## **5.6.12 Paper Products**

### **5.6.12.1 Ulster Paper Products (1967)**

The Ulster Paper Products, a subsidiary of the St. Joe Paper Company of Jacksonville, Florida, manufactured corrugated board for industrial customers. The company was based initially in Drumore, where 40 were employed, moving to Lurgan in 1968 with workforce of 80. The Managing Director, Mr. Michael Ball had family connections with the Du Pont family, and sat on that company's board.<sup>361</sup> The Florida Company had approximately 20 factories in the US, and had existing business interests in the Republic of Ireland. The company had managed the National Board and Paper Mills Ltd, in Waterford since 1958 and it subsequently bought out the Irish company.<sup>362</sup>

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<sup>357</sup> *Belfast Telegraph*, 'Heinz Soothe Job fears', 1 March 1969.

<sup>358</sup> PRONI Com/396 /K/16, 'Gallaher Annual Report 1971'.

<sup>359</sup> PRONI Com/396 /K/16, 'Gallaher Annual Report 1971'; See also PRONI D 3964/K 16 Gallaher Annual Report 1971.

<sup>360</sup> American Tobacco was renamed American Brands in 1969. By 1975, American Brands Inc. owned 100% of Gallaher.

<sup>361</sup> Michael Ball was a brother-in-law of Alfred DuPont, a great-great grandson of Eleuthere Irenee DuPont, founder of E.I. Du Pont de Nemours; *Belfast Telegraph* '160,000 contract for Ulster Paper Firm', 21 June 1967. The article also notes that Mr. Michael Ball also bought Ballynahinch Castle, Co Galway in 1955/1957. It also notes that Michael Ball was a trustee of the Du Pont estate. See also [www.ballynahinch-castle/time-line](http://www.ballynahinch-castle/time-line).

<sup>362</sup> St. Joe Paper Company, *Annual Report 1960*

### 5.6.12.2 TPT (1972)

TPT opened in 1972 in Lurgan, Co. Down. The company had two paper mills and six factories in Britain, specialising in the production of paper and plastic products for the textile industry and was '*closely associated with Sonoco Products of South Carolina.*'<sup>363</sup> The Lurgan plant produced spiral paper cones to support textile yarns.

## 5.7 Geographical Origins of US inward investment

Figure 5.1 indicates that, in general, investors from the US were concentrated in the Eastern States of Massachusetts, Philadelphia and New York, stretching westwards towards Ohio and Illinois. The predominance of Eastern US companies investing in NI may have been influenced by the location of the UK's Board of Trade's offices in New York: From 1956 until 1960, the NIDC had a dedicated sub-committee in New York. In 1960, responsibility for promoting the UK regions in the US (including NI) passed to the newly established British Industrial Development Office (BIDO). At the time, this was a cause of concern for the NIDC, who six months previously had commissioned a report, one of the recommendations of which was to further expand its New York presence.<sup>364</sup>

A number of major textiles-related industries were centred around the East Coast states of Delaware and Maryland. The Texan companies illustrated on the map were involved in the production of oil drilling equipment and were among the earlier group of US companies to locate in Northern Ireland.

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<sup>363</sup> *The Guardian*, Dimplex Industries sets a hot pace, 1 February 1972.

<sup>364</sup> This is discussed in chapter 4.



Source: Researcher Database

**Figure 5.1 Geographical origin of 36 US companies who established branches in Northern Ireland 1945-1973**

The majority of the US companies had one manufacturing unit in Northern Ireland, but there were a number of exceptions as outlined in Table 5.8 and all of these companies were among the group of US investors providing the highest level of employment.

**Table 5.8 US companies with more than one plant in Northern Ireland**

Company	Date of Establishment in Northern Ireland	Number of plants in the region	Location of Plants
Berkshire Knitting Mills	1948	3	Newtownards Dundonald Derry
Chemstrand	1958	2	Coleraine Derry
DuPont	1960	4	4 adjacent plants at Maydown, Derry
Standard Telephone and Cables company	1964	3	Belfast Larne Enniskillen
Gallaher Group	1968 (Takeover by US Philip Morris Group)	2	Lisnafillan Belfast (2 sites at Henry Street and York Street)

Source: Researcher Database

## 5.8 Non-US Foreign Multinationals in Northern Ireland Manufacturing, 1945 – 1973

*Whether inside or outside the European Community we are determined to remain a part of the European family of Nations. Our history, our racial backgrounds, our sympathies, and our economic needs all link us firmly with our sister nations across the English Channel. Here in Northern Ireland, we see European investment as a further step towards the growth and diversification that we seek.*

[Extract from speech by Capt. Terence O'Neill on the opening of British Enkalon Ltd. 23<sup>rd</sup> September 1963]<sup>365</sup>

This section focuses on NI investment excluding other areas of the UK and the US. The sectoral breakdown is similar to the US investment – primarily in the areas of textiles and engineering, which a focus on the car components and vehicle parts, which had also seen a rise from US companies from the mid-1960s. The dynamics of the official machinery was similar to that

<sup>365</sup> PRONI PM /5/104/8, Speech for Prime Minister of NI on the opening of British Enkalon, September 1963. See also The Irish Times 'Nylon plant opened by Princess', 24 September 1963.

illustrated in the US section: the Trade of Board played a key role in directing investment towards the region, and companies were attracted by the very generous regional grant-aid. After accounting for the very large-scale investments in areas such as article fibres and chemicals, the European investors tended to be quite small. While this section provides an archival analysis of the larger companies, where available, details on the origins and motives of the small companies are also included in order to provide a more complete picture of FDI into the region.

There were both push and pull factors relevant to inward FDI in the region. Arguably, many of the push factors were similar across sectors and nationalities. In the case of Germany, for example, the relaxation of laws, after 1953, prohibiting German outward FDI was a necessary precursor to any investment (Galofré-Vilà et al., 2019).<sup>366</sup> The oligopolistic nature of the petrochemical industry also played a key role in attracting investment to the region.

Archival evidence suggests a number of pull factors for the increased promotional efforts of the Northern Ireland government directed towards European countries and beyond from the start of the 1960s:

1. Upon the dissolution of its US sub-committee, the NIDC re-directed its attention to mainland Europe as a potential source of inward investment. The closure of the US subcommittee of the NIDC had been unexpected. In October 1959, approximately six months before the closure, the NIDC had commissioned a report on how to attract more overseas investment from the US. The relatively short period between the publication of the consultant's report, and the closure of the US office, meant that the promotional momentum could be fruitfully redirected from the US to the Europe and the British markets.<sup>367</sup>
2. A greater interest in the Continent may have been an outcome of the discussions regarding potential UK membership of the EC. Notes from a 1961 meeting of the NIDC bear this out

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<sup>366</sup> In 1953, the London Debt agreement was signed. Prior to this, the Allies had retained existing controls on Germany and a moratorium on new foreign investment from Germany had been declared.

<sup>367</sup> PRONI CAB 9F/188/19, Report of the NIDC, 1 April 1959 to 31 October 1960,

*Our operations are essentially long-term. The accelerated publicity campaign has now been in operation for a year, and we believe that knowledge of Northern Ireland is now much wider spread than it was. We are already in contact with a very substantial number of companies and are persuading a number of them to make a survey on the spot. Our future activity is likely to be closely related to trading developments in Western Europe. If it should become clear that the U.K. will join, or be closely associated with, the E.C.M we expect a marked increase in the level of inquiries. Our experience tends to show that those factors which historically speaking, made the U.K. the leading beneficiary in W. Europe of U.S. investment capital, continue to apply. Uncertainty about market potential is the main retarding factor.*<sup>368</sup>

3. In 1962, the US government considered a realignment of tax on overseas investment, and while this did not materialise in practice, the potential threat of changes in tax rules highlighted potential risks in relation to the fiscal arrangements with the US.
4. The relative success of the IDA in the Republic of Ireland in attracting inward investment from Europe had come to the attention of Northern Ireland by the early 1960s. While Northern Ireland's promotional drive (and the close political linkages between the US and the UK in general) had resulted in some large-scale US investment by the early 1960s, the South had concentrated on the European market. The establishment of the Liebherr factory in the South was noted with interest by the NIDC (see chapter six) and this may have contributed to increased interest in attracting investment from European and beyond.

In terms of push factors, strategic decision making played a role in both British Enkalon's and Hoechst's decision to locate in the region. These companies were anxious to assert industrial dominance in the face of increasing competition from the US. The Financial Times noted, for example, that German companies were anxious to re-establish the German petrochemical cartel which had been established in the early 20<sup>th</sup> century but disbanded by the allied forces after

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<sup>368</sup> PRONI CAB/9/F/188/23, Report on the Progress of Industrial Development 27<sup>th</sup>. Meeting, 3 July 1961, NIDC.

World War Two.<sup>369</sup> The oligopolistic nature of the petrochemical industry increased its tendency towards clustering.

## **5.8.1 West German Companies**

### **5.8.1.1 West Germany (FDR) - Overview**

With the notable exceptions of Grundig and Hoechst, German companies tended to be smaller on average than their US counterparts. Archival records suggest that a more targeted approach was used to attract German investment after 1960.<sup>370</sup> As noted above, NIDC's role in promoting US investment was usurped by the BIDO, as part of the UK's reconfiguration of its promotional machine in the US, leaving the NIDC free to concentrate on promotional activities in Europe. In the case of Hoechst, the decision to locate in Northern Ireland was, in part based on a strategic move to compete in the highly competitive market for a share in the polyester market.<sup>371</sup> A shortage of labour in Germany was also a driver in considering overseas investment locations.

The Ministry of Commerce increased its efforts to encourage inward investment from West Germany from the beginning of the 1960s. The London Debt Agreement (1953) both facilitated the reintegration of West Germany into global markets and renewed the possibility of outward investment.<sup>372</sup> In a May 1964 address to the annual conference of the Ulster Unionist Council, the NI Minister for Commerce, Mr. Brian Faulkner stated that the Government was making a concerted effort to attract West German industrialists to Northern Ireland, noting that he expected a significant increase in Germany companies investing in the region.<sup>373</sup> While considerably less than the number of US investors, West Germany ranked third after the US and the Republic of Ireland, in term of FDI in the region.

#### **5.8.1.1.1 Grundig (1960)**

Grundig was the first post war West German company to locate in NI. The original enquiry regarding the establishment of a manufacturing plant had come through the British Board of

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<sup>369</sup> *Financial Times*, 'International Dimensions in the Chemical Industry', by Geoffrey Owen, 6 January 1966.

<sup>370</sup> PRONI Cab /9/7/188/23, Report on visit to Western Germany of Secretary and Mr. F.M. Craig, November 1960.

<sup>371</sup> *Financial Times*, 'Hoechst may produce polyester Fibre in UK', 22 September 1967.

<sup>372</sup> See Kasier, J. (2013). 'One made it out of the Debt trap: Lessons from the London Debt Agreement of 1953 for the current debt crisis'. Friedrich Ebert Stiftung, International Policy Analysis for the discussion on the London Debt Agreement of 1953; see also Deutscher Bundestag – 240 Sitzung Bonn Mittwoch den 5 Dezember 1952, 11099.

<sup>373</sup> *Belfast Telegraph*, Superior Economy in Republic is a Myth says O'Neill'. 9 May 1964.



Trade in December 1959. Production began in a pilot factory in July 1960, before work was completed on a larger advance factory at the same site in Dunmurry. By 1968, Grundig had a total of 24 factories and employed 27,000 employees world-wide, however, the Northern Ireland plant had been ‘*the first investment outside West Germany*’.<sup>374</sup> Max Grundig began producing transformers for radio receivers in 1945, and in 1947 set up Grundigwerke GmbH, thereafter embarking upon rapid expansion.<sup>375</sup> In 1957 the company set up the world’s largest production facility of tape recorders in Bayreuth, Bavaria. This first overseas venture in Northern Ireland also produced tape-recorders and dictating machines for the UK and European markets. A lack of skilled personnel was given as a key reason for the company’s international expansion, and more plants were established in Portugal (1965), Italy (1969) and France followed within a decade. The company became a public company in 1972.<sup>376</sup> While acknowledging the key role that financial incentives had played in the company’s decision to locate there, the company director W. Zaune praised the work of the Ministry of Commerce, noting in 1968 that ‘*the hot-line to the Minister himself was always at our disposal*’.<sup>377</sup>

Employment levels had risen to over 1,000 by 1965, but fell during the 1966 - 1970 period, which the company blamed on a recession in the UK and a simultaneous increase in labour productivity.<sup>378</sup> The company increased its export focus, concentrating on the US, Canadian, Australian and EFTA countries from the 1966 period onwards, and employment levels increased to 1,300 workers by 1973. More than any other investment from overseas, the story of Grundig illustrated the darker side of FDI and the associated political risks that befell investment, particularly after the on-set of the ‘Troubles’.<sup>379</sup> In 1973, Mr. Thomas Niedermayer, Managing Director of the Dunmurry factory (and German Honorary Consul for NI) was kidnapped and murdered by the IRA. His body was found many years later.<sup>380</sup>

#### **5.8.1.1.2 Thorer (UK) Ltd. (1966)**

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<sup>374</sup> *Belfast Telegraph*, ‘Grundig soon back to normal’, 31 August 1971; PRONI Com /63/1/605. Various Newspaper cuttings: *Financial Times*, ‘Grundig’s bigger budget’, 12 October 1967.

<sup>375</sup> The initials GmbH denotes a Limited Company (Ltd.). AG denotes a Public Liability Company (PLC)

<sup>376</sup> *Die Welt*, ‘Viel Bewegung bei Grundig’, 18 July 1997.

<sup>377</sup> Speech by Director W. Zaune during presentation ceremony ‘*The Queen’s Award to Industry for Export Achievement 1968*’.

<sup>378</sup> *Belfast Telegraph*, an untitled article noted that there was a decrease in demand for the company’s portable tape recorders and that the British market was nearing saturation point, 5 October 1965.

<sup>379</sup> ‘The Troubles’ was the name given to a period of conflict in NI between the late 1960s and the Good Friday Agreement of 1998. It centred on ethno-political conflict.

<sup>380</sup> RTE 1 (2012), *Documentary on One*, ‘A Knock on the Door – Thomas Niedermayer Kidnapping’, 16 February 2012. 1

Described as *'the world's oldest fur family'*, Thorer (UK) Ltd. took over a plant in a former linen mill (40,000 sq. ft.) at Muckamore in Co. Antrim.<sup>381</sup> The company processed 25% of the *'Western World's supply of Persian lamb skins'* and the Northern Ireland plant specialised in the processing and dyeing of Persian lamb skins for both UK and export markets.<sup>382</sup> On opening the facility on 1<sup>st</sup> Feb, 1966, Brian Faulkner noted that it was the 218<sup>th</sup> firm to go into production under the Northern Ireland Government's industrial development programme.<sup>383</sup> The Company stated that its rationale for location in the region was proximity to Aldergrove Airport, and the London fur market. Initial employment figures were in the region of 80 persons. It was expected that the main markets for the new Northern Ireland plant would be the UK and EFTA countries, noting that any market in the Republic *'would be limited'*.<sup>384</sup>

#### **5.8.1.1.3 Belzer Works Ltd. (1966)**

In 1966, Belzer Works Ltd. commenced the manufacture of *'high quality'* steel hand tools in Bangor, Co. Down. Initial employment was twenty-four which, it was reported, was due to increase to 250 employees within two years.<sup>385</sup> A news report stated that the company *'is a long-established firm with an international reputation for hand tools used in the manufacture of motor vehicles and aircraft, optical goods, watchmaking and in the fine mechanical work'*.<sup>386</sup> By the time of the company's establishment in Northern Ireland, it exported to nearly 100 countries.

#### **5.8.1.1.4 Albert Stübbe (NI) Ltd. (1966)**

Stubbe, located in an advance factory in Portadown, Co. Antrim, originally employing 100 which rose to 115 by 1972. The company manufactured injection mould machines. This was a British/German joint venture and the company expected to export 40% to E.F.T.A countries and to expand into markets such as Eastern Europe and America.<sup>387</sup>

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<sup>381</sup> *Neue Zürcher Zeitung*, 'Ulsters zufriedene Investoren Arbeitsbeschaffung als antirevolutionäre Therapie', 2 October 1972.

<sup>382</sup> *Irish Times*, Faulkner opens new factory in Co. Antrim', 1 February, 1966.

<sup>383</sup> *Irish Times*, Faulkner opens new factory in Co. Antrim', 1 February, 1966.

<sup>384</sup> *Irish Times*, Furs take over Antrim mill', 15 September 1965.

<sup>385</sup> Drive for New Factories goes on, 4 April 1966.

<sup>386</sup> *Irish Times*, German Tool makers for Northern Ireland, 10 February 1965.

<sup>387</sup> *Belfast Telegraph*, German Factory to start in April, 28 October 1966.

#### **5.8.1.1.5 Arntz Belting Co. Ltd. (1968)**

Arntz Belting Co. Ltd., a subsidiary of Arntz Optibelt KG (established in 1872) opened at Pennyberry, Derry in 1968. The company made timing belts (Vee Belts) for vehicles and machinery, thus reinforcing the position of Northern Ireland as a centre of auto-components. By 1972, total employment in the company stood at 140 people.<sup>388</sup>

#### **5.8.1.1.6 GEA Air Exchangers (1968)**

GEA was founded in 1920 and was early innovator in thermal engineering. The company opened a Northern Ireland plant on 10<sup>th</sup> September 1968.<sup>389</sup>

#### **5.8.1.1.7 Hoechst (1970)**

Hoechst, the German chemical plant which had been a part of the IA Cartel prior to the Second World War, began manufacturing in 1960 with the production of polyester filaments under the tradename '*Trevira*'.<sup>390</sup> The FT noted that Trevira was '*a polyester fibre like ICI's 'Terelene', British Enkalon's 'Terlenka', and Du Pont's Dacron*'.<sup>391</sup> Although Hoechst was, at the time, the largest European producer of Polyester Fibre its new NI plant was comparably smaller than, for example, the ICI plant, suggesting that the move was a strategic one, positioning the company in direct competition with the incumbent producers.<sup>392</sup> Hoechst was focusing on innovative variations of this textile to broaden its market appeal and the company was also on a wider investment drive.<sup>393</sup> The company planned to employ in excess of 500 people at its NI plant and employed 670 by 1972.<sup>394</sup>

#### **5.8.1.1.8 Olympic Business Systems Manufacturing (GB) Ltd (1972)**

Olympic, based in Belfast, employed 347 and produced office machinery, such as typewriters.

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<sup>388</sup> *Neue Zürcher Zeitung*, 'Ulsters zufriedene Investoren Arbeitsbeschaffung als antirevolutionäre Therapie', 2 October 1972.

<sup>389</sup> *Belfast Telegraph*, 'Bangor Firm to close', 10 August 1982.

<sup>390</sup> *Financial Times*, 'International Dimensions in the Chemical Industry', 6 January 1966.

<sup>391</sup> *Financial Times*, 'West German polyester fiber plant for NI', undated.

<sup>392</sup> *Belfast Telegraph*, 'Hoechst Fibre Industries U.K. Ltd – Annual Turnover in Excess of £700 million', 23 August, 1968.

<sup>393</sup> *Irish Times*, 'W. German polyester fiber plant for N. Ireland'; *Belfast Telegraph*, "'Giant' Ulster fiber plant?", 5 October 1967.

<sup>394</sup> *Belfast Telegraph*, 'PLANT 1970 500 start: men on payroll', 23 February, 1968.

## 5.8.2 Other EC Companies

### 5.8.2.1 British Enkalon (1963) - The Netherlands

British Enkalon, a newly formed subsidiary of Dutch company Algemene Kunstzijde Unie of Arnheim (AKU), opened a nylon spinning plant in Antrim 1963.

AKU had previously established a subsidiary - British Eka - in Aintree, Liverpool in 1932 for the production of Rayon yarn. The rationale and impetus for the establishment of a factory in Northern Ireland came as a result in the expiration of the UK patent for the production of nylon filaments by British Nylon Spinners (BNS).<sup>395</sup> Although both British Enka and its parent company had been actively involved in securing a site in Northern Ireland, AKU sold British Enka to Courtaulds prior to the completion of the agreement for the site in Northern Ireland, and subsequently set up British Enkalon in Northern Ireland for the production of nylon as a direct competitor to British Nylon spinners. The company was launched in 1961 with capital of £3,750,000. The parent company owned 61% and 39% was held by UK shareholders. The company produced a continuous nylon filament yarn for knitting and weaving. Approximately 200 of the 550 workforce were trained in Holland.<sup>396</sup> There is some evidence of local linkages – a newspaper report from November 1965 states that the company had placed an order for 60 machines with James Mackie & Sons, a textile machinery firm which had started '*the intensive development of wool and synthetic fibre machines*'.<sup>397</sup> The rationale for the NI site included the availability of fresh water, clean air and good access to the ports of Laune and Belfast. The local ministry noted that the newly established company was timely, given that Antrim had been identified as one of seven towns targeted for expansion in the Matthew report.<sup>398</sup>

British Enkalon was a main competitor of British Nylon Spinners (BNS). The strategic move by AKU to divest its interest in rayon towards the production of nylon meant that the NI plant was the main competitor to BNS for the production of nylon filaments.<sup>399</sup> As noted above, the subsequent move of Hoechst to the region, heightened the oligopolistic competition among the textiles giants.

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<sup>395</sup> British Nylon Spinners was set up in 1940 as a joint venture between Courtaulds and ICI.

<sup>396</sup> *The Irish Times*, 'Nylon Plant opened by Princess'. 24 September 1963

<sup>397</sup> *The Irish Times*, '*Belfast Firm turns out a machine every 20 minutes*'. 8 November 1965

<sup>398</sup> *Belfast Telegraph*, 'PLANT 1970 500 start: men on payroll'. Friday 23 February 1968

<sup>399</sup> The NI factory produced Nylon 6 rather than Nylon 66, as produced by Du Pont, however, the difference was mainly technical, and it was thus remained a direct competitor to the recently off-patent nylon production.

### **5.8.2.2 Michelin (1965) - France**

Michelin, the first French company to establish a subsidiary in post war NI, already had two plants in the UK (Stoke-on-Trent in 1927 and Burnley in 1960). The company stated that when fully-operational, it planned to market the plants' output both in the UK and 100 other countries. A key feature of the company was investment in apprenticeship training and employees were regularly sent to a training facility at Stoke-on-Trent that had been established in 1955.<sup>400</sup> The company opened a training facility (NI Training Centre) in 1970.<sup>401</sup>

The NI plant manufactured car tires and steel tyre cord on an eighty-acre site at Hyde Park, approximately 5 miles north-west of Belfast. Construction works at the site began in June 1963 (14 million investment), and the factory opened in 1965 with 350 employees, expected to reach 1,900 by 1971.<sup>402</sup> The plant expanded rapidly (which the company partially attributed to an intense advertising campaign highlighting the benefits of radial tyres, the cord for which was produced at the plant).<sup>403</sup> Employment had risen to approximately 3,200 by 1972, the same year that saw significant labour disputes at the company.<sup>404</sup>

### **5.8.3 European (Non-EC) Investment**

#### **5.8.3.1 Republic of Ireland**

There were a number of companies from the Republic who set up subsidiaries, either independently or via alliances, in Northern Ireland.

#### **5.8.3.2 Sperrin Knitting Company (1965) - Switzerland**

Sperrin Knitting Company established its plant in Coleraine at the end of 1965.<sup>405</sup> And by the end of 1966 the company was employing approximately 70. The plant converted synthetic fibres into fabrics and was also a dye plant.<sup>406</sup> In a subsequent recruitment advertisement they state that they are '*an expanding Company who enjoy an international reputation.*'<sup>407</sup>

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<sup>400</sup> *Belfast Telegraph*, 'Why this type firm builds bridges. 4 March 1966.

<sup>401</sup> *Belfast Telegraph*, 'Michelin puts emphasis on Training'. 21 January 1970.

<sup>402</sup> PRONI PM 5/104/8. Speech by the PM Capt. the Rt. Hon Terence O'Neill, D.L., M.P., at the ceremony to mark the inauguration of the Michelin Project, Friday 21 June 1963.

<sup>403</sup> *Belfast Telegraph*, Michelin still short of suitable new workers, 6 December 1965

<sup>404</sup> *Belfast Telegraph*, 'Michelin strike dispute hits 3,200 jobs. 15 January 1972; 'Tyre Pressure' 1 March 1972.

<sup>405</sup> *Belfast Telegraph*, Wages go up and week shortened, 12 November 1965.

<sup>406</sup> *Belfast Telegraph*, New Industries give diversity and strength, 25 January 1967.

<sup>407</sup> *Belfast Telegraph*, Sperrin Textiles Ltd. require the services of Personnel/Training Officer, 31 October 1969.

## **5.8.4 Canadian Investment**

### **5.8.4.1 United Breweries Ltd (1961) - Canada**

United Breweries Ltd., of Canada set up a company to brew ‘Carling Black Label’ in 1961, originally to service the tourist market. At the time, the company noted that ‘Carling’ was the largest selling beer in Canada, and third largest selling beer in the US, and its aim was primarily to reach the tourist markets in Ireland – specifically the US, Canadian and European visitors. A further bottling plant was to be set up in Dublin.<sup>408</sup>

### **5.8.4.2 Technical Products (Ulster) Ltd (1966) – Canada**

Technical Products (Ulster) Ltd (1966) produced pressure sensitive tapes in Bangor, Co. Down. The company appears to have been a subsidiary of a Quebec company. Between 1<sup>st</sup> January and 31<sup>st</sup> March representatives from US and Canadian subsidiaries had visited Belfast, illustrating an increased promotional drive in North America.

## **5.8.5 Other Investment**

### **5.8.5.1 Davidson and Co. - South Africa**

The Davidson and Co. of South Africa set up an engineering plant in Belfast. The company was owned by Sirocco, which was a wholly owned subsidiary of Abercom.<sup>409</sup>

### **5.8.5.2 Denny and Sons - Australia**

Denny and Sons have been included here, although the company was under UK ownership until 1973. The UK parent company, E. M. Denny was sold, along with its Irish and Northern Irish operations, to an Australian concern in 1973.

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<sup>408</sup> *The Irish Times*, Canadian Lager on Irish Market, 8 June 1961

<sup>409</sup> *Irish Times*, T ‘Steel Mill in North a Possibility’, 13 Dec 1977; *Belfast Telegraph*, Davidson and Co Ltd., 5 July 1962.

## 5.9 Ownership Structure of Companies

Jones and Bostock (1996) refer to four types of ownership: 1. wholly owned subsidiaries; 2. joint ventures between UK companies and foreign companies, or between two foreign companies; 3. majority owned subsidiaries; and 4. UK companies with minority foreign shareholding. The majority of the companies discussed herein fall into category 1 or 3.

In 1961, the NIDC noted that there had been an increase in US companies interested in British joint ventures rather than direct manufacturing operations.<sup>410</sup> These included Pall Ulster, Tennants Textile Mill, Clustom & Kemp, and Darlington Fabrics. In some cases, exact ownership was not available, and these are not included in the main lists or in the employment calculations.

Pall Ulster Ltd (US) was subsequently bought out by a UK company; Bessbrook Products was partly owned by Unidare (25% ownership stake by Unidare with Pye Ltd., Pye (Ireland) Ltd. and Ranco Ltd.); Warrenside was set up as a venture between Warren Wire Company and Cameo (US).<sup>411</sup>

Emdal Meats, a meat packing company with two factories in Newry was acquired by a partnership between Dalgety and New Zealand Loans Ltd (holding 60% of the shares) and Emborg of Aalborg Denmark (40% ownership). Several companies located in the region with minority foreign ownership. For example, former officers of the Bobrich Products Corporation (US) set up Bobrich Manufacturing with G.E.C. of Great Britain, albeit without U.S. corporate investment.<sup>412</sup>

## 5.10 Effects of MNEs on the Host Economy

### 5.10.1 Employment Effects

*'By the end of the 1960s, about 65,000 jobs had been created with the help of government initiatives. However, total manufacturing employment was only 180,000, compared with a post-war peak of 185,000.'* (Rowthorn and Wayne, 1988:72). These jobs were supported by

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<sup>410</sup> PRONI Cab 9/F/188/23, Report on the Progress of Industrial Development. NIDC, 3 July 1961.

<sup>411</sup> *Belfast Telegraph*, US Industrialists feel at home in Ulster, 22 October 1958.

<sup>412</sup> PRONI Cab 9/F/188/19, Confidential report from the United States for quarter ending 31 May 1962, NIDC, 31 May 1962.

extension regional supports.<sup>413</sup> Ultimately the increasing numbers of employment in industries such as synthetic fibres, were off-set by the continuing job losses in ship-building and linen production. The entry of large-scale investments such as Du Pont and Chemstrand boosted the profile of the province as a potential host for new US investment however the number of US companies investing in the region during the time period under investigation remained low.

This section estimates primarily from contemporaneous sources, the employment numbers of the individual firms discussed in in this chapter, thus providing a firm-level analysis of the contribution of each company to the overall employment levels. There are some discrepancies between the figures in this research and the official figures. However, there are also some conflicts values between different official sources in terms of aggregate figures.<sup>414</sup>

**Table 5.9 Employment and Firm Numbers in FDI 1945 – 1973 (Excluding UK and Republic of Ireland)**

Country	Number of companies in 1973	Employment numbers in 1973	Number of companies in 1973 (Researcher Database)	Employment numbers in 1973 (Researcher Database)
i	ii	iii	iv	v
US	31	17,344	33	17,862
Canada	4	606	2	230
Rest of EC	8	2,579	10	6,131
Other	3	1,208	2	500
Total	46	21737	47	24,723

Source: Columns i - iii adapted from NIERC; Northern Ireland Economic Council (NIEC) adapted from Hamilton (1993); Columns iv – v were estimated for this research.

<sup>413</sup> The high level of government support for jobs is discussed in Chapter 4, and also Chapter 2, under Regional Policy.

<sup>414</sup> I acknowledge the inherent difficulties in estimating employment figures. This has been addressed in chapter 3 (Barry, 2018; Jeremy and Farnie, 2001; Wardley, 2001).



The researcher database estimates the aggregate employment in US owned companies by 1973 to be approximately 17,862. This is similar to official figures reproduced in Table 5.9 above and cited by Peyronel (2017) who noted that in 1973

*31 US firms in Northern Ireland (out of a total of 64 non-British firms) representing 17,344 jobs (that is to say 20% of the jobs represented by non-NI firms and 75% of the 23,116 non-British paid job.*

Breathnach (2007: 142) estimates an employment level of 17,300 in US firms in 1973. The differential is more pronounced in relation to Moore et al. (1978:108) who put the **total** of number of foreign firms (US and other foreign) openings in Northern Ireland between 1945 and 1971 at 34, a figure lower than the numbers presented here.

I estimate that the number of US companies (in most cases, majority ownership) in operation in 1973 was 33, because three of the 36 companies which had invested since 1945 had divested by 1973.<sup>415</sup>

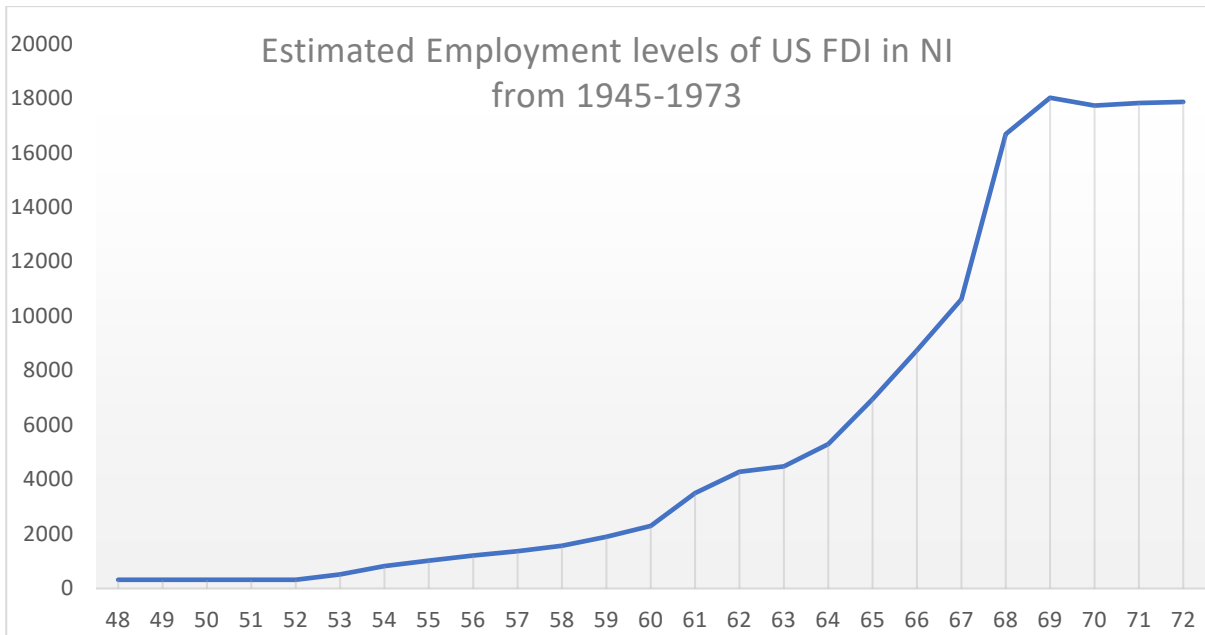
Table 5.10 suggests that a total of 27 US and 16 non US foreign firms were operational in Northern Ireland in 1968, compared to my figure of 29 US and 12 non US foreign companies respectively.

**Table 5.10 International Investment in Northern Ireland by Country of Origin, 1958 - 1975**

	USA	Canada	West Germany	Other European	South Africa
1958	7	-	-	6	-
1968	27	1	5	9	1
1975	26	2	11	11	1

Source: Department of Economic Development Northern Ireland, unpublished data on foreign owned units in Teague (1987:162)

<sup>415</sup> The three companies which had divested by 1973 were A.G. Spaldings; The Ulster Textile Company; and Worcester Values. My estimates thus suggest that there were 33 US companies in operation by 1973.



Source: Researcher Database

**Figure 5.2 Estimated Employment Levels of US FDI in NI from 1945-1973**

The number of US investors started from a very small base, and the early investors included Berkshire Knitting Mills, the large oil-equipment companies, along with some smaller companies. The increase in 1960 was due to the Du Pont investment. A further significant increase after 1966 was due to the influx companies in the car component sector. The overall employment levels was somewhat distorted by the take-over of Gallaher Ltd. in 1968 by American Brands, which led to a vertical increase of over 5,000 jobs, which were re-categorised as under US ownership, but did not reflect new job creation. This was also true in the case of the take-over of Fisons by Heinz (US), which accounted for 500 new jobs under US ownership. Most notable in Figure 5.2 is the slight decrease in US employment figures in 1969 and the subsequent plateauing of same. The dip in employment from 1969 can be attributed to the exit of three US from the region between 1970 and 1972. These companies were the Ulster Textile Mills in 1970, Worcester Bros in 1971 and A.G. Spalding in 1971 with a loss of 300, 70 and 400 jobs respectively. While it has been widely acknowledged that the outbreak of civil unrest in 1969 had a negative impact on inward FDI (Hamilton, 1993) media reports from the time do not suggest that the commencement of the ‘troubles’ was the cause of these companies’ departure from the region (see the discussion on the individual companies in Section 5.6 above). Indeed the effects of their exit from NI were somewhat offset by the establishment of T.P.T in

1972, and by the expansion of employment in Sherwood Medical which increased its workforce from 170 to 400 in 1970.

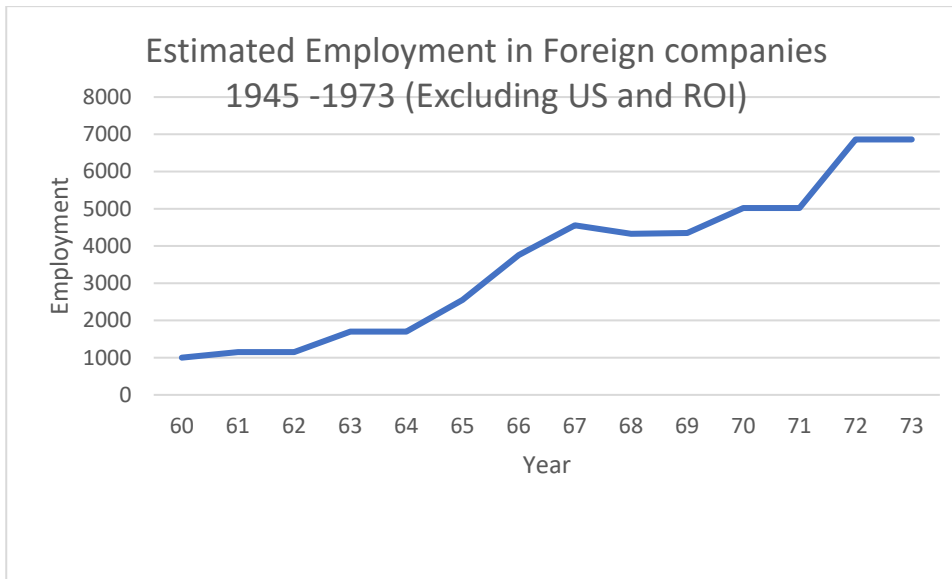
Nonetheless, the outbreak of civil unrest was a key factor in the plateauing of employment figures in US companies from the early 1970s and was a concern for the authorities even by 1969 (see Section 4.9 in which the minutes of the NIEC (September 1969) address the political situation). This levelling off of new employment was also apparent in non-US inward investment as illustrated in Figure 5.3. In the case of the non-US companies, the plateauing of new employment (which becomes apparent by 1972) was somewhat delayed due to the opening of Hoechst in 1970, with employed 670 by 1972; by the expansion of Michelin; and by the opening of Olympic Business Systems Manufacturing Ltd in 1972 which created an additional 347 jobs (see Section 5.8 above).

Table 5.11 below outlines the largest US companies, by employee numbers which located in Northern Ireland during the time-period

**Table 5.11 Largest US companies by number of employees in Northern Ireland 1948 - 1973**

Name	Date Established in Northern Ireland	Highest Employment Numbers (Year in which this figure was achieved)
Gallaher Ltd	1968 (Taken over by Philip Morris Group)	6,500 (1968)
Standard Telephones and Cables	1962	3,800 (1965)
Du Pont	1960	1,650 (1972)
Goodyear	1967	1,000 (1967)
Berkshire Knitting	1948	1200 (1967)
Chemstrand	1958	750 (1967)
Autolite (Ford)	1965	700 (1965)
A.G. Spaldings	1961	(400) (1961)
Bridgeport Brass	1961	400 (1961)
Oneida	1961	400 (1961)

Source: Researcher Database



Source: Research Database

**Figure 5.3 Estimated Employment in Foreign Companies 1945-1973 (Excluding US and ROI)**

### 5.10.2 Capital and Labour Effects

Capital intensive investment is associated with modernization, and increased productivity and therefore the attractive of such investment could be considered a worthy objective of any regional policy programme. In the case of Northern Ireland, as with many regional economies, a parallel objective was that of solving persistently high unemployment levels. According to Steed and Thomas (1970) the regional government ‘*consciously avoided aiming primarily at attracting labor-intensive concerns*’ even though many grants were tied to employment levels. Large capital grants were made available and played a role in securing investment from the large chemical and fibre companies such as Du Pont and Chemstrand.

As Steed and Thomas (1970:354) acknowledge ‘*The government really had little opportunity to select the sorts of industries it might have wanted. It was unlikely to reject any new plant that offered the prospect of solvency*’.

Early investments such as Berkshire Knitting Mills (1948), Behr-Manning (1953), Chemstrand (1958) and Du Pont (1960) were large capital-intensive projects, developed on greenfield sites or advance factories, where locational factors such as access to water and power were crucial. Steed and Thomas (1970) note however that in relation to the larger companies, the availability of labour was more important than capital for the larger companies, especially in the earlier

years (1970:352). The later capital-intensive investments Gallaher's, and Pickerings were acquisitions in the food and tobacco sectors.

Steed and Thomas (1970) noted the importance of a fresh water supply and convenient waste disposal as important locational factor for the artificial fibre and chemical plants; however, they suggest that this was of lesser importance than financial inducements. This research suggests that locational factors, such as a water-supply and port-facilities played a role in securing investments such as Du Pont and Chemstrand and that the flexibility on the part of local government to provide supporting infrastructure, when considered alongside the generous incentives, played a key role in securing these large-scale invests.

The 1960s saw a significant increase in labour intensive investment, and this may have been a result of an internal volte-face on the part of both the Ministry of Commerce and Ministry of Finance: a secret Cabinet memorandum from 1959 illustrates that the Ministry of Finance and the Ministry of Commerce both felt that promotional efforts should concentrate on British investment rather than US investment '*we must 'concentrate our major effort on Great Britain which, as much in the future as in the past will be the main source from which new industry from Northern Ireland will be sourced'*'.<sup>416</sup> The Finance Minister, Terence O'Neill, raised concerns over of the large capital investments from the US because the large- scale investments to date had delivered low levels of employment, relative to the required levels capital investment. Outlining that the combined employment by the Du Pont and Chemstrand investments was 765 jobs, for a total capital outlay (including public services) of £17,000 per worker, he stated '*To put it bluntly we will never be able to solve our employment problem by expenditure on such a scale. What we want are industries with a high labour content related to the capital required'*'.<sup>417</sup>

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<sup>416</sup> PRONI Cab 9/ F/188/17, 'U.S. Organisation for Industrial Development. Secret Cabinet memo. Terence O'Neill. Minister for Finance', 3 November 1959.

<sup>417</sup>PRONI Cab 9 /F/188/17, 'U.S. Organisation for Industrial Development. Secret Cabinet memo. Terence O'Neill. Minister for Finance', 3 November 1959.

## 5.11 Key Clusters in the Host Region

Three specific clusters developed in the region. (a) Oil Drilling Equipment (b) Synthetic Fibres (c) Motor Parts/Components, and in each case respective ancillary services.

### 5.11.1 Marine Engineering/ Oil Drilling Equipment

Three Texan companies involved in the oil equipment industry were early investors in the region. The industry was reaching saturation in the US but growing opportunities from increasing output in the Middle East and North Africa, and the expanding oil industry in the UK, provided ‘excellent prospects’ for the oil equipment industry from which to secure UK and foreign non-US markets.<sup>418</sup>

Hughes Tools was the first of the oil equipment companies to establish a plant in NI. As outlined above, the region was not initially on the company’s radar but persistence on the part of both the Board of Trade and local officials played a key role in securing the investment. Of particular interest however, is the fact that the decision of both Mission and Cameo to locate in Northern Ireland appears to have been as a direct result of the positive experience of Hughes Tools. This was pointed out by Francis Evans, secretary of the NIDC

*It is right that I should mention in particular Mr. Harold K. Collins, director and overseas production manager of the Hughes Tool Company. Mr. Collins has probably done as much as any other single individual to help Northern Ireland’s drive for new industry. He was personally responsible for introducing both the Mission and Cameo companies, and he has persuaded at least a dozen other companies to investigate manufacturing possibilities here.*<sup>419</sup>

Hughes Tools also ‘lent’ office and manufacturing space to Mission Manufacturing ‘enabling it to make a start while its new factory at Castlereagh is being built’.<sup>420</sup>

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<sup>418</sup> *Belfast Telegraph*, ‘US industrialists feel at home in Ulster’ by Francis Evans, 22 October, 1958.

<sup>419</sup> *Belfast Telegraph*, ‘US industrialists feel at home in Ulster’ by Francis Evans, 22 October, 1958.

<sup>420</sup> *Belfast Telegraph*, ‘Go getting US Firm shows how’, 15 March 1957.

### 5.11.2 The Synthetic Fibre Industry

*Synthetic fibres forced an improbable alliance between three massive global industries, chemicals, textiles and fashion, each of which functioned on conflicting timescales and traditions. In chemicals, the making of explosives led almost accidentally to the making of artificial fibres...Although there are really only a few generic man-made fibres, including viscose, acetate, polyamide, polyester and acrylic, marketing departments gave the offspring of chemistry and textiles thousands of different aliases (Handley, 1999:8).*

MNEs in the synthetic fibre industry established plants in the region and manufactured many of the so-called ‘*aliases*’ alluded to above. Table 5.13 illustrates some of the main fibres produced in the region. These companies were attracted by generous government incentives, and were actively directed to the region by officials of the Board of Trade in London. While the narrative among policy makers focused on the disadvantages caused by geographic isolation, it was perhaps ironic that the availability of natural resources such as land and access to ports and fresh water supplies, together with the willingness of local government and public utilities to provide customised infrastructural supports seems to have played an important role in the investment decision of these companies.<sup>421</sup>

Chapman (1974:128) notes that the ‘*oligopolistic structure of the UK petrochemical industry encouraged its concentration at relatively few centres*’. He considers two forms of organisational structure within the petrochemical sector which had developed in the post-war period. On the one hand oil companies such as Shell and BP engaged in down-stream vertical integration and became directly involved in petrochemical manufacture. These companies located their petrochemical plants close to associated feed stocks. Chemical companies not integrated with oil companies were more reluctant ‘*to commit themselves to a single source of raw material*’ and they tended ‘*to seek a location suitable for the import of feed stocks from several sources rather than a site adjacent to a particularly oil refinery*’. Chapman notes that, with the exception of ICI, the capital requirement of petrochemical manufacture prevented many of the traditional chemical plants from entering the petrochemical sector.

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<sup>421</sup> See section above regarding the decision to locate a new power station close to the Du Pont site. In the case in Courtaulds, a new railway line was installed for the company. These provide just some of the examples of flexibility in terms of infrastructural support for new industries,

This may explain the locational choice of petrochemical companies NI insofar as their lack of vertically integration allowed them to consider locations such as NI.

Given the reputation of Northern Ireland as a region historically steeped in the traditional linen and cotton industries, the progression to the new synthetic textile manufacturing industries seemed a logical progression, signalling as it did, a move from the traditional manufacturing of natural fibres to the newly developing synthetic textiles that were garnering global recognition and increasing demand. The manufacture of these new fibres would provide much needed employment and would signify the progressive nature of Ulster manufacturing as a European centre of the new petrochemical industries.

However, these multinationals bore little resemblance to the traditional linen and cotton industries. At the time a global revolution, and associated rivalries that were occurring on both sides of the Atlantic in relation to the invention, and commercial production of synthetic fibres. By 1973, six MNEs had established in the region. The role of UK multinationals (i.e. Courtaulds and Imperial Chemical Industries (ICI) impacted on the development of the region as a centre for the production of man-made fibres: Prior to the inflow of foreign investment, Courtaulds, a global UK-owned textile manufacturer company was one of the first British companies to establish a plant in Northern Ireland in 1950. The company was world's largest manufacturer of viscose rayon – a semi-synthetic fibre also known as '*artificial silk*'.<sup>422</sup> The investment was followed by Chemstrand (owned by Monsanto) (US) in 1959, British Enkalon (NL) in 1963, Du Pont (US) in 1960, ICI (UK) in 1962 and Hoechst (FRD) in 1970, all of which ensured that the region was '*at one time the largest centre for petrochemical industries in Europe*' (McSheffrey, 2000; Steed and Morgan, 1970; Birnie and Hitchens, 1999). The rapid growth of the man-made synthetic fibre industry was a fruitful avenue for a region with strong roots in the traditional textile industry, promising as it did, new employment, and modern manufacturing techniques, although arguably, the new synthetic textile companies bore little resemblance to the traditional linen mills and factories located in the region.

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<sup>422</sup> Garnsey, R. (1965). The Experience of Courtaulds Ltd. in Northern Ireland (UK). Courtaulds commenced production in Carrickfergus in 1950. It was the world's largest manufacturer of viscose rayon – a semi-synthetic fibre also known as '*artificial silk*'. See Garnsey, R. (1965). The Experience of Courtaulds Ltd. in Northern Ireland. *The Journal of Industrial Economics*, Vol. 13, Supplement: Papers on Regional Development (1965), pp. 54 – 61. See also Handley (1999:20-4).



Nylon, the first fully artificial fibre, was invented by Du Pont in 1937. *Nylon* was never patented as a Trademark however the right to use it as a generic name was granted with the Du Pont Licence. Du Pont granted the first licence in the US to Chemstrand in 1951 and subsequently granted a licence to ICI for the right to produce Nylon in the UK and the Commonwealth. These companies thus had strong commercial connections prior to their establishment in the region, a characteristic typical of the oligopolistic market structure.

Du Pont also had a close association with Berkshire Knitting Mills which, in the late 1930s, had been instrumental in testing the original nylon fibre for potential use as a material that could be used to manufacture ladies stocking.<sup>423</sup>

The rationale for British Enkalon's (NI) establishment in NI was associated with the company's wish to sell off its rayon business (which Courtaulds bought) and concentrate on the manufacture of polyester. In 1966, the Financial Times (FT) reported that the large German chemical companies were anxious to reinstate their powerful pre-war position. In 1970, Hoechst established a relatively modest plant in order to strategically position itself as a producer of Terylene in direct competition with ICI. Hoechst had formed part of the original German IG cartel which had been formed prior to World War One but which had been disbanded by the allied forces after the Second World War.

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<sup>423</sup> The US headquarters of both companies were located in reasonable proximity to each other.

**Table 5.12 Synthetic Fibres Produced (Foreign and British Investment) and Associated Brand Names**

Fibre Company	Nylon	Polyester	Acrylic Wools	Acetate	Synthetic Rubber
DuPont	Nylon	Dacron	Orlan	Acele	Neoprene
Chemstrand (Monsanto)			Acrilan		
Courtaulds	Celon		Courtelle		
ICI		Terylene/Trelenka; Crimpelene			
Hoechst		Trevira			
British Enkalon		Teralenka			

Source: Researcher database. See also Handley (1999).

The arrival of new companies was favourably received by contemporaneous experts and politicians alike who roundly endorsed the diverse range of new investment. Lord Glentoran, the Minister for Commerce enunciated the positive expectations of this new wave of external and foreign investment in a 1954 special feature on Northern Ireland in *The Statist*

*The great increase in production that has occurred since the Second World War has not been confined to existing local firms or to the 'traditional' larger industries such as linen, rope-making, shipbuilding, tobacco; on the contrary an important part has been played by the many new firms which have come to Northern Ireland for the first time and introduced a wide variety of industries that are new to the Province.*<sup>424</sup>

In addition he acknowledged the new developments in relation to the textile industry:

*Apart, however, from diversification, a widening of interest and of fields of endeavour has already taken place within the existing textile industry. While the manufacturing of linen still predominates, this industry has proved highly adaptable in the use of the new man-made fibres and, indeed, the production of goods made wholly or partly from such fibres forms about one-third of total cloth production. This indicates the determination of the industry to keep abreast of new ideas and to benefit from them.*

<sup>424</sup> *The Statist* – The Economy of Northern Ireland (Supplement). 'The Growth of Industry', By Lord Glentoran, Minister of Commerce for Northern Ireland. November 1954.

Over a decade later in a 1965 speech to the American Chamber of Commerce, the Northern Ireland Prime Minister, Captain Terence O'Neill, stated that the region was probably the most concentrated area of artificial fibre production in Western Europe, and noted that although the region accounted for one-fortieth of the UK population, 'we have been producing one-sixth of her Rayon, Nylon, Terylene and Acrilan'.<sup>425</sup> One year later he noted

*Commercially the United States is our number one overseas market and in terms of direct investment in Northern Ireland industry it is far and away the most active foreign participant. We welcome these economics links not only for their intrinsic value but because of our strong bonds of kinship with the United States.*<sup>426</sup>

### **5.11.3 Motor Assembly**

The motor assembly industry grew significantly during the 1960s, reflecting the wider importance of car manufacturing in Britain. This significantly increased the inward investment in the electrical and electronic engineering sectors.

Walkers, for example produced car exhausts for Ford, Vauxhall and Rootes.<sup>427</sup> Michelin and Goodyear produced rubber goods and tyres. Kent Plastics produced goods such as badges, horn buttons, dials and housings for Ford, B.M.C and Vauxhall.<sup>428</sup> Autolite was a subsidiary of Ford and other important companies in the sector included Fafnir and Essex international, which also had close commercial ties with Ford.

## **5.12 The Branch Plant and Regional Linkages**

*Nearly four in every five new plants including most of the larger ones, showed remarkably little material linkage within the regional economy. With few exceptions, their material and equipment were imported, and their products exported, and on the basis of technical linkages they appeared most closely integrated with Great Britain' (Steed and Thomas, 1970: 352).*<sup>429</sup>

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<sup>425</sup> *The Irish Times*, 'North Poised for massive expansion', 23 Sept. 1965. Terence O'Neill: Minister of Finance 21<sup>st</sup> September 1956 – 25<sup>th</sup> March 1963. He succeeded Lord Brookeborough as Prime Minister on 25 March 1963 and held that office until 28 April 1969.

<sup>426</sup> *The Irish Times*, Northern Ireland enjoying its most sustained Boom: Faulkner explains reasons for success', 25 January 1966.

<sup>427</sup> *Belfast Telegraph*, New industries give diversity and street, 25 January 1967.

<sup>428</sup> *Belfast Telegraph*, New industries give diversity and street, 25 January 1967.

<sup>429</sup> New plants in this instance, refers to both external and internal inward investment.

The advantages and disadvantages conferred by FDI has been considered from the perspective of host countries (Dicken, 1980; Dunning, 1958), regional economies (Jones and Wren, 2006), and more specifically to Northern Ireland (Firn, 1975; Hood and Young, 1976; Smith, 1979; Bull, 1989). In this section archival sources are used to consider the effects of MNES and the related '*branch plant*' phenomenon on the region.

Bull (1989) notes that while inward investment conferred benefits in terms of growth, sectoral development, employment and multiplier effects, nonetheless external ownership and economic control was problematic. Inward investment may cause a dampening of the local multiplier where subsidiaries source supplies from abroad and may lead to the potential loss of high-quality local management where they seek better opportunities and advancement within the new companies. Rowthorn and Wayne (1988:83) note that '*Only 8.5% of all industrial jobs promoted during the period 1947-1967 were in native Northern Ireland companies*'. In addition, where lucrative regional financial incentives exist, external and foreign companies are able to outbid indigenous companies for a share in lucrative Industrial Development (ID) grants, due in part to their superior ability to scan potential locations but also to the bargaining power that the promise of the large-scale investment conferred upon them. The Northern Ireland Ministry of Commerce referred to a meeting with Du Pont in which the company sought background information on the region.<sup>430</sup>

Archival records show that companies considering large-scale investments negotiated favourable terms, made demands in respect of exemptions for import regulations, and influenced public sector planning decisions. Du Pont successfully lobbied for the re-location of a proposed new power station from the originally designated site to one adjacent to the proposed Du Pont site at Maydown.<sup>431</sup> In order to ensure a supply Acetylene, a key raw material in the production of neoprene rubber, a British company, British Oxygen Company established a carbide factory on 50 acres of the Du Pont Site. This further construction was expected to cost £2.5 million, and a memo to Lord Chandos in 1956 notes that this economically unviable

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<sup>430</sup> PRONI Com /63/1/460. In a memo to Craig regarding the visit by the Du Pont representative, Bell notes that the Ministry had been approached by an employee of Du Pont, suggesting that his role included the gathering of market intelligence for Du Pont in the UK. He writes '*I did not enquire too deeply into the affairs of this section of the firm, but I gathered that one of their duties was to keep their "ear to the ground" in the United Kingdom and to advise the parent company of conditions and new developments in the textile industry*'. Memo June 1956

<sup>431</sup> PRONI Com 63/1461, Notes on the Du Pont Project: '*The location of the new Power Station is close to the Company's site. Arrangements have been made between the [Electricity Board of Northern Ireland] and the Company for the supply of a large quantity of electricity and of low-pressure steam. The Board and the Company are also co-operating on the supply of salt-water for cooling*'.

investment would be confidentially financed by Northern Ireland.<sup>432</sup> The Northern Ireland Ministry of Commerce interceded with the Board of Trade on behalf of both Du Pont and Berkshire Knitting Mills to secure exemptions from rules on the importation of machinery and on the basis of their perceived benefits to the region overall.<sup>433</sup> Berkshire Knitting Mills was not above the use of thinly veiled threats to ensure co-operation, as outlined in a personal letter from Ferdinand Thun of Berkshire to his friend Leslie Henderson

*Just to show you how short-sighted this kind of policy might be (and this is something which I hope you will treat in confidence) I can only say that if this project fell through tomorrow, we could complete arrangements to have these machines operate in Germany within a matter of months.*<sup>434</sup>

### **5.12.1 Branch Plant Characteristics**

The economic rationale of the day, enunciated in the 1959 Arthur D. Little report, appears to have inadvertently reinforced investment mediocrity, suggesting as they did, that capital intensive companies should consider reconfiguring their production facilities towards more labour incentive manufacturing, due to the availability of cheap labour. While there is a clear logic to this strategy from the MNE perspective, it may have led to the embedding of archetypal branch plants in the region, where even prestigious companies were encouraged to reconfigure their Cobb-Douglas production functions anti-progressively in order to benefit from tangible financial incentive and cheap labour.

While most foreign investment represented a form of the branch subsidiary (particularly in relation to unskilled labour), there were early indicators of an understanding among officials of the benefits of exploiting the potential of the MNE sector (although this did not translate into the systematic implementation of programme would maximise this latent potential). Hoare (1978) surveyed the linkages in both indigenous and external engineering and metal working firms and noted that nationality was a predictor of linkages. With some exceptions, there is little evidence to suggest that the US firms which located the region represented either a

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<sup>432</sup> PRONI COM. 63/1461, Du Pont (United Kingdom Company). Development at Londonderry: '*confidentially, the B.O.C. is receiving substantial financial assistance from us, otherwise the pure economics in this line of manufacture would not have permitted its establishment in Londonderry*', December 1956.

<sup>433</sup> See Footnote 107 above.

<sup>434</sup> PRONI Com 63/1/135, 'Confidential letter from Ferdinand Thun to Leslie Henderson', 13 May 1951. This related to a policy which prohibited the importation of machinery from the US. In this case, Berkshire Knitting Mills wished to import 32 Knitting Machines from its partner company in the US. The issue revolved around the granting of import licenses to ensure the importation of the required machinery.

developmental or entrepreneurial subsidiary. In general, archival research support prior assertions regarding the lack of linkages between the MNE sector and local industry (Steed and Thomas, 1970; Hoare, 1978), and where archival and media sources suggest examples of linkages, these appear to have been haphazard, rather than reflecting an over-arching policy of linkage development. For example, plants such as Swift, in the argi-food sector, was linked to local agricultural products. Steed and Morgan (1970) note that the British Oxygen Chemicals factory (which piped its output to the Du Pont factory at Maydown) was an exception to the low level of linkages, however, as noted above, the Northern Ireland Government provided support for its construction in the knowledge that it was an economically unsound investment, thus limiting the level of positive externalities that one might expect from the linkage.

In 1962 the Northern Whig notes that Du Pont had contributed significantly to the local economy, both in terms of employment and sub-supply. *'The Payroll for the firm amounted to £500,000 in 1961....Purchase of goods and services from 130 firms in Northern Ireland amounted to £2,500,000.'* The article acknowledges that the Company gave no details of the amount of goods and services purchased from external sources, noting that *'almost 30,000 tons of Du Pont cargo were handled by the Port of Londonderry during 1961'*.<sup>435</sup>

The 1959 ADL report advocated for the strengthening of relationships with academic institutions as a way of harnessing a scientific cluster in the region

*In the United States, electronics, instruments and other technical products manufacturers tend to concentrate in areas that have established a reputation as research centres. Commonly these companies locate in proximity to a scientific community, the center of which is an established college or university offering research facilities in the appropriate field. Scientific companies appear to prefer to locate in a community which has attracted other scientists. These comments are made because it is our understanding that Queens University in Belfast has an excellent reputation and because, with some addition to facilities and curriculum, it could form the center of a scientific community (ADL Report: 43).*<sup>436</sup>

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<sup>435</sup> Northern Whig, 'Du Pont puts £3m. into Ulster pockets', 16 March 1962.

<sup>436</sup> PRONI Cab 9/F/188/17, Arthur D. Little Report. 1959.

In the subsidiary typologies identified above, embeddedness with the regional academic community, and the potential synergies that might subsequently occur were not a consideration for the branch subsidiaries, belonging as they do to a more evolved form of subsidiary.<sup>437</sup>

In April 1956, a Memo in the Ministry of Commerce refers to executives from Chemstrand, while on a scoping trip to Coleraine enquiring about the

*possibility of securing a supply of qualified chemists, technologists and engineers. Mr. Bell notes that 'from the information in the "Traveller's Guide", he forwarded particulars of the number of students at Queen's University in the Pure Science and Applied Sciences faculties and provided contact details for the Careers and Appointments Officer of the University.'*<sup>438</sup>

Two years later, the Belfast Telegraph noted that '*Great importance was placed on training at Chemstrand*', reporting that a MSc. graduate from Queens University had undergone training in Alabama in anticipation of the opening of Chemstrand, which it noted, provided him with the opportunity of working for the first time in his native Province'.<sup>439</sup>

There were further examples of linkages with regional learning institutions. The 1964/65 annual report of the NIDC noted that Autolite, a subsidiary of Ford, had established an R&D unit as well as a manufacturing unit which was '*of particular importance in providing a further outlet for Northern Ireland's University Graduates*'.<sup>440</sup> An article from 1969 in relation to employment opportunities in Du Pont indicates a geocentric approach to management recruitment.

*Du Pont policy throughout the world is to provide management opportunities for the citizens of the countries in which it operates. Opportunities may also occur for qualified staff to transfer between De Pont subsidiary companies in Europe as their careers progress.*<sup>441</sup>

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<sup>437</sup> Dimitratos et al. (2009) suggest that the evolution to entrepreneurial subsidiary developed over time. Most subsidiaries in NI during this time period were branch subsidiaries.

<sup>438</sup> PRONI Com 63/1/456, Internal memo. Ministry of Commerce, Monsanto-Chemstrand Project, 25 April 1956.

<sup>439</sup> *Belfast Telegraph*, Coleraine follows path of 'opportunity city', 8 March 1958.

<sup>440</sup> PRONI CAB 9F/188/33, 'Eight Report of the Northern Ireland Council January 1, 1964 – March 31, 1965', 1.

<sup>441</sup> *The Irish News*, 'Du Pont labour force in Derry now over 1,500', 30 September 1969.

The authorities attempted to develop education and (primarily technical) training as a way of encouraging new inward investment, however on-going mechanisms to support industry-educational linkages were lacking.<sup>442</sup> In 1963 approximately £320,000 was made available to support an Industrial Enterprise Fund towards the development of Management Training within the Province, and a Committee was established to explore the best use of these funds (both in relation to management training at university and technical level). The Ministry of Commerce had already received papers on the subject from both Queen's University and the Northern Ireland Committee of the British Institute of Management. The Ministry noted however that 'The lack of interest can be seen from the fact that the existing courses available in (primarily) the Belfast College of Technology are not heavily supported by industry generally'.<sup>443</sup>

There was however, an understanding in government regarding the need for management training, and a willingness on the part of larger companies in the FDI sector (an indigenous sector) to support management training. In 1966, a not-for-profit management development company was established, with financial assistance from the Ministry of Commerce to identify management training needs and implement suitable courses. Management from STC, Gallaher Ltd and Davidson and Co. Ltd. were among six large companies who agreed to assist in the company.<sup>444</sup>

The archives suggest evidence of collegiality, or loose forms of alliances among the incoming companies. In 1948, Short Bros and Harland Ltd agreed to sub-let a part of its facility to the newly established Ulster Knitting Mills to facilitate operative training.<sup>445</sup> In 1963, both the Standard Telephone Company (S.T.C) and A.G. Spaldings agreed to cooperate on a scheme to develop a training centre in the former STC's former factory, under the auspices of the Ministry of Labour.<sup>446</sup>

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<sup>442</sup> PRONI ED/13/1/2766, One of the first tasks carried out by the newly established NIDC in 1955 was to commission a report on technical education in the region.

<sup>443</sup> PRONI Cab /9/F/188/23, Northern Ireland Development Council Management Training – An Interim Report. Memorandum by the Ministry of Commerce, 24 September 1963.

<sup>444</sup> *Belfast Telegraph*, Big Six to help firm train managers, 2 August 1965

<sup>445</sup> PRONI Com /63/1/135, Letter from E.W.A. Woolmer, Short Brothers & Harland Ltd to the Ministry of Commerce, 3 March 1948.

<sup>446</sup> PRONI Com 63/1/128, 'Memo from Ministry of Commerce', 16 Sept. 1963.



### 5.13 Conclusion

Approximately 18,000 jobs were created in the region by the 36 US companies discussed herein. Harris notes that ‘*The successful introduction of new (growth oriented) industries, through inward investment during the 1945 – 73 period, resulted in some 50 thousand jobs by 1973 (i.e. nearly 30% of all manufacturing employment)*’ (Harris, 1990:386). However, according to Rowthorn and Wayne (1988:72)

*Lavish investment grants, tax concessions and other inducements were used to attract British, American and Continental-European firms to the province. The effect on output was impressive. During the 1960s manufacturing production rose much faster in Northern Ireland than in the UK as a whole, with growth totalling 60% over the decade. However, the effect on numbers in manufacturing employment was less impressive. New jobs were created, but even more were lost in declining industries and through rationalization of existing enterprises.<sup>447</sup>*

This research indicates that the importance of US investment was greatly over-stated in the early years. By 1955, only three companies had been established in the providence. While large multinationals such as Du Pont and Standard Telephone made a significant impact in terms of employment, both the number of companies and employment rates remained quite low. When American Tobacco gained a majority shareholding in Gallaher Ltd. in 1968, the originally Belfast company had a workforce of over 6,500, making it the second biggest employer in NI after Harland and Wolfe.<sup>448</sup>

At firm-level, this research confirms the previous analysis carried by Teague (1987), who identified that most of the earlier foreign entrants were in the textiles and mechanical engineering industries, with an increase in electrical engineering companies towards the latter part of the period under investigate. More broadly, Steed and Thomas (1970) stated that 20% of the jobs in plants new to the region were provided by more than forty engineering concerns. They conclude

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<sup>447</sup> Simpson (1984) also argues that ‘*The faster expansion of “new employment” in the later period (i.e., 1960s) has unfortunately not reduced the local unemployment percentage because it coincided with a period of rapid contraction unemployment in other firms (noticeably ship-building)*’.

<sup>448</sup> *Belfast Telegraph*, Gallaher Bid: No Threat to Jobs, 27 June 1968.

*various automobile components and other light engineering and electronic products, the sorts of items of high value, small bulk, often standard production, and easy transfer requirements that are well adapted to the region's peripheral location and existing range of labour skills (1970: 350).*

The early investors tended to be large, and thereafter there was a proliferation of manufacturing plants in the light engineering/electronic sectors from the mid-1960s with a significant motor-parts sector developed during the 1960s. Teague suggest that this pattern '*broadly reflects the trend at the time of national (mainly US) medium technology companies building up subsidiaries and affiliates outside their home country*' (Teague: 1987:162). At one level this is true. Indeed, the US investment patterns in Northern Ireland also followed the general patterns seen in US investment in Britain, albeit with a time lag in relation to the nature of market entry. Jones and Bostock noted that

*foreign-owned firms in Britain were always a heterogeneous population. Most of them were of modest size, while a few large firms controlled a substantial share of economic activity of the foreign-owned sector. Most foreign-owned firms were wholly-owned, but this left a considerable minority where other types of utilised (1994: 120).*

That research further noted that '*foreign companies generally established greenfield factories in Britain, although acquisitions also became common after 1945*'. This was replicated in Northern Ireland – early entrants tended to be via greenfield investments (often locating in advance factories and/or dedicated industrial parks), while investment after the mid-1960s tended more towards acquisitions/brownfield investments. For most of the early US investors, Northern Ireland represented their first investment major investment in the UK.<sup>449</sup>

Steed and Thomas (1970) opined that industrial change in Northern Ireland during the 1950s and 1960s revealed the high degree of specialisation of the region's production, concluding that

*within the dominant manufacturing sector the burden of adjustment was assumed to a great extent by 'outsiders', whose interest in the region appeared to lie largely in the ready supply of unskilled or semi-skilled labor and to a lesser degree in capital and other governmental aids...But from the region's viewpoint, this large scale absorption of labor was achieved at the expense of a heightened 'colonial' economic status (Steed and Thomas, 1970:359).*

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<sup>449</sup> The following firms fall into this category: Berkshire (Ulster) Knitting Ltd; Behr-Manning (Norton); Hughes Tools; Mission; Cameo.

This research confirms that linkages between the US companies and indigenous industry were not reflected in the region. Similarly, there was little R&D activities in the US companies which were primarily branch plants, which accords with Steed and Thomas' observation. This suited the requirements of the new investors, focused, as they were on locating close to new European and UK markets and availing of both cheap labour and financial assistance. These challenges were not unique to the region. Similarly, Dimitratos et al (2009: 406) argument in relation to the Scottish experience of the 1970s

*It is in this period that a clear disconnection between the strategies of policy makers and MNEs can be discerned. Policy-makers sought to exploit the enterprises' ownership advantages, but the latter were mostly interested in gaining access to the financial incentives, relatively cheap skilled labour as well as cultural, linguistic and geographical location advantages that Scotland held.*

They note that '*Scotland did not focus on enhancing barriers to exit (highly skilled and sector-specific labour force; a set of supply-chain relationships; capital intensive commitment to R&D facilities; and headquarters managerial commitment to Scottish production)*, and that this limited MNE '*subsidiary commitment and embeddedness*'.

Peripheral regions, such as Northern Ireland suffered significantly from external negative perceptions which decreased their bargaining power in attracting new investment. However, this negativity was internalised, and the drawbacks of location was overplayed. Chapman (1975: 126) argues that the dominant role of US petrochemical MNEs in the US was strongly influenced by geographic factors. Similarly archival findings from this research suggest that while geographic factors, such as distance from key markets tended to negatively impact the region, key locational factors such as abundant water supplies and adequate effluent disposal facilities played a role in securing large-scale investors into Northern Ireland, for example in the cases of Du Pont, Hughes Tools Co. and Chemstrand. This further supported by Garnsey (1965:54).

Archival evidence presented in this chapter suggests that a combination of financial grants, together with the efforts of the NI promotional machine played a significant role in securing some of the bigger investments in the region, prior to which, in many cases NI was not on the radar of companies. Harris (1988:19) notes, for example that '*non-pecuniary distance costs, however, might have been more important if industrialists perceived transport costs as being a*

*substantial competitive disadvantage*'. Hamilton (1993) notes for example, that locational isolation played a role in managerial location rather than in terms of physical geography. While the abundant labour supply played a key role, the role of natural resources, combined with the flexibility of the regional utilities' providers, also worked to mitigate against the geographical remoteness which was a leitmotiv of the entire NI economic narrative. Francis Evans (Secretary of the NIDC) argued, at the time, that British companies locating in NI were less likely to commit key management to a subsidiary, due to the relative proximity to company headquarters. He argued that FDI required a greater commitment in terms of internal management expertise, because of the distance involved. He noted that the region could expect a higher caliber of management in cases where the headquarters were in a different continent, or further afield than Britain.<sup>450</sup> Crafts (1995) further explores this concept, arguing that the region's location impacted negatively because it was isolated from new 'ideas', thus limiting potential innovation.

Archival research however, suggests that personal contacts and recommendations played a role in terms of some the earliest investors. The investment by Berkshire Knitting arose because of personal connection with Leslie Henderson, Honorary Consul of the NI Linen Association.

While a key objective was to encourage investment that would alleviate the persistence high levels of unemployment, the nature of the grants and incentives schemes favoured capital intensive rather than labour intensive industries. Steed and Thomas point out '*It [the Government] made no attempt to establish a complex of related industries (which might have increased considerably the risk of wide employment fluctuations) but depended on attracting plants that showed growth possibilities*' (Steed and Thomas, 1970: 344). This research suggests that a complex of related sectors did, in fact, develop, but this was as a result of the nature of global multinational investment, rather than a concerted strategy on the part of the government.

Ultimately, flexible commercial arrangements, financial incentives and other government assistance were unable to stem the demise of the majority of US investment in the region by the latter decades of the 20<sup>th</sup> Century. Perhaps one of the most prescient speeches was that given by Roland Nugent, who in 1953 noted

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<sup>450</sup> Belfast Telegraph 'US industrialists feel at home in Ulster' by Francis Evans. 22 Oct 1958

*...the fact that while the Development Acts have been successful in introducing a considerable degree of additional variety and a substantial measure of new employment the tendency is still towards the industries which are abnormally sensitive to fluctuations in world trade, so that while the "hard core" is substantially smaller than it would have been if the Acts had not been passed, we are still not in a strong position to face a world slump (Nugent, 1953: 98).*

## CHAPTER SIX                    INWARD INVESTMENT POLICY TRANSFER BETWEEN NORTHERN IRELAND AND THE REPUBLIC OF IRELAND SOUTH, 1945 – 1973

*Nevertheless, I suppose it's true to say that the progress we followed was the classical process of development with protection acquiring the capacity then to export and ultimately to live without the protection.' Sean Lemass (1967)*

### 6.1     Introduction

Inward investment was a predominant feature of industrial policy in both the Northern and Southern Irish economies in the second half the 20<sup>th</sup> Century. Northern Ireland provided generous incentives resulting in a wave of external investment<sup>451</sup> from 1945.<sup>452</sup> From the early 1950s, the Republic of Ireland began to discard protectionism embarking on an export-led Foreign Direct Investment industrial strategy which relied upon, inter alia, the introduction of grants in under-developed regions (extended nationwide in 1956), and the provision of tax incentives for exporting companies (Barry, 2011; O'Malley, 1989; McAleese, 1977).

Ó'Gráda suggests that the North's approach towards encouraging inward investment must have been noticed by policy makers in the Republic of Ireland and states that the package of incentives to promote Foreign Direct Investment (hereafter FDI) in the South during the 1950s '*was remarkably similar to that already available in Northern Ireland since the early post-war period*', concluding that '*the authorities in the mid-1950s cannot but have been aware of Northern Ireland's relative success in attracting foreign investment and of the relative buoyancy of the Northern economy*' (Ó'Gráda, 2008:9). Drawing on the concepts of Policy Transfer (Dolowitz and March, 1996, 2000; Evans, 2009), Lesson-Drawing (Rose, 1991), Policy Learning (Dunlop, 2009)<sup>453</sup> and the related theories of Diffusion (Walker, 1969) and

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<sup>451</sup> In relation to Northern Ireland, external investment refers to all companies from Britain and/or abroad. In relation to the South, the term FDI/external investment is used interchangeable, and includes Britain. Where FDI is used in the Northern Irish context, it refers solely to foreign, non-British investment.

<sup>452</sup> The 1945 Industries Development Act (NI) (and subsequent industrial development acts), while based on the UK acts, were modified and expanded to provide grants which were more generous than those available in Britain (See table 2.8 for a comparison of Industrial policies in Northern Ireland, The Republic of Ireland and Britain). For example, capital grants were introduced in the 1950s which were not widely available in the rest of the United Kingdom for another decade (Harris, 1991:10). The Aid to Industry (NI) Act 1953 gave fuel allowances to companies in order to counteract lack of natural resources (i.e. coal) by equalising the costs of fuel importation with other regions of the UK.

<sup>453</sup> While these three terms have distinct origins, they are often used interchangeable in the literature. See Evans, 2009.

Convergence (Bennet, 1991; Knill, 2005), the aim of this paper is to shed light on Ó'Gráda's assertion, by examining whether the two economies were taking account of, and possibly influenced by, each other, in relation to policies aimed at encouraging inward investment.

It is generally accepted that the relationship between North and South was particularly strained during this time-frame, although Zwelow (2006) has noted co-operation between the regions in the tourism sector. The paper identifies three distinct phases of policy learning between 1945 and 1973. Phase one encompasses 1945 to 1959 when little active policy exchange occurred between both sides. Negative media coverage reinforced the political tension between both sides. The Republic began to take a closer look at Northern Ireland's increasing levels of inward investment, and the emergence of a potential competitor for the attraction of inward investment, was becoming apparent to the Northern authorities. Between 1959 and 1965 both sides began to take a much greater interest in the policy measures of the adjoining economy. Due to political discord however, both sides relied primarily on official reports and the wider epistemic communities (Haas, 1992; Stone, 1999; 2001) to act as policy exchange mediators. Between 1965 and 1973, as the political relationship between North and South improved, a more collegial exchange of policy transfer and policy ideas began to emerge. By 1969 the Industrial Development Authority (hereafter IDA) in the South and the Ministry of Commerce in the North were in active communication. In 1970, for example, on the invitation of the IDA, Northern Ministry of Commerce officials participated in a fact-finding visit to Southern companies. Archival records suggest however, an internal reticence among Northern Irish officials in the Ministry of Commerce in relation to sharing policy ideas. This coincided with the emergence of the South as an increasingly strong competitor for a share of international mobile capital, coupled with a fear that growing social unrest in the North, might undermine the inward investment strategy in Northern Ireland.

The changing nature of policy learning between the regions is considered in relation to two factors. Firstly, political relationships between the North and the South effected the nature of policy transfer between the regions. Secondly, the increasing level of competition between the two regions shaped how policy ideas were exchanged. Furthermore the possible consequences and risks of sharing policies was a consideration when formulating a policy exchange strategy from both sides of the political divide. The paper concludes that, as Ó'Gráda asserts, the South was acutely aware of activities in the North. However, this awareness was reciprocal and as far back as 1949, the North was actively gathering information on activities in the South, and

possibly on the establishment of the IDA. The Northern Ireland Development Council (hereafter NIDC), subsequently set up in 1955 bore many similarities to the IDA. As the South began to attract more inward investment, its policies were ever more intensively scrutinised by the Northern Ireland Ministry of Commerce.

Similarities in the policies North and South of the border might best be theorised as a form of policy convergence, and that informal networks played a major role in facilitating the transfer of ideas (Rodrik, 2014; Barry and O'Mahony, 2017). In addition, the paper suggests that Rose's (1991) theory of lesson-drawing resonates insofar as it explains that policy learning encompasses, not only an understanding of the policies that have originated elsewhere and are implemented in a new setting, but also includes those policies, which may have been learned and evaluated, but subsequently rejected. Ultimately, this paper shows that Policy Learning in relation to inward investment, North and South was not a static endeavour. It was shaped both by actors in the immediate political landscape, but also by the wider global space or 'agora' (Stone, 1999) within which policy ideas were developed and exchanged via policy mediators.

## **6.2 Background**

Inward investment was a predominant feature of industrial policy in both the Northern and Southern Irish economies in the second half the 20<sup>th</sup> Century, reflecting a wider global phenomenon of increasingly mobile MNEs, particularly from the US into Europe, and '*Attracted by the emergency of the post-war consumer society, the return of currency convertibility and the 1957 signing of the Treaty of Rome*' (Wilkins, 1974, cited in Barry, 2016:1).

The identification of precise examples of where policies are transferred has been identified as a challenge in the study of policy transfer.

Rose (1991) however, posits that lesson drawing can occur in situations where a policy or policy instrument is considered, and then disregarded. Therefore, any evidence of awareness of a policy in another policy 'space' is sufficient to be deemed a form of '*policy learning*' or '*lesson drawing*'.



Closely aligned is the concept of policy transfer, as discussed in chapter two, and in this case, the importance of policy makers as active agents in the policy transfer process is paramount. Much of the literature however, uses these phrases interchangeably (Peck et al, 2010).

The spread of globalisation in the aftermath of WW2 has been considered in relation to diffusion theory, whereby the principles of mobile international investment, free trade, and related neo-liberal concepts are structurally determined. There is no denying the wider global context within which these policy decisions occurred. This is considered in chapter two, particularly with respect to the rising number of US MNEs into Europe after the war, further supported by a supranational architecture which greatly facilitated the move towards more open, globalised economies.

### **6.3 Phase One 1945 – 1959**

The Second World War saw a departure from normal, peace-time economic development throughout Europe. In the neutral Free State ‘*The Second World War was inevitably a sterile epoch in the development of Irish economic policy. It apparently strengthened isolationist tendencies within Irish society*’ (Bew and Patterson, 1982:16). Two documents published during war-time Britain influenced subsequent policy initiatives in relation to inward investment. The UK White Paper on Employment (1944)<sup>454</sup> set out a strategy for managing employment after the war, while The Barlow Report (1940)<sup>455</sup> provided a blueprint for the UK’s strategy for post-war regional policies and formed the basis for regional legislation Northern Ireland.<sup>456</sup> Following the implementation of the Development Act 1945 (NI), Northern Ireland actively used generous incentives to encourage inward investment. Regional incentives were instrumental in encouraging new investment into both the North, and latterly the South during the 1950s.

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<sup>454</sup> HL Deb 05 July 1944 Vol 132 cc 649-700 notes the opening statement of the White Paper as follows: ‘*The Government accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war*’.

<sup>455</sup> Barlow Report (1940): The Royal Commission for the Distribution of the Industrial Population.

<sup>456</sup> See table 2.8 in chapter two

A meeting in 1947 between the British Board of Trade<sup>457</sup> and Irish officials (including T.K. Whitaker) highlighted the belief among British officials that industrial policy could play a key role in the attraction of inward investment (i.e. *new industries*), and illustrated that British officials were conducive to sharing their policy ideas with their counterparts from the Free State. At the meeting, James Helmore<sup>458</sup> enunciated the benefits of encouraging inward investment through the use of incentives, stating that ‘*Underdeveloped countries*<sup>459</sup> *were unduly obsessed with the importance of protection, they tended to make it the fundamental point in industrial development to the exclusion of more important matters*’. He then went on to say that

*By applying other forms of encouragement the British were getting new industries going in their development areas although they were not able to protect them from competition from industries in other areas. Other states should be able to do likewise.*<sup>460</sup>

This could be interpreted as a thinly veiled criticism of the long-term viability of protectionism in Ireland. In this meeting the British Board of Trade openly and clearly presented the idea of using regional incentives to encourage new investment to Irish policy makers in 1947. In the case of the UK, ‘*new industries*’ could have referred both to existing British companies relocating to development areas and also FDI, which had increased substantially in the UK after the war, particularly from the US.<sup>461</sup> The Development Acts had implemented restrictions in relation to where industries could locate, with new units requiring a licence to locate in the more prosperous South of Britain.

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<sup>457</sup> Established in 1695, by the mid 20<sup>th</sup> Century, the UK Board of Trade was responsible for commerce, industry, overseas trade and commercial relations with other countries; imports and exports; tariffs; industrial development; consumer protection; tourism; and statistics of trade and industry at home and abroad, including censuses of production and distribution. The board was responsible for government relations with all industries not specifically the concern of other departments. In 1970 the board was merged with the Ministry of Technology to form the Department of Trade and Industry.

<sup>458</sup> James Helmore was the British Representative of the Board of Trade.

<sup>459</sup> No precise definition of an ‘*underdeveloped country*’ was given. The issue of being an ‘under-developed Country’ was to cause some concern to the Republic in the early 1960s when the Kennedy regime in the US sought to change the tax remittance practises of US MNEs operating abroad. See Barry (2019).

<sup>460</sup> UCDA P104/4113, Representation from the British Board of Trade, undated.

<sup>461</sup> By 1955, the value of the US foreign direct investment stake in manufacturing industry was 6,322 or 32.9% of all that country’s foreign capital holdings. After Canada, the UK had the second largest share of US manufacturing investment, totalling 941 million. This represented 57.7% of total US manufacturing investments in Europe (Dunning, 1958:32).

It was however, to be five years before the establishment of An Foras Tionscal in 1952,<sup>462</sup> which signified the start of active regional policy in the Republic,<sup>463</sup> and more than a decade before the last remnants of the protectionist era would be dismantled. In his memoirs,<sup>464</sup> Lemass would later concede a failure on the part of Fianna Fail's policy, in relation to the lack of economic development immediately after the war. He explained it thus:

*We always assumed that the war would end with an economic slump, as the First World War had done, and we would be faced with economic crisis accentuated by the forced return to Ireland of all Irish people working in Great Britain during the war. The country was expecting more than 200,000 people to return to Ireland after the war.*<sup>465</sup>

An Foras Tionscal had initial responsibility for a range of measures and incentives for industry such as grants towards fixed costs and assets, subsidies towards the building of plant and factories (depending on location), refunds of up to 50% on the costs of capital equipment, and grants towards training and employment.

A number of further legislative acts were subsequently enacted and the 1953 Act effectively widened the reach of incentives to include the entire country. The '*intense localism of Irish politics*' (Breathnach, 2013:53) meant that in the South, local politics played a key role in the location decision for new firms, and '*Policy created a role for the politician as broker*' (Ó'Gráda, 1997:112).

Politically, the relationship between Northern Ireland and the South was strained and tensions between North and South were exacerbated by negative media coverage. The Northern Ireland government actively sought to distance itself economically from the South. A 1947 article in

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<sup>462</sup> The first official regional policy legislation in the South was the 1952 Underdeveloped Areas Act. The use of incentives such as capital grants became a key policy instrument in the move towards increasing inward investment in the South from the early 1950s. Official regional policy was first enunciated upon the establishment of An Foras Taluntas in 1952.

<sup>463</sup> UCDA, P311/3, The Lemass Papers. As far back as 1934, the Control of Manufactures Act (CMA) had included a provision for the license of so-called reserved commodities, which required the licensee to get permission for the location of a potential enterprise. Seán Lemass, retrospectively conceded that this was an early form of regional policy, given the fact that the CMA gave the State powers to dictate where new enterprises could be located. Retrospectively he admitted that it was a failure as it led to monopoly situations.

<sup>464</sup> UCDA, P311/3, The Lemass Papers. This comprises a series of interviews with Lemass in 1967 and 1968, providing insights into the decision-making processes and evolution of ideas in relation to key policy decisions taken in relation to industrial development, and more specifically in relation to the country's trajectory towards export-led FDI.

<sup>465</sup> UCDA P311/3 The Lemass Papers

the London Times by Edmund Warnock MP, Minister for Home Affairs in Northern Ireland caused particular disquiet in the South:

*The standards of living in the two parts of Ireland are so dissimilar as to be scarcely comparable. Wages in the North are about 20 per cent higher than in Eire, while the cost of living is no less than 70 points lower. In respect of cash social services the disparity is enormous.*<sup>466</sup>

Sean MacBride raised the issue of this negative commentary in the Dail<sup>467</sup>, and DeValera refuted the claims made in the article, stating firstly that:

*In a list of 33 occupations for which reasonably comparable wage-rates could be obtained, however, I find that in only 4 cases were wage rates higher in the Six Counties than they are here and that, in general, wage-rates are much higher here than in the six counties.*

In addition he noted that the social services provisions in the North were only made possible by a higher tax burden. DeValera ended his retort by referring to partition:

*In conclusion might I suggest that if Mr. Warnock is as confident regarding the attractiveness of the conditions created by Partition in the Six counties as his article might lead one to believe, he should have no hesitation about putting the question of the attractiveness of these conditions to the test of a plebiscite in such areas as the counties of Tyrone and Fermanagh, the old parliamentary constitutions of South Down and South Armagh and Derry City?*<sup>468</sup>

The following year, an internal memo to the new Taoiseach<sup>469</sup>, John Costello suggested that the Government should refrain from ‘*public discussions of the comparative economic and social conditions*’, between the two regions on the basis that this might lead to wage increase demands in the South. Northern Ireland was actively using regional policies to encourage investment, while actively seeking to distance itself from the Southern economy. This continued to play out in the media and also in propagandist literature which served to

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<sup>466</sup> NAI TAOIS/S 14186, Extract from the *Sunday Times*, Ireland Today by the Rt. Hon. Edmond Warnock, M.P. Minister for Home Affairs in Northern Ireland. November 16 1947

<sup>467</sup> NAI TAOIS/S 14186, Dail question addressed to the Taoiseach by Deputy Sean McBride for answer for answer on Wednesday, 26 November 1947.

<sup>468</sup> NAI TAOIS/S 14186, Dail question addressed to the Taoiseach by Deputy Sean McBride for answer for answer on Wednesday, 26 November 1947.

<sup>469</sup> NAI TAOIS/S 14186, See also Garvin (2004:127).

reinforce the Unionist anti-partition rhetoric through highlighting the economic disparity between both. A Unionist pamphlet from 1949, for example, highlighted the superior social services in the North, and was direct in its message ‘*A WARNING to the ULSTER PEOPLE... It’s your Money Eire is After... Break with Britain and go Broke with Eire*’.<sup>470</sup> According to Garvin (2004:126), the South was also comparing itself ‘*with that Other Ireland, always openly denounced, sometimes covertly respected: Northern Ireland*’.

In 1948, after 16 years in power, Fianna Fail was replaced by an inter-party government (1948-51).<sup>471</sup> The new government implemented measures which paved the way for increasing inward investment. O’Malley posits however, that ‘*It is thus quite striking that the introduction of outward looking policies was not done by any single party, and no important aspect of it was strongly resisted by either side*’ (1989:80). The change towards outward-oriented policies evolved with the establishment of the IDA (Barry and O’Fathartaigh, 2012), and the introduction of EPTR (O’Malley, 1989; Barry, 2011).

In November 1949, the UK Trade Commissioner in Dublin, in a letter to the UK Board of Trade refers to the possible aspirations of Ireland in relation to US inward investment:

*Mr. Garrett, The American Ambassador at present in Washington, appears to have given the press a highly coloured account of the economic position of the Irish Republic. He is alleged to have forecast a growing volume of American investment in this country, to have spoken with approval of the repatriation of sterling assets, and to have referred to the Government’s building programme as a guarantee of employment for returning craftsmen for the next five years or ten years.*<sup>472</sup>

In the same letter<sup>473</sup> the UK Trade Commissioner to Ireland outlined details of the newly established IDA to the Board of Trade’s headquarters in London and forwarded the IDA’s aims, functions and structure. The main concern from the Commissioner’s perspective related to the

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<sup>470</sup> NAI TAOIS/S 14186, Extracts from a pamphlet published by the Ulster Unionist Council, January 1949

<sup>471</sup> The first inter-party government was ‘*based on an uneasy and purely expedient alliance between the conservative Fine Gael and Farmers parties, two antagonistic Labour groups, the untried Clann na Poblachta, and the variegated Independent members*’ (Lee and Patterson, 1982:54). The inter-party Government came to power again between 1954-1957.

<sup>472</sup> NTA BT/11/4410, Letter from the United Kingdom Trade Commissioner in Dublin to the Board of Trade, 22 November 1949.

<sup>473</sup> NTA BT/11/4410, The Board of Trade was furnished with copies of the IDA Bill in a letter from the United Kingdom Trade Commissioner in Dublin on the 22<sup>nd</sup> of November 1949 to the Board of Trade, shortly after its second hearing in the Dail.

IDA's new responsibility in relation to tariffs,<sup>474</sup> rather than its remit regarding the promotion of industry:

*Our main interest at present centres on item 3 (vii) in paragraph 2 of this letter, which is apparently intended to cover the functions of the former Prices Commission as extended by the Prices Commission (Extension of Functions) Act, 1938.*<sup>475</sup>

*The Industrial Authority Bill, which is intended to set up the Government's Industrial Development Authority, reached its second reading in the Dáil. The Minister for Industry and Commerce described the functions of the authority as being to advise and assist the Government in the intensification of industrial development along the best possible lines. The authority, he said, was preparing to undertake a survey of industrial resources and was examining the possibility of recommending measures to induce interested parties to locate new factories in provincial towns and rural areas.*

The letter continues

*Under Section 6 the Minister for Industry and Commerce, with the consent of the Minister for Finance, may appoint such officers and servants as he thinks necessary to assist the Authority. He may also appoint technical advisers. Mr. J. A. Cassidy of the Department of Industry and Commerce has been appointed by the Minister and is in charge of the Staff of the Authority at 14, St. Stephen's Green, Dublin. This is all to the good so far as we are concerned, as Cassidy is well known to this office.*

The Trade Commissioner followed up with a letter to the Board on 12<sup>th</sup> January 1950, stating that

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<sup>474</sup> According to Barry and O'Mahony (2017:51) 'The government had given the IDA the mandate to oversee tariff policy which had formerly been the remit of the Department of Industry and Commerce. Fine Gael, the majority party in the new Government, wanted to see the cost implications of protection and the consequences for downstream industries assessed more carefully and viewed Industry and Commerce as overly in protectionist thinking'.

<sup>475</sup>NTA BT/11/4410, Extract from Savingram No. 20 SAVING from United Kingdom representative to the Republic of Ireland.

*The chief points are that the Authority is not a Government department, though it has been provided with a Civil Service staff from the Department of Industry and Commerce; it is not administrative nor executive, but its function is to advise the Government on every aspect of industrial development*

and

*The functions of the Authority include the investigation of protective measures and the examination of all applications for new tariffs and quotas and for the re-imposition of tariffs or quotas which were suspended during the war.*<sup>476</sup>

When the Board of Trade, in consultation with the Northern Ireland Government set up the Northern Ireland Development Council (NIDC) six years later, in November 1955, the similarities between it and the IDA quickly came to the attention of the Department of the Taoiseach:

*Broadly speaking, its functions will be to study means of encouraging economic development in Northern Ireland suitable to its needs and potentialities, and of attracting new industry in order to reduce unemployment; to advise the Northern Ireland government on the use of funds made available for these purposes; and to make more widely known in the United Kingdom and elsewhere the facilities which Northern Ireland offers to new industry.....The Council has certain points of similarity with our Industrial Development Authority. The position of the Authority is precisely defined by legislation – The Industrial Development Act, 1950....The Powers of the Six Counties Minister of Commerce under the Industries Development Acts, etc., may be compared with somewhat similar powers vested in our Foras Tionscail in respect of undeveloped areas – though the capital limits in our case is fixed at two millions.*<sup>477</sup>

The memo also states

*The exact line of demarcation between the powers and functions of the Council and of the Minister of Commerce is not clear. It is evident that in so far as grants and loans under the various Acts cited above are concerned, executive power remains with Ministry. It will be noted that the Six Counties Prime Minister was very vague*

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<sup>476</sup> NTA BT/11/4410, Letter from United Kingdom Trade Commissioner to the Board of Trade in London, 12 January 1950.

<sup>477</sup> NAI TAOIS/S14186 Department of the Taoiseach December 1955.

*regarding the settlement of the differences of opinion between Lord Chandos and the Minister of Commerce and the available information does not enable one to say whether the Council has any executive functions. The position is not made any clearer by the fact that, in the administration of the Industries Development Act, the Minister of Commerce has the assistance of an Advisory Committee. It is inferable, however, that the Council is a flexible 'propagandist' organisation rather than an executive body.*<sup>478</sup>

In the same memo, the Department notes the potential difficulties that the North was experiencing in setting up the Council:

*In the course of the debate*<sup>479</sup> *he [the Prime Minister] pointed out that 'there are slight constitutional difficulties in setting up an outside body, because the Minister of Commerce has statutory duties to this house. I am grateful to Lord Chandos for the generous way in which he has agreed to the various conditions and to the Minister of Commerce for his flexibility of mind, so that they were able to come to a satisfactory agreement without treading on each other's toes.'*<sup>480</sup>

The NIDC was originally the brainchild of the UK Board of Trade, who in consultation with the Home Secretary, persuaded the Northern Ireland government to establish a new body in order to advise on how best to address the growing unemployment problem.<sup>481</sup> The similarities between it and the IDA were significant, which, as noted above, was quickly identified by the Department of An Taoiseach. However, no mention of the IDA was found in the Board of Trade archives pertaining to the establishment of the NIDC, although, the Board of Trade had been furnished with copies of the IDA's terms of reference in 1949, by the UK's Trade Commissioner in Dublin.<sup>482</sup>

The Board of Trade had intended that the new NIDC would be advisory in nature and that it would advise on economic matters. Both these elements were discarded, at the behest of the

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<sup>478</sup> NAI TAOIS/S14186 Department of the Taoiseach December 1955

<sup>479</sup> NAI TAOIS/S14186 Department of the Taoiseach December 1955

<sup>480</sup> NAI TAOIS/S14186, Department of the Taoiseach, December 1955.

<sup>481</sup> TNA 233/1765, Letter from BOT to Home Secretary, 11 May 1955,

<sup>482</sup> TNA BT 177/1487, According to the Board of Trade (1955), the structure of the proposed newly established Council could best be compared to the Scottish Council and the Lloyd Committee, *'but these analogies should not be pushed too far'*. The Lloyd Committee was an advisory body tasked with advising the government on the modernisation of West South Wales.



Council's Chairman Lord Chandos, who wanted the new Council to have a more executive role, and be focused on the promotion of the region to industrialists. The Board of Trade was willing to acquiesce to Lord Chandos' requests as he was the preferred candidate of the Northern Ireland Government. The NIDC was officially launched on 14<sup>th</sup> November 1955.<sup>483</sup> During the inaugural press statement, Lord Chandos, emphasised that the key focus of this new organisation would be the promotion of Northern Ireland as a location for external investment.<sup>484</sup> By that time, the IDA's remit had become increasingly focused on promotional inward investment. Barry et al. (2017:51) note that *'The IDA had also been given the mandate to initiate proposals for the development of new industries. By 1955, this had largely come to mean new export oriented foreign industries.'*

Political tension between North and South persisted during the 1950s, and often played out in international fora: *'Irish delegates to international conferences feel they have not contributed anything till they have denounced partition and its British creators. Open admission of the fact that nobody over 50 is likely to see the end of partition is impossible'*.<sup>485</sup> Media commentators from the Republic of Ireland were critical of the Council from the time of its establishment:

*The setting up of the Lord Chandos Industrial Development Council has been interpreted as an admission of failure on the part of the Northern Ireland Government. Actually, the creation of this council is consistent with the attitude taken up by the Northern Ireland Government within recent years, i.e. that Westminster should take the responsibility for finding a solution to Northern Ireland's economic problems.*<sup>486</sup>

In 1952, the South commissioned a report by US Management Consultants IBEC<sup>487</sup>, which suggested that the policies enacted by the US protectorate of Puerto Rico could be used as a template for encouraging inward investment into the Republic, advising that the Republic should encourage foreign, primarily US capital (Barry and O'Mahony, 2017; Girvin, 1989).

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<sup>483</sup> PRONI Cab/9/F/188/8, Lord Chandos' statement to a press conference on Monday 14 November 1955 at Crown House, Aldwych, London, 14 November 1955.

<sup>484</sup> PRONI Cab/9/F/188/8, Lord Chandos' statement to a press conference on Monday 14 November 1955 at Crown House, Aldwych, London, 14 November 1955.

<sup>485</sup> *The Manchester Guardian*, Impressions II –Rhetoric About Partition, D.W. Brogan. (1901-1959). September 6, 1955.

<sup>486</sup> *The Irish Times*, Andrew Boyd, 2 January 1955.

<sup>487</sup> IBEC Technical Services Corporation, *An Appraisal of Ireland's Industrial Potential* (Dublin and New York, 1952. Also referred to as the Stacy May Report.

Also in 1952, the Northern Ireland government set up a working group of both Northern Irish and British officials to explore solutions to the unemployment problem. The overall conclusion of that report was that: *'We are convinced that in the long run the only really satisfactory solution of Northern Ireland's unemployment problem is to be found in the creation there of new industries and the development of existing ones'*.<sup>488</sup> No specific mention is made of foreign investment in the report, however, one outcome of the report was that the North should actively seek inward investment from British companies,<sup>489</sup> and should promote this via publications in the Federation of British Industry.<sup>490</sup> Later in 1955, Daniel Morrissey<sup>491</sup> asked the IDA to contact the FBI in order to encourage more investment from British firms (Barry and O'Mahony, 2017), however, promotional efforts concentrated more on the continent.

The increasing efforts of the North to encourage US investment was coming to the attention of the South. During a Dáil debate in 1955, Daniel Morrissey pointed out that *'American Industrialists are establishing industries practically all over Europe and Britain and in the Northern part of this country and he questioned 'if there was any reason why there does not seem to be any anxiety on their part to come here (Republic)' concluding 'if there was any obstacle, he was sure that it could be removed: whatever inducements the Government could properly give to get worthwhile industries, particularly from America, would be offered'*.<sup>492</sup>

In reality, only three US companies had invested in the North by 1955,<sup>493</sup> providing a total number of 860 jobs by November 1955 (a further 13,870 jobs had been created in the North by 62 companies originating in other areas of the UK).<sup>494</sup> The foreign companies that were to set up in Northern Ireland replicated the characteristics of FDI throughout the UK - large, branch subsidiaries in oligopolistic industries (Oil engineering, Chemicals etc.).<sup>495</sup> Both

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<sup>488</sup> PRONI Cab/9/F/188/5, Employment Policy in Northern Ireland – A Report by a Working Group of Officials of the Imperial and Northern Ireland Governments. 1<sup>st</sup> August 1952

<sup>489</sup> PRONI Cab/9/F/188/5, Based on the recommendation of the Working Paper on Unemployment 1952, the Northern Ireland Ministry circulated a promotional booklet on the benefits of investing in Northern Ireland which was circulated to members of the FBI.

<sup>490</sup> The Federation of British Industries (FBI) was an employers' association in the United Kingdom which later merged with the British Employers' Confederation and the National Association of British Manufacturers to form the Confederation of British Industry in 1965.

<sup>491</sup> Daniel Morrissey (1895-1981) was Minister for Industry and Commerce in the first inter-party government (1948-1951).

<sup>492</sup> *The Irish Times*, America should be encouraged to open industries, 12 November 1955. Reference to the Imposition of Duties (Confirmation of Orders) (No.2) Bill 1955 November, 2 November 1955.

<sup>493</sup> These were Berkshire International (UK) in 1947, Norton Abrasives in 1953 and Hughes Tools in 1954.

<sup>494</sup> PRONI Cab /9/F/188/5 Confidential Memo: Manufacturing establishments opened in Northern Ireland since the war by firms from Great Britain or the US, 28 April 1956.

Northern Ireland and the Republic of Ireland competed with European countries, particularly the Netherlands and Belgium,<sup>496</sup> for new investment. This competition further increased after the formation of the European Community<sup>497</sup> which gave an advantage to member states seeking US investment who wanted access to key European markets. Additional competition came from other UK regions such as Scotland, and Wales, who had also established promotional boards to encourage investment (see table 6.1).

The decision of US chemical giant E.I. du Pont de Nemours and Company (DuPont) to establish a branch plant in Northern Ireland rather than the South elucidates the increasing competition among regions for a share in mobile investment. In January 1956, William Norton,<sup>498</sup> Minister for Industry and Commerce, embarked on a promotion tour of American cities, where he met representative of DuPont. According to the Irish Times

*Among the topics they discussed, was the refinishing of material, such as synthetics, as a possible new industry in Ireland and the re-exporting of them in foreign markets. If there is any chemical industrial expansion planned in Europe, Mr. Norton was told, Ireland would receive top consideration.*<sup>499</sup>

In December 1956 DuPont subsequently announced that it would indeed establish a plant in Ireland.<sup>500</sup> However, the company chose Derry in Northern Ireland, rather a Southern base for the new investment.

A letter from Chandos to the North's Prime Minister outlines the North's attitude to inward investment from the US: *'America is likely to prove our salvation, and I think there are reasonable expectations that before the end of the year, we shall have landed DuPont, with the possibilities of British Oxygen coming in with them.'*<sup>501</sup>

Within a week of the DuPont announcement, Seán Lemass, (then in opposition), called for economic collaboration with the North during a speech to the Belfast Newman Society.<sup>502</sup>

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<sup>496</sup> PRONI Cab/9/F/188/15 Report of the Sub-Committee of the N.I.D.C 4<sup>th</sup> March 1959

<sup>497</sup> The European Community was established by the Treaty of Rome in 1957. The founding members were Belgium, France, Germany, Italy, Luxembourg and The Netherlands.

<sup>498</sup> William Norton (1900 – 1963) was Minister for Industry and Commerce (1954-1957) in the second inter-party government.

<sup>499</sup> *The Irish Times*, Mr. Norton tours chemical plants: Expansion discussed with manufacturers, 12 January 1956.

<sup>500</sup> *The Irish Times*, Letter from Belfast. New Industry for a problem area, 4 December 1956.

<sup>501</sup> PRONI Cab 9/F/188/14, Letter from Lord Chandos to Basil Brookeborough, 15 November 1956.

<sup>502</sup> *The Irish Press*, Closer economic co-operation between North and South, 12 December 1956.

*'It seems to me to be axiomatic that the economy of this island would be stronger if it was a single economic unit' and*

*My point is that the main factors which operate in this island to prevent it realising and maintain the same progress as other smaller European countries are achieving, lie in these two spheres in which our circumstances differ from theirs, the inadequacy of capital investment due among other countries to the attraction of investment in Britain and the facilities available for it and the perhaps unavoidable but certainly adverse repercussions of economic changes in Britain on our circumstances. We could only hope to minimise the effects of this position by making the Irish economy somewhat more self-contained. The prospect of moving in that direction would be greater if the whole country was one economic unit.<sup>503</sup>*

Lemass' desire for closer economic alignment with the North made both political and economic sense. Arguably the industrially advanced North would confer a more positive image of the South in the event of joint collaboration on matters of the promotion of inward investment. The opposite view was, however, expressed by Northern authorities - the subsequent Arthur D. Little (ADL) report commissioned by the NIDC suggested the possible negative effects of the North's association with, and proximity to, the South.<sup>504</sup> The superior economic conditions in the North did not prevent media commentators in the South undermining Northern policies:

*If the many new industries set up in Northern Ireland since the end of the war had contributed as much to the prestige and prosperity of Belfast as did the aircraft factory, the Government would have achieved something worthwhile. Although the Northern Ireland Ministry of Commerce has spent substantial sums of money in attempts to attract new industries, their efforts have not been remarkably successful, as the continuing high figures of unemployment show. It is obvious that the fundamental economic weaknesses of Northern Ireland will never be eliminated by the piecemeal methods so far used nor by the attraction of outside industrial groups that never could have any roots in the country.<sup>505</sup>*

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<sup>503</sup> *Irish Press*. 12 Dec. Undated.

<sup>504</sup> PRONI Cab /9/F/188/17, 'A program to attract American industry to Northern Ireland. 15<sup>th</sup> October 1959. See chapter four for a discussion on the ADL report.

<sup>505</sup> *The Irish Times*. Economic problems of Northern Ireland 3; New Industrial Development, Andrew Boyd, 13 January 1956.

The Cuthbert and Isles Report<sup>506</sup> was published in 1957.<sup>507</sup> While not referring specifically to Foreign Direct Investment, the report identified the importance of encouraging inward investment to alleviate the unemployment crisis and it supported the continued provision of incentives for such inward investment, while acknowledging that Northern Ireland might always be dependent on some form of regional aid. The report was met with hostility by the Northern Ireland Ministry of Commerce, due to the negative light which it shone on the management of that economy.<sup>508</sup> This, in turn led to negative media coverage. An internal memo suggests that the Ministry of Commerce attempted to deflect this negativity by focusing on press comparisons with the Republic

*The press generally has tended to concentrate on any adverse comments on the Isles report but the review in the Economist was quite favourable to Northern Ireland. 'The most remarkable thing about Ulster, is not that its proportion of unemployment is consistently 5 points higher than the British percentage but that the margin is not higher than that... the six northern Irish counties .....are still so far ahead of the other Twenty-Six counties...the success the Ulster government has had in attracting industry to the province and creating new jobs is surprising, considering the disadvantages it shares with Eire.*

According to Garrett Fitzgerald, the report '*pointedly*' ignored the '*existence of the Republic*' insofar as its '*600-odd pages contain only a couple of references to the fact that Northern Ireland has a Southern neighbour*'.<sup>509</sup>

One of the only references in the *Isles* report to policy instruments in the South was a recommendation to increase access to capital for indigenous companies. The report suggests that a solution to the need for increased capital in Northern Ireland might be found in the establishment of

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<sup>506</sup> An economic survey of Northern Ireland (Isles and Cuthbert report) (HMSO Belfast, 1957). This report had been commissioned by the Northern Ireland Ministry of Commerce in 1947. The survey was carried out by two economists from Queen's University Belfast (QUB). The final report was critical of the economic management of the North.

<sup>507</sup> PRONI D2162/A/52, Ministry of Commerce notes on the Cuthbert and Isles Report. 1957.

<sup>508</sup> PRONI D2162/A/52, Ministry of Commerce notes on the Cuthbert and Isles Report. 1957.

<sup>509</sup> *The Irish Times*, The Hall Report, 31 October 1962.

*‘An investment house’ underwritten by the government but confirming its business to undertaking with reasonable prospects of commercial success might be expected to lead to a useful increase in total investment in the province and to give a desirable encouragement to enterprise. An excellent example of what might be achieved, the type of organisation required, and the part that the government could usefully play, together with the financial implications, is afforded by the Industrial Credit Company<sup>510</sup> in Éire.<sup>511</sup>*

The Northern Ireland Ministry of Commerce dismissed this recommendation however stating that

*Unless Government is prepared to subsidise investors, such a company would be unlikely to attract domestic savings – government would have to provide company with funds – no evidence that existing system of Government assistance for industrial development is inadequate.<sup>512</sup>*

In 1957, the Department of Finance in the South, under the tutelage of its Secretary, TK Whitaker, was working on a document which would be published the following year as *‘Economic Development’*. The advice of academics such as QUB economist Charles Carter<sup>513</sup> and TCD economist Loudon Ryan<sup>514</sup> on key aspects of this report have been well documented (Garvin, 2004; Brownlow, 2009), and the series of letters and memos from 1957<sup>515</sup> elucidate the extent to which advice and policy ideas were freely exchanged, debated and discussed between Whitaker and these advisors/policy mediators.<sup>516</sup> Carter praised the general approach of the Southern civil servant in comparison with Northern Ireland: *‘I should like to say that I*

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<sup>510</sup> The Industrial Credit Company (ICC), proposed by Sean Lemass, was established in 1933 by the Fianna Fail government *‘to underwrite the capital issues of new industrial projects and to provide state capital in suitable cases’* (Bew and Patterson, 1982:18). See also Girvin, 1989

<sup>511</sup> The Cuthbert and Isles Report. 1957. *‘Part III – Economic Considerations Relating to Policy. Chapter xviii. Problems of Economic Policy’*. Pg.: 42.

<sup>512</sup> PRONI D2162/A/52, Ministry of Commerce memorandum to The Economic Survey of Northern Ireland

<sup>513</sup> TNA BT 177/1487, In 1955 Professor Charles Carter had been proposed by Sir Robert Hall as a prime candidate for a possible position of economist to sit on the Board of the NIDC. Hall described him as *‘a very sensible and energetic man’*. The other main contender was Professor Isles (also an economics professor at Queen’s, and co-author of the Cuthbert and Isles Report), who, albeit senior, was not the preferred choice. The Chairman of the NIDC, Lord Chandos, subsequently decided not to appoint an economist to the NIDC.

<sup>514</sup> Dr. Loudon Ryan was Professor of Industrial Economics at Trinity College Dublin, and acted as an economic advisor to the Department of Finance. He was involved in advising T.K. Whitaker on matters concerning Economic Development. See UCDA P/175.

<sup>515</sup> UCDA P/175, See Whitaker papers for correspondence on this issue.

<sup>516</sup> In addition, advice came from The Capital Investment Advisory Committee (1956) comprised of four academic economists (Charles Carter, Patrick Lynch, Loudon Ryan and William Black (Bew and Patterson (1982:105).

*find myself in strong agreement with your general approach, and I wish that I could feel that similar thinking was going on at Stormont*'.<sup>517</sup> Ryan referred to the Cuthbert and Isles report in relation to providing advice and ideas to Whitaker 'What about an Investment Trust, such as that described in para.71, page 197 of 'An Economic Survey of Northern Ireland?',<sup>518</sup> and further suggests, during the same exchange of ideas, that Whitaker take a look at expected returns and remuneration of capital in large firms in Northern Ireland. In this case, a body like the ICC in the South was being proposed as a possible solution for credit finance in the North, while, in the South, a leading economist was suggesting an Investment Trust, as outlined in the Cuthbert and Isles report.

In April 1957 the Department of Finance circulated a memorandum to the government which was an address by Professor Carter, advocating Foreign Direct Investment as a way of bringing expertise and capital into the country, while also addressing the unemployment levels:

*by far the most hopeful means of getting good management, technical knowledge and capital all at once is from subsidiaries of large foreign companies; and it would be worth very large inducements indeed, including complete exemption from taxes for a period, to get more of them.*<sup>519</sup>

Norman Cuthbert, joint author of the Cuthbert and Isles report was, on numerous occasions, an invited speaker and contributor to the Journal of the Statistical and Social Inquiry of Ireland.<sup>520</sup> These exchanges illustrate the key role played by epistemic communities in the transfer of ideas between the two jurisdictions. Haas (2009:1) posits that

*how decision makers define state interests and formulate policies to deal with complex and technical issues can be a function of the manner in which the issues are represented by specialists to whom they turn for advice in the face of uncertainty.*

The lack of official engagement between North and South was accompanied by active consultation between academics, officials and technical consultants on both sides of the border. Ideas were clearly being presented by experts, and towards the latter years of this phase lesson

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<sup>517</sup> UCDA P/175/49, Whitaker papers. Letter to Whitaker from Carter (The Queen's University of Belfast), 3 March 1958.

<sup>518</sup> UCDA P/175, Whitaker Papers, Letter from Loudon Ryan UCD, 15 March 1958.

<sup>519</sup> UCDA Whitaker Papers P/175/46, Memorandum for the Information of the Government. 'The Irish Economy Viewed from without' given by Professor C.F. Carter, Queen's University, Belfast, to the Irish Association in Dublin, 19 March, 1957, 115-141.

<sup>520</sup> Cuthbert, N (1951). Total Civilian Income in Northern Ireland. Journal of the Statistical and Social Inquiry of Ireland, 20 April 1951.

learning between the two regions was primarily carried out by so-called ‘*policy mediators*’. Whether the specific policies were enacted by those in power is not the point here, rather that key decision-makers were being made aware of developments in each jurisdiction, and that agents of transfer - epistemic communities (academics and economic consultants in this case) were informing, advising and illustrating relevant policy developments to each group of civil servants. Rose (1991), in his treatise on lesson drawing posits that just because a specific policy is not adopted, does not mean that it has not informed the policy maker. The works of Knill (2005) on convergence suggests that the key role of transnational communication by key influencers and this is apparent above.

#### **6.4 Phase Two 1959 - 1965**

The year 1959 has been referred to as a *watershed* in relation to the South’s outward-oriented policies, (Bew & Patterson, 1982; Munck, 1993) however Barry & O’Mahony (2017) posits that the move towards FDI was more processual in nature. In Northern Ireland, ‘*The 1960s do appear to mark a shift in the mode of regulation of the Northern economy, but there does not seem to be a watershed as clear cut as 1959 was in the South*’ (Munck, 1993:59). In relation to this analysis however, the commencement of Phase Two relates not to the internal developments within each region, per se, rather that after 1958, the nature of lesson-drawing between both regions changed, influenced, no doubt, by the internal shifts in developments towards inward investment, and the increasingly active promotional activities on both sides of the Border.

The official political relationship between the North of Ireland and the South remained tense during the latter years of the 1950s and early 1960s. By the early 1960s, the Republic was beginning to be recognised as a competitive threat to the North in its effort to ensure inward investment. During this phase, policy learning still took the form of indirect information gathering, via epistemic communities, such as think-tanks and policy mediators rather than through official overt means, and formal information gathering.

On becoming Taoiseach in 1958, Lemass suggested, in an interview with the Belfast Telegraph, *In both North and South, vigorous efforts are being made to attract and develop new industrial projects. Could these efforts be coordinated with mutual advantage?*



*Are there problems arising in cross-channel shipping which could be worth joint examination?*<sup>521</sup>

At times however, Lemass' attitude towards inward investment appears contradictory, as outlined below where he subsequently undermined the North's strategy of encouraging branch factories:

*I have good reason to know the anxieties entertained there (in Northern Ireland) by business people about the consequences. It was common sense to assume that a branch factory with headquarters in some other country would be the first to go when trade became slack...that was one reason why the government decided deliberately not to promote that sort of development' (cited in Bew & Patterson, 1982:123).*

In 1958, when faced with the dramatic decrease in industrial production in 1956/57, the Department of the Taoiseach suggested a thorough examination of the 'success'<sup>522</sup> of Northern Ireland policy in relation to its inward investment policies:

*A new approach is now required. At one stage it looked as if the new approach might take the form of large-scale external investment in this country but it must be confessed that our attempts to bring this about have borne very little fruit.<sup>523</sup> Our failure in this respect is in striking contrast with the success achieved in the Six Counties, particularly since the establishment of the Northern Ireland Development Council. It may well be that the factors which contributed to the Six Counties success are not available to us but it is suggested that a close study should be made of the position and that our approach to the problem should be re-examined in the light of our current and prospective difficulties. What we want above all is some large industries of the scale and type which the six counties have been able to attract – and of which the new mining companies and the proposed oil refinery are outstanding examples. What we really lack are entrepreneurs.<sup>524</sup>*

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<sup>521</sup> *The Belfast Telegraph*, Stormont preparing a reply to Lemass, November 1958.

<sup>522</sup> No criterion for success is provided by the Department.

<sup>523</sup> This might be a reference to the establishment of the Du Pont plant in Northern Ireland. Chapter five discusses the large-scale investment which had located there by 1958, including Berkshire Knitting, Chemstrand and Courtaulds (UK)

<sup>524</sup> UCDA P/175/46, Whitaker Papers. Some Comments On The Current Economic Position (March 1957). Department of the Taoiseach. 1957.

While the Southern officials were comparing their efforts with the North, the ROI was increasingly coming to the attention of the Northern Ireland authorities. The Industrial Development Authority (IDA) had begun to actively promote the generous incentives on promotional tours throughout Europe, notably Germany, as highlighted in a 1960 article from the German magazine, Der Spiegel

*The highest grants are given by the Irish government to the poorest areas of the country – in the West or Southwest. Here, under certain circumstances, it is possible for the firm to obtain the entire factory premises at the state's expense, on condition that the plant will not be sold within a specific timeframe. In addition, the Irish State will refund the company 50% of the costs of capital equipment, and will pay the entire expenditure in relation to the training of the local work-force.<sup>525</sup>*

Officials from Northern Ireland also began to target Germany – the Secretary of the Ministry of Commerce visited West Germany in late 1960, and discussed the best way to promote development incentives to potential German investment. It was decided to target the Federation of German industries and the German Chambers of Commerce.<sup>526</sup> Later in 1960, the efforts of the South came to the attention of the Northern authorities

*Interest rates in Germany are high and even the large and wealthy firms would look for help in Northern Ireland by way of loan to take advantage of the lower rates which might be obtained. The German firms would expect substantial assistance towards the training of labour. The firm of Liebherr which established a large crane manufacturing unit in Southern Ireland has found that, with the lack of experienced labour, a long and costly training program was necessary. This experience is apparently known to other German firms and might deter them from considering Northern Ireland. This could be overcome by emphasizing in our general approach that Northern Ireland is the industrial part of Ireland and by making more provision for financial assistance towards the cost of training.<sup>527</sup>*

In addition, the IDA set up an office in the US in 1958, and ‘launched a drive to attract American manufacturers to Ireland, symbolised by the appointment of Cyril, Count

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<sup>525</sup> *Der Spiegel*, Die Grüne Welle. Auslands-Niederlassungen. October 1960, Translated from the original 10 March 2014.

<sup>526</sup> PRONI Cab 9/F/188/23, Report on visit to Western Germany of Secretary and Mr. F.M. Craig, November 1960.

<sup>527</sup> PRONI Cab 9/F/188/27, 25<sup>th</sup> Meeting of the NIDC, 10 January 1961.

*McCormack as its representative to tour the USA* (Bew and Patterson, 1989: 123). In the same year, the NIDC established a New York sub-committee, which shared an office with the UK Consulate in New York.<sup>528</sup> This increased promotion in the US, both North and South, was similar to promotion efforts undertaken by additional UK regions (i.e. Scotland and Wales), and other European Countries (see Table 6.1 below).

In 1958, the Minister of Home Affairs raised the issue of public concern over unemployment in Northern Ireland. He felt that *'If the Irish Republic should succeed in its efforts to secure substantial concessions by way of trade tariffs in return for participation in the European Free Trade Area, the economic position in Northern Ireland might be aggravated'*. His solution, in this case, was to ensure that Northern Ireland would be seen to be supportive of further inward investment, via the Ministry of Commerce: *'The public has been led to believe that the Development Council was instrumental in securing new industries and was quite unaware of the part played by the Ministry of Commerce'*.<sup>529</sup>

The NIDC carried out a survey in 1958 outlining the measures taken with regard to promotional arrangements in a number of competing regions. The inclusion of the Republic of Ireland indicated that the general attitude towards the South was changing, as the North began to view its neighbour as a contender for new capital. The North had been successful in securing the DuPont investment in 1956, but the increasing efforts in the South in relation to FDI was becoming more apparent. The US sub-committee of the NIDC was disbanded in 1960 and subsumed into the British Industrial Development Organisation,<sup>530</sup> which took over responsibility for the promotion of inward investment into Northern Ireland thereafter.<sup>531</sup>

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<sup>528</sup> PRONI Cab 9/F/188/19, NIDC approval of NI Representative in New York. Undated.

<sup>529</sup> PRONI Cab 4/1076/5, Northern Ireland Development Council Report to the Minister of Commerce. (F) About American Investment in Europe. 1958

<sup>530</sup> *Board of Trade Journal*, 182 No. 3404, 15 June 1962: *'In recent years, the advantages of American investment have been sought with increasing thoroughness by many different countries in Western Europe, notably by Belgium, the Netherlands and the Irish Republic. Many of these countries have established offices in the United States to promote and assist industrial development. It was against this backdrop that BIDO was set up in 1960'*.

<sup>531</sup> In 1960, the UK Government decided that representatives in the newly established British Industrial Development Office (BIDO) in New York would co-ordinate the work previously done by several regional organisations, including the sub-committee of the NIDC. Therefore, Northern Ireland did not have a dedicated promotional arm in the US thereafter.

**Table 6.1 A Summary of the Survey Undertook by the Northern Ireland Development Council in Relation to Competing Development Promotional Organisations - 1958<sup>532</sup>**

Location of Promotion Body	Activities in the US in 1958
The Scottish Council (Development and Industry)	Financed by Scottish Industry and local authorities Annual budget – £40,000 Activities included the development of new industry, provision of assistance to existing industry, encourage the development of raw materials, fostering of tourism, publicizing of Scotland in tourist and other media Scottish Council had a US Committee with an active Chairman Undertook no advertising in the US and on average spent approximately £1,500 on its US activities
Lancashire and Merseyside Industrial Development Association	Financed largely by Local Authorities, Chambers of Commerce and other trade bodies in the locality Paid Director made annual visits to the US and a small committee was formed in 1958
Development Corporation of Wales	Formed by Sir Mills Thomas and financed by Welsh industry. Established in 1958 and at that time was not active in the US
Industrial Development Authority in the Irish Republic	Appointed a special envoy, Count Cyril McCormack to the United States in 1958 for 12 months A sum of 24,5000 was voted by Parliament to cover the cost of his mission together with advertising and other expenses

Source: Secretary of Minister of Commerce Northern Ireland. 4 November 1958<sup>533</sup>.

In 1959, the NIDC commissioned US management consultancy, Arthur D. Little (ADL) to advise on how to promote Northern Ireland as a potential location for US investment. The engagement of ADL illustrates the role of so-called epistemic communities in diffusing information in a global context. Stone (1999, 2004) has identified *'think-tanks'* as key agents of policy transfer. The related concept of epistemic communities (Haas 1980, 1989; Adler and Hass, 1992) are defined as *'Comprised of natural and social scientists of individuals from any discipline or profession with authoritative claims to policy relevant knowledge that reside in*

<sup>532</sup> PRONI Cab/9/F/188/15, Secretary of Minister of Commerce N.I. *'Notes on Development Councils'*, 4 November 1958.

<sup>533</sup> At the time these figures were presented (1958) the Northern Ireland Development Council had requested that the Council's annual grant should be raised from £40,000 per annum to £115,000 per annum. This request was turned down by the Ministry of Commerce.

*national, transnational and international organizations'* (Evans, 2017:10). ADL were specifically chosen because of their previous experience in advising countries on the promotion of inward investment.<sup>534</sup> Subsequently in 1967, ADL would be tasked with the role of reconfiguring the IDA in the Republic.

ADL stressed the need to create a separate identity from the South, suggesting that, if possible, Northern Ireland should seek to distance itself from the key characteristics in the South:

*One view of several respondents who had little knowledge about Northern Ireland is that 'Irish Labor is shifless and irresponsible'; the inference is that there are no differences between labor in the North and in the Republic. It should be pointed out that this view is not widespread among American executives, but occurs with sufficient frequency to require attention in the promotional program. The historical and ethnic differences between the two peoples should be stressed (ADL, 1959:54).*<sup>535</sup>

This potential strategy of differentiating the North from the South for the purposes of attracting investment into the former region was further reinforced later in the same report (ADL, 1959:32):

*Many Americans tend to confuse Northern Ireland with the Irish Republic and attribute whatever concept they have of Ireland to Ulster as well. The effect of numerous Irish novelists and numerous Hollywood productions about the Irish is to implant in the minds of Americans many notions that hardly help in attracting industry to Northern Ireland. It is important to the promotional effort that the Council realise that some American businessmen who have an unfavourable view of the Irish fail to differentiate between Northern Ireland and the Republic. Our suggestion is that the Council face the problem tactfully and forcefully in its promotional material by emphasizing that relationship between Northern Ireland*

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<sup>534</sup> PRONI Cab/9/F/188/15, Meeting of the NIDC. Discussion on the attraction of US firms to NI. In justifying the choice of ADL to carry out research, the Council concluded: 'We felt that this firm has more experience than any other of the work of industries' promotion. They were responsible for advising on the original campaign for Puerto Rico; they have worked with a number of U.S states on attracting industry to the areas; and, outside the United States, they have been advisers to Jamaica, the province of Manitoba, Newfoundland, Nova Scotia, and Norway. While one or two of the other firms which we interviewed were clearly highly competent, little appear to have developed specialised knowledge of this particular field, which should be valuable to us'.

<sup>535</sup> PRONI Cab/9/F/188/17. A program to attract American industry to Northern Ireland, ADL Report (15<sup>th</sup> October 1959).

*and the United Kingdom. We feel that Northern Ireland's place within the United Kingdom is a strong asset in attracting American investment.*

The main policy comparison related to the generous grants available in both regions 'With the exception of the Irish Republic, capital grants to the extent offered by Northern Ireland are not available to American industries in any of the competing European Nations' (ADL, 1959: 28).

Until the end of the 1950s, the Northern narrative tended to be one that sought to distance itself, in a promotional and industrial sense, from the South. This Governmental distain towards the South, further reinforced by policy experts such as ADL, served to further alienate the economies and possibly hindered policy transfer between the two. This attitude gradually changed however, from the early 1960s as Northern officials began to realise that improving economic conditions in the Republic might serve to improve the image of the island overall.

*Mr. Macrory stressed the importance of keeping a close watch on the efforts made by the Republic of Ireland to attract new industry. Mr. Brooke agreed to produce a paper for the next meeting of the Council. In addition to comparing the assistance offered by Éire with that offered by Northern Ireland he hoped it would be possible in the paper to summarise the Éire government's achievements and give a general appreciation of the economic position of that country. Sir Francis Evans felt that the publicity undertaken by the Éire Government about their success in attracting foreign investment might indirectly help Northern Ireland, by removing the impression that Ireland was unsuitable for industrial development.<sup>536</sup>*

In 1961, the NIDC produced an internal report examining the activities in the South with respect to new investment which was presented at the following meeting in April 1961.<sup>537</sup> Key issues addressed included the increase of inward investment, the Programme for Economic Development, and the establishment of the Shannon Free Trade Area:

*Industrial development programme in the Republic is being vigorously carried out. The Government inducements are generous, the authorities have been active in promotion work on the continent. In the U.S.A, and more recently in Great Britain and their publicity is energetic if also, perhaps, a little irresponsible Although the*

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<sup>536</sup> PRONI Cab 9/F/188/19, Industrial development in Éire, 25<sup>th</sup> Meeting of the NIDC, 10 January 1961. Northern Ireland Development Council 25<sup>th</sup> Meeting, London, 10<sup>th</sup> January 1961  
Item 6.

<sup>537</sup> PRONI Cab 9/F/188/23, Paper submitted by the Ministry of Commerce to the 26<sup>th</sup> Meeting, April 17 1961.

*campaign has been slow to gather momentum, there now seems to be good prospects for an increasing number of new industries.*<sup>538</sup>

The paper noted difficulties concerning the Republic's future place in the trading groups of Europe:

*At present she remains outside both E.F.T.A and E.E.C., and no doubt hopes for some form of association between the two which she could then join. The United Kingdom is by far her most important export market, taking almost 75% of her goods, but she is anxious to increase her sales to E.E.C countries as well. Whatever happens, she realises that the new arrangements will mean keener competition in all European markets for both industrial and agricultural products, and she is striving to equip herself to compete effectively.*

The report noted the increasing numbers of continental firms which were setting up in the South.

*Of the 102 projects, 70 are planned for underdeveloped areas, 22 for areas for which the Industrial Development Authority is responsible and 10, all in 1959 at Shannon. There is European participant in much of this new industry. Just over 40% of the new firms announced since the beginning of 1959 are European in origin or involve investment by European Firms.*

Liebherr, the German Crane manufacturer at Killarney, the Japanese company Sony, the oil refinery at Whitegate '*which is a joint Anglo-American venture which began production in 1959*', were given specific mention.

The report also discussed the programme for Economic Expansion,<sup>539</sup> describing it as '*a plan drawn up by the Government in Dublin for the comprehensive development of the Country..... it is too early to judge the success of the larger programme, but the year 1960 seems to have been a reasonably good one*'.

The 'customs free' area at Shannon was also considered:

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<sup>538</sup> PRONI Cab 9/F/188/23, Paper submitted by the Ministry of Commerce to the 26<sup>th</sup> Meeting, April 17 1961. This comment most likely referred to IDA promotional material, which, the Northern Ireland Ministry noted, failed to properly differentiate the North from the South.

<sup>539</sup> O'Malley (1989) suggests that Economic Planning in the Republic began with the First Programme for Economic Expansion (1958) and was followed up by two subsequent documents, namely the Second Programme for Economic Expansion (1963), and the Economic and Social Development 1969-1972.

*Perhaps the most widely publicised feature of the Republic's campaign has been the industrial estate on the Free Airport at Shannon. This has been declared a 'customs free' area which means that a manufacturer can bring parts of materials into Shannon, have them processed or assembled there and export the finished goods direct to their markets without having to pay duty. The hope is to develop extensive air-freight business based on the new industries.*

The report concluded

*that although the immediate prospect is one of encouraging progress, the Republic has a long way to go in a rather short time, and her chief hope about the future economic organisational of European must be that she can gain admission on favourable terms which will offer shelter which she can pursue her development plans.<sup>540</sup>*

In a subsequent meeting of the NIDC, the possibility of establishing an Export Processing Zone (EPZ) along the lines of that at Shannon was proposed, but the general consensus was that this would be unworkable in practice:

*Mr. Forde enquired whether it would be possible to evolve a plan to establish a duty-free area in Northern Ireland similar to that of the Shannon free airport scheme. Other members thought, however, that this was an unlikely development.*

Towards the middle of 1961, the Northern Ireland NIDC became concerned about potential changes to the tax laws in the US and the effects that this might have on inward investment into Northern Ireland.

*Tax message included proposals of subsidiaries of U.S corporations in 'developed countries'. Hitherto, U.S. Corporation Tax has only been payable (less any foreign tax credit under double taxation agreements) when profits were remitted to the U.S parent. European and other counties with a low concessionary tax level (i.e. Switzerland) have there been extensively used as profit sanctuaries. The President proposals would make subsidiaries in 'developed' countries liable to tax at the U.S. rate (less any credits) even when all profits are retained in the country of operation.....As long as the U.K. and U.S. taxes on companies are in their present relationship (i.e. the U.K. tax rate being marginally higher), President Kennedy's proposal would have no direct effect in investment in the U.K. There might,*

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<sup>540</sup> PRONI Cab/9/F/188/23, Paper submitted by the Ministry of Commerce to the 26<sup>th</sup> Meeting, April 17 1961.



*however, be an indirect effect, since profits accumulated in a sanctuary country have often provided capital for investment in third companies. It is worth noting too that the proposals could have serious implications for the Irish Republic, which features tax relief as a prominent element in its promotional programme. The Republic of Ireland is considered a “developed” country.<sup>541</sup>*

The potential change in the taxation treatment of US companies abroad was further discussed by the NIDC in 1962, and once, more, the potentially preferential treatment of the South was raised. The report, having outlined the substance of the new laws, stated the following:

*One point should however, be closely watched by Northern Ireland. Dividend and interest income of controlled foreign corporations located in ‘less-developed countries’ would be excluded if re-invested in the stock of such corporations, or in certain other ways. Less-developed countries will be defined each year by the President, but members of the Sino-Soviet bloc and 21 specified ‘developed’ countries – of which the U.K. is one – are to be statutorily excluded. The Irish Republic is not on this exclusion list. This does not necessarily mean that it will be defined by the President, but it does mean that it is well within the running for such treatment.<sup>542</sup>*

The issue here relates to a potential perceived advantage that might accrue to the Republic in these circumstances. Further indications of a changing perception by Northern Ireland officials towards the South in 1962 is evident as follows

*Our editorial publicity faces a certain problem in the tendency of the Belfast correspondents of journals in Great Britain to take a grim view of the local scene in contrast to the enthusiasm of Dublin correspondents on the progress of industrialisation in the South. The problem was stated by Mr. Tom Ronan, London Correspondent of the New York Times, in the words: “Industrial development in Éire is news because it is new. In Northern Ireland, where people are used to industry, there is less of a story.<sup>543</sup>*

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<sup>541</sup> PRONI Cab/9/F/188/19, 27<sup>th</sup> Meeting of the NIDC. REPORT ON AMERICAN ACTIVITIES, Quarter ended 30 June 1961.

<sup>542</sup> PRONI Cab/9/F/188/19, 30<sup>th</sup> Meeting of the NIDC. 1962 (Report from the United States for period June-September, 1962).

<sup>543</sup> PRONI Cab/9/F/188/19, 30<sup>th</sup> Meeting of the NIDC. 1962 (Report from the United States for period June-September, 1962).

During the early years of the 1960s, the increasing levels of dissatisfaction with the mechanisms of strategic economic planning in the North had become apparent. An economic advisor was appointed, but as pointed out in the Hall Report (1962):

*Until recently no central organisation existed to carry out economic research or to offer economic advice, though statistical studies were carried by the various Northern Ireland departments, in liaison with the Central Statistics Office. This situation has now been changed by the creation of the office of the Economic Adviser to the Government of Northern Ireland, and the appointment as Economic Adviser of Douglas Harkness, K.B.E., formerly permanent Secretary to the Ministry of Finance and one of the members of our working party.*<sup>544</sup>

In 1965, a new organisation was established, the Northern Ireland Economic Council. This coincided with the dissolution of the NIDC.<sup>545</sup>

The Hall Report (1962), and the follow-on Wilson Report (1964) were examples of a move to a more centralised planning approach which was garnering support in other European countries, as outlined in a 1963 memo from the Northern Ireland Ministry of Commerce:

*I think it is demonstrably the case that the modern trend of government in virtually all developed countries is towards a greater degree of central economic planning and direction. This may be direction by compulsion (e.g. nationalisation of sections of the economy) or by exhortation or the use of guide-lines or 'guiding lights' (e.g. N.I.C., Neddy etc.). The trend appears in many cases to have had gratifying results, as in the rapid acceleration of the Irish Republic's economy under the Economic Plan drawn up by Mr. T.K. Whitaker of the Department of Finance.*<sup>546</sup>

*We, on the other hand, have participated in this trend only at a late date and to a minor extent. The Treasury Division of the Ministry of Finance is too pre-occupied with budgetary and financial problems and with inter-exchequer relationships to give any adequate consideration to overall economic policy. The Economic*

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<sup>544</sup> The Hall Report (1962). (Para 194), 45.

<sup>545</sup> The Hall Report (1962) did not, however, recommend that the NIDC should be disbanded '*The NIDC has its own distinct and valuable functions in the field of publicity, and there is no danger of its work overlapping that of any economic advisory body which might be set up*' (para 197).

<sup>546</sup> PRONI Cab/9/F/188/17, Discussion on the establishment of an Economic Council 1963

*Advisory Office exists in a vacuum; it is a tool without a user, a servant without a master. It is qualified to give some of the answers we have – but who is to ask the questions? Surely not the Economic Adviser himself – it is not his responsibility to devise an economic policy for the government.*<sup>547</sup>

The idea for a planning-type report may have come from external sources and internally, the Northern Ministry of Commerce were discussing the actions of its Southern neighbours. However, the Hall (1962) Report, and the subsequent Wilson (1964) Report made little explicit reference to the Republic. Professor Collison, in reference to the Hall Report, noted in the Belfast Telegraph

*There are the points not covered by the report, or dismissed in it, which still seem worthy arguing. If a study is to be made of the value to Northern Ireland of an expanded air freight service, why should it not include examination of the possibility of a customs free-zone for foreign firms, such as those operated at Shannon, Puerto Rico and elsewhere’.*<sup>548</sup>

Fitzgerald, also in relation to the Hall Report states:

*The Hall Report contains quite a number of references to the Republic, but one is left with an odd impression of people writing in something of a vacuum. So many measures have been tried in the Republic, often in very similar conditions to those of Northern Ireland, that the consistent refusal of its authors even to glance at the results of experiences south of the border gives the report an air of unreality.*<sup>549</sup>

## **6.5 Phase Three – 1965 - 1973**

Terence O’Neill, appointed Prime Minister of Northern Ireland in 1963,<sup>550</sup> was generally seen as more moderate than his predecessor, Lord Brookeborough.<sup>551</sup> The 1965 meeting between O’Neill and Lemass, marked the first official engagement between the premiers from each

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<sup>547</sup> PRONI Cab/9/F/188/17, Discussion on the establishment of an Economic Council 1963

<sup>548</sup> *Belfast Telegraph*, Ulster’s economy: what now? – Professor R.D.C. Black the Queen’s University economist, gives his views on the Hall Report, 29 October 1962.

<sup>549</sup> *The Irish Times*, Hall Report: A Depressing Document Garrett Fitzgerald, 31 October 1962

<sup>550</sup> Terence O’Neill was Prime Minister of Northern Ireland from 1963 to 1969. He was a member of the Ulster Unionist Party (UUP).

<sup>551</sup> *New York Times*, His obituary noted that ‘he was an avowed opponent of reconciliation with the Irish Republic’, Lord Brookeborough, 85, dies, led Northern Ireland 1943-1963. 18<sup>th</sup> August 1973. Basil Brookeborough (1888 - 1973). Prime Minister of Northern Ireland (1943-1963).

economy since the mid-1920s and according to Coakley (1992:410), represented the advent of political ‘normalisation’ between North and South. Two further meetings took place in late 1967 and early 1968<sup>552</sup> between O’Neill, and in-coming Taoiseach, Jack Lynch.<sup>553</sup> According to Kelly (2013:295), on becoming Taoiseach in 1966 Jack Lynch ‘genuinely sought to follow Lemass’s conciliatory approach towards Ulster unionists and to try and kick-start the stalled cross-border co-operation between Dublin and Belfast.’ Improving North-South relationships paved the way for a more active engagement between the IDA and the Northern Ireland towards the latter part of the 1960s. Ironically however, the newer cordial relationship, and increased personal contact between North and South belied the increasing fear of competition between the two regions. Behind the scenes, the Northern Ireland Ministry of Commerce was fearful of sharing information regarding FDI policies with their Southern counterparts.

A memo in the Ministry of Commerce files from February 1969 reads ‘On the 7<sup>th</sup> February, 1969, I visited Mr. John J. Walsh, chairman of the I.D.A. We discussed at some length industrial topics of mutual interest’. A hand-written note (12/2/68) above the memo reads as follows: ‘It will be useful to keep in touch. I am sceptical about a pact (para. 3) between competing areas... But this is all the more reason for keeping in touch.’<sup>554</sup>

In 1969, the Northern Ireland Ministry of Commerce produced a confidential, internal report, the aim of which was to examine ‘The measures taken by the Irish Government to encourage industrial investment (particularly by foreign firms).’ The report focused on the development of Irish incentives, the type and number of projects attracted and the influence of current incentives on this flow, and the ‘possible effects on Northern Ireland and the Development areas’.<sup>555</sup>

The report stated that ‘we have not found it possible to say how far the incentives provided by the Irish Government to encourage industrial development succeeded in attracting foreign investment that would otherwise go to Northern Ireland or the development areas.’ The report

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<sup>552</sup> Kennedy points out that the early 1968 meeting did not focus on political issues but rather on issues such as tariffs and metrics ‘Unbeknown to either man this was the last occasion that a bipartite meeting would occur between the Prime Minister of both jurisdictions’.

<sup>553</sup> John Mary (Jack) Lynch (1917-1999). Minister for Industry and Commerce (1959-1965); Minister for Finance (1965-1966); Taoiseach (1966-1973).

<sup>554</sup> PRONI Com/63/4/1204, Ministry of Commerce Memo, February 1968

<sup>555</sup> PRONI Com/63/1/614, Incentives for Industrial Development in the Irish Republic Confidential Report. Pg 4. Undated.

goes on to outline two ‘*obvious disadvantages which manufacturers contemplating location in the Irish Republic*’, namely ‘*the fact that many parts of the country, especially in the designated areas, are remote and poorly served by transport;*’ and ‘*The pool of surplus labour is largely unskilled and, being without the experience of an industrial environment, less easily trainable in the skills needed in manufacturing industry.*’<sup>556</sup>

The report acknowledged that many areas of Northern Ireland also suffered from isolation (more so than other UK Development areas in the UK), noting that foreign firms setting up in the Irish Republic can enjoy the benefits of the Anglo-Irish Free Trade Area, but that they *are less favourably placed than firms in Northern Ireland and the development areas in relation to EFTA markets... On the other hand, the Anglo-Irish Free Trade area makes the Irish Republic particularly attractive to firms using man-made fibres and comparable materials, since not only can they obtain drawback of duty on cheaper imported materials, but also have duty free entry to the British market (where indigenous manufacturers must use either higher cost home-produced raw materials or pay import duty on imported suppliers from cheaper sources).*

This issue was particularly pertinent to Northern Ireland, given the region’s existing specialisation in the man-made textile industries.

The document notes that the Republic’s promotional efforts in Germany focused more on the availability of labour, rather than on taxation incentives.

*However, the experience of foreign firms is said not to have been very encouraging. Sony, the Japanese radio and television manufacturer, closed down a factory at Shannon within two years, in part because of labour difficulties, and are currently looking for a location in the United Kingdom. Union disputes, and unofficial strikes are numerous and a number of very high wage awards recently must make the supply of labour a less powerful incentive to foreign firms.<sup>557</sup> While undoubtedly the various incentives to industry have helped to attract new projects to Ireland, what emphasis suggests that their drawing-power should not be over-emphasised. The unpredictability of assistance and the time taken for decisions to be given are criticisms made by foreign firms, and although it is outside the scope of this paper to consider the issues, it is perhaps worth noting that the existence of considerable*

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<sup>556</sup> PRONI Com/63/1/614, Incentives for Industrial Development in the Irish Republic. Confidential Report, 5.

<sup>557</sup> This point may be biased insofar as Sony closed at Shannon because the UK applied protectionist measures.

*discretionary powers have not provided either greater flexibility or speedier decision. Indeed, reports indicate that officials are very sensitive to losses and charges of corruption (fairly widely made) – hardly a climate for confident and rapid processing of applications for assistance.*

*In short, although proof cannot be produced, it does not seem unreasonable to conclude that the level and nature of financial assistance to industry in the Irish Republic has not by itself led to any significant loss of projects to Northern Ireland or to the development areas. Nor in normal circumstances would one have expected any foreseeable changes in the pattern of Irish assistance to alter the balance, although inevitably any continuation of the unsettled conditions in Northern Ireland<sup>558</sup> could increase the danger of a few firms deciding in favour of locations in the Irish Republic rather than in Northern Ireland.<sup>559</sup>*

This suggests a level of bias on the part of the Northern Ireland officials.

A further meeting was planned between the IDA and William Bell from the Ministry of Commerce for 1<sup>st</sup> May 1970. Mr. Bell opined that *‘informal consultations of this kind are sometimes a convenient way of extracting information which might not otherwise be available’*.

An internal Ministry of Commerce memo invited Ministry officials to forward any questions they would like put to the IDA at the meeting. Questions of interest to the Ministry included what type of *‘feasibility studies’* the IDA had planned.<sup>560</sup> E.R. Jolley was particularly interested in the IDA’s publicity machine and in *‘how it makes its contacts’*.

*I would be interested in gaining some insight into the machinery whereby the IDA has achieved its very considerable coverage of manufacturing industry in the non-communist world. I am not greatly concerned about Germany or America, since we already have a good idea of how the IDA operates in those countries. I wonder, however, how it makes its contacts in places like Denmark, Finland and Monaco?*

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<sup>558</sup> This refers to the growth of the civil rights movement, and subsequent social unrest that erupted in 1968/1969.

<sup>559</sup> PRONI Com/63/1/614, Incentives for Industrial Development in the Irish Republic Confidential Report. Undated.

<sup>560</sup> PRONI Com/63/1/614, This request arose from a IDA Appointment Advertisement for an Executive Director who would be responsible for *‘the will direct and co-ordinate the examination of projects, which in many cases will require wide ranging feasibility studies to be carried out.’*

*Do the results achieved merely signify a laudable level of industrial promotion activity by the staffs of the various Irish embassies and Consulates? Or does the IDA use a single advertising medium which give extensive advertising coverage in Europe? Or does it fragment its advertising to cover a large number of individual countries and, if so, how does it cope with the agency liaison problem? Or does it push out on a regular basis a large number of Direct Mail approaches; and if so, are these letters or specially prepared Direct Mail folders; and are they written/printed in English or is any attempt made to relate the language to the destination? What it comes to the following up of responses, is this done by visits by Promotion Officers or by encouragement of the respondents on a free air fare and accommodation basis?*

The same memo notes

*A significant fact which emerges from the attached is that the IDA, having achieved a steady build-up from Germany over the years 1955 to 1964 and an average of six industries per year for the three years 1965 to 1967, drew a complete blank in 1968. Could you please find out how the IDA fared in 1969? If the 1969 results were also poor, a conclusion which might be drawn is that the Germans are becoming conscious of their unpopularity as a nation in the Republic of Ireland. You are aware, I think, of the underlying reasons for this.<sup>561</sup>*

Jolley also addresses the decrease in German investment in the South towards the latter years of the 1960s:

*However, if the conclusion is a sound one, there is a danger that the odium incurred by the Republic in German eyes could be rubbing off on to us; and could thereby vitiate the effectiveness of our German advertising, in which we have never attempted to differentiate deliberately between Northern Ireland and the Republic except to claim that we are an integral part of the United Kingdom. Depending on what you find out in Dublin, it may be that we should consider slanting our*

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<sup>561</sup> Mr. Jolley is most likely referring to the wave of anti-German sentiment in many rural areas of the Republic in situations foreign nationals had purchased land. This included arson attacks on German nationals, in the late 1960s, which involved an element of militant Republicanism. The issue regarding land had come to the attention of the international press and caused concern for the Irish government and the IDA in relation to continuing to attract foreign investment. See O'Driscoll (2016) for a full discussion on this issue: 'A German Invasion? Irish Rural Radicalism, European Integration, and Irish Modernisation, 1958 – 73. *The International History Review*, 38 (3):527-550.

*advertising to convey more convincingly the message that Ireland is composed of two distinct entities which take opposing views about German investment and immigration.*<sup>562</sup>

The subsequent meeting between the IDA and Mr. Bell of the NI Ministry of Commerce appears to have been positive. Policy ideas and advice seemed to have been exchanged quite freely by Michael Killeen, the newly appointed Director of the IDA who spoke openly about the restructuring of the IDA by US consultants ADL<sup>563</sup> and acknowledged that *'the relations between the Department of Industry & Commerce and the Authority have been difficult'*.

Of key interest to the North, was the criteria used by Southern officials in relation to incentives for external firms:

*I quizzed Mr. Killeen at some length on the sort of financial inducements being offered to large capital intensive projects and in particular if the basic capital grants (40% in the designated areas and 25% elsewhere) were automatically made available.*

Further information, ideas and policy decisions shared by Killeen with the Northern Ireland representative included:

- The South could not afford to pay large initial grants and at the same time offer tax concessions. They were thus relying heavily on the tax side, and actively promoting same.
- The IDA did not believe that there was any difficulty in bargaining with prospective industrialists on the basis of tax concessions rather than grants, although both were officially available.
- The IDA was trying to get a quicker return on initial expenditure by contributing to equity capital, in certain circumstances.<sup>564</sup>
- The IDA were planning to carry out feasibility studies, both on specific projects and potential sectors which might be established in the Republic, for example, the chemicals sector.

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<sup>562</sup> PRONI Com/63/1/614, Memo E.R Jolley, 10 April 1970.

<sup>563</sup> ADL had previously carried out a survey on behalf of the NIDC in 1959. See chapter four.

<sup>564</sup> PRONI Com/63/1/614, The memo states that Killeen referenced the Snia Viscosa Company in Sligo, where the equity option had been used. In this case, the company has an option, at a certain stage to take over the IDA holding on terms that would be mutually beneficial.



- Killeen explained that their advertising mechanism was centrally controlled, un-coordinated, and thus under review.

The IDA's efforts to assist small industries, were referred to by Killeen as 'hotchpotch'.

According to Mr. Bell's summary:

*The origin of this is largely political and stems from the desire of certain ambitious Ministers to further their claims to lead the Fianna Fail party. The main contestants have been Mr. Haughey and Mr. Colley. Many of the schemes promoted to help the western counties are under the control of the Department of Finance with whom the county development teams collaborate. Plans are now afoot to bring the industrial side of the work under the scrutiny of the IDA which is to have a regional organisation and about 8 regional offices altogether. I think the main lesson to be learned from the experience of the South is the desirability of a simplified system under central control in promoting the interests of small businesses.<sup>565</sup>*

During the IDA meeting, Bell mentioned that the North had been advised by their new advertising agents to pay for the cost of visits by prospective industrialists. Mr. Killeen said that this was not the practice in Ireland (except possibly in the case of journalists). He 'thought that this was a foolish gimmick and expressed the opinion that any industrialist worth having could at least pay the fare to come and see for himself.'

This full memo was circulated to officials in the Northern Ireland Ministry of Commerce on 7<sup>th</sup> May 1970 by Mr. Bell on his return from the meeting in Dublin. A hand-written observation on the memo (dated one day later) from Mr. A.C. Brooke, Secretary of the Ministry of Commerce read as follows:

*'Very interesting. It is good to be on friendly open terms with our competitors, although I am reasonably sure that each side will largely deal in its 'open secrets' only and not in its particularly private operations'.<sup>566</sup>*

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<sup>565</sup> PRONI Com/63/1/614, Notes on meeting with Industrial Development Authority (Irish Republic. 6<sup>th</sup> May 1970), 9, 6 May 1970.

<sup>566</sup> PRONI Com/63/1/614, Notes on meeting with Industrial Development Authority (Irish Republic. 6<sup>th</sup> May 1970, 10

Following the meeting, the Northern Ministry of Commerce forwarded on a copy of its rules for the guidance of members of the Industrial Development Advisory Committee, to the IDA. In a follow-up letter to Bell, Killeen notes '*I was particularly pleased to have the opportunity to meet you and hear something of your approach to the problem of attracting foreign industry.*'<sup>567</sup> The IDA planned to return the visit to the North, but this did not materialise in the short term, although relationships, on the surface, remained cordial. The Northern Ireland Government was coming under increasing pressure from opposition members in Stormont to show the adequacy of its incentive scheme compared to the South. The following year, a note by the Northern Ireland stated

*The purpose of this minute is to suggest that we should take steps to ensure that we monitor as closely as we can everything which is happening in the field of industrial development South of the Border. This means for the most part collecting reports, ID promotion literature etc.*

In February 1971, Lynch suggested co-operation between both regions and the creation of industrial employment in a homogenous community along the Border areas.<sup>568</sup> While the Northern Ireland Ministry of Commerce noted that this was ultimately a political matter, the Ministry nonetheless considered the implications and practicalities of this proposition. An internal Northern Ireland Ministry of Commerce memo noted:

*The present system of ID in N and S are competitive. The inducements are different and a firm prepared to consider N or S has to make a choice having weighed all the factors. Would it be useful or practicable to create special development areas straddling the border, with a single system of inducements; an agreed infrastructure programme; and a 'neutral' authority to administer them? (This is the only meaningful interpretation to put on Mr. Lynch's proposals, as developed in his speech on Saturday.)*

The memo goes on to state that

*The practical problems of instituting these 'special development areas' would obviously be enormous. Would the UK Government agree to tax remission on exports on the North side of the border? Would either Government allow an*

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<sup>567</sup> PRONI Com/63/1/614, Letter from Michael Killeen, Managing Director, IDA to Ewart Bell, Ministry of Commerce, 6<sup>th</sup> May 1970.

<sup>568</sup> PRONI COM/63/1/614, Cross border co-operation – comments by Ministry of Commerce on Statement by Mr. Lynch – February 1971.

*independent or joint authority to dispose of large sums as inducements and infrastructure would HM Customs be able to relax 'normal' cross-border regulations in a way which would effectively remove the value of controls? (Documentation and policing to prevent revenue frauds, etc.) The conclusion must be that, even if it were practicably possible, it is something of a pipe dream for both economic and administrative reasons.*<sup>569</sup>

The Ministry was, however, open to some form of continuing information exchange with the South, although the social tensions which had become more critical in the North, limited such exchanges and thus no further meetings were forthcoming over the following year.

## **6.6 Conclusion**

Post war Europe was characterised by a significant increase in mobile international investment, and by subsequent competition among both countries and regions, vying for a share in this investment (mainly from the US). Relationships between the North and South evolved during the time period under investigation, and despite a lack of formal engagement between the two jurisdictions, particularly in earlier years, both economies displayed a similarity in relation to industrial strategy. Fitzgerald (1972:78) noted that *'In contrast to what happened in the case of tourism, the industrial promotion programmes of the two parts of Ireland were never coordinated; they remained competitive throughout the whole period'*.

While voluntary transfer of policy is often seen as a collegial activity between two regions, concepts of policy transfer do not necessarily fit neatly into a pre-defined pattern, and policies may travel, albeit covertly, between areas where there may be a degree of political tension. In addition, in circumstances where the exchange of policy ideas might facilitate the creation of a competition, policy makers may feel threatened by engaging in active policy transfer. Ireland, North and South represent parallel economic regions, which, in addition to being in direct competition for a share in internationally mobile capital, were, due to political reasons, not in direct communication at high official level for much of the period under review. An examination of whether policies were copied etc. sheds light on how policies between regions, where there may be anodyne conflict, still manage to involuntarily share policies.

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<sup>569</sup> PRONI COM/63/1/614, Cross border co-operation – comments by Ministry of Commerce on Statement by Mr. Lynch – February 1971.

While concepts of policy learning, policy transfer, policy creation and ideas have been widely researched, the process of reciprocal policy learning over time has not been investigated to the same extent. What is very clear from this analysis is that:

- (a) Each side kept a close eye across the Border, and actively sought to 'learn' from the other's policy, also this sometimes took the form of indirect learning.
- (b) The nature of the policy learning altered as the political relationship between the two regions developed. Better relations led to improved, direct policy learning and facilitated policy transfer.
- (c) The nature of the policy learning altered as both regions became more actively involved in encouraging inward investment, and as they increasingly become competitors in the search for international investment.

(b) and (c) above represent two independent factors in relation to the nature of policy learning. Elements of policy learning and lesson drawing are evident throughout the period under question. The question then arises – what was the nature of policy learning between two regions where official relationships are strained? Rose suggests that under such circumstances, policy learning is more likely to take place via mediators rather than direct contact between officials.

In other policy areas, there were a number of successful North-South projects - the Erne Scheme, the GNR Purchase and the Foyle Fisheries, for example. The competitive nature of securing global mobile investment, inevitably led to the fear that sharing of policies might potentially lead to the creation of a stronger competitor and irrespective of political tension, the two regions were in competition for a share in new investment.

Most policy analysts agree that exact policy transfer is very rare, and that, in seeking new policy ideas, most countries will scan their environment and seek alternatives that best fit their particular requirements. In the case of the NIDC, for example, the organisation actively researched existing development councils within the UK, such as the Scottish Council (and possibly the IDA, given the similarities between the two, and the fact that the Board of Trade had, in their files, details of the IDA structure going back to 1949). The IDA, in 1955, also took particular note of the structure of the newly formed NIDC, and its role in the allocation of grant aid. Later, in 1969, by which time, direct engagement at a high level between the IDA and the

Ministry of Commerce was evident, the Northern Ireland Ministry notes that a '*lesson*' could be '*drawn*' from how the IDA managed its region offices. In that case, the IDA had shared the challenges it faced in respect of the structure of its regional offices. The Northern Ireland Ministry thus noted that this would inform how Northern Ireland might structure the newly established LEDU.<sup>570</sup>

### **6.6.1 1945 - 1959**

The increased interest among Southern policy makers towards policies initiatives in the North increased, as expected, towards the end of the 1940s when the South began to actively reconsider its economic strategy in relation to protectionism. This reflected the fact that, as O'Gráda pointed out, Northern Ireland had begun to embark on an inward investment strategy at the end of World War 2. There were forms of 'lesson-drawing' moving in a bi-directional fashion between the areas. Tradition iterations of policy transfer have viewed it as primarily clearly bounded and uni-directional. More recently conceptualisations of policy movements see them as socially constructed, leading to more recent coined terms such as 'policy mutations' and 'messy transfer' (Peck and Theodore, 2010). The majority of the literature perceives a positive relationship between the progenitors of the policy, and the agents of the spaces to which policy concepts actively travel (except under regimes of coercive policy). But in reality is it reasonable to assume that policy can be borrowed or 'stolen' by actively hostile or competitive agents. Indeed, whether policy is actively 'given' or 'taken' must impact on both spaces. When policies are copied from A to B, then the nature of the policy in Space A might be compromised by the transfer, so that policy transfer may have a positive/negative effect on the leading policy space. Given the contemporaneous political tensions that existed between the two economies, it is understandable that any mutual influence has traditionally been underplayed. The fractured relationship between the two regions made direct engagement difficult in the early post war years, and served to preclude positive policy exchange. Animosity between the two regions was often played out both in the media, and via official sources. For example the 1947 article by Warnock, and the subsequent retorts by De Valera serve to highlight this negativity. Contemporaneous media sources indicate that the Republic was expressing disquiet regarding the number of new MNEs locating in the North towards the end of the 1940s.

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<sup>570</sup> Local Economic Development Unit (LEDU) was established in 1971

Active policy transfer and the sharing of ideas was limited due to the negative relationship between the two regions. According to Kennedy (2005:101), North-South co-operation '*had inhabited a shadowy world of informal civil service contacts that circumvented the normal political processes in both capitals*'. Barry and O'Mahony (2017) show, for example, that Irish government departments commissioned technical reports from US consultancy firms.<sup>571</sup> The IBEC Technical Services report was commissioned from a US management consultancy agency (1952) and it alluded to the concept of taxation relief which had been used to good effect in Puerto Rico, a protectorate of the US. This suggests that epistemic communities played a role in policy transfer into Ireland from the US. This tendency to look internationally for policy advice may have worked to the advantage of the South, encouraging it to look outwards, thus opening up to new ideas. In contrast, most of the advisors to Northern Ireland at that time came from sources internal to the UK.<sup>572</sup>

Northern Ireland's promotional machine was particularly active from 1955.<sup>573</sup> The size of individual investments tended to be much larger in Northern Ireland than in the Republic. This was particularly true both in relation to investments from Britain (i.e. Courthaulds) and FDI (i.e. DuPont). The NIDC worked to raise the unique profile of Northern Ireland internationally. In Economic Development, T.K Whitaker acknowledged that '*for future development capital will be necessary but the real shortage is of ideas*' (Whitaker, 1958:154). It seems as though, regardless of political tensions, Northern Ireland proved a fertile ground in the Republic's search for some of those ideas, at least the former part of the 1950s.

### **6.6.2 1959 - 1965**

As the South began to actively seek foreign investment, the regions' reciprocal interest was heightened. On a number of occasions, Lemass called for joint co-operation in relation to inward investment. Arguably, this was in the best interest of the South, both economically and politically. At that time, Northern officials often seemed more concerned about how the North's image might be affected by association with the South, rather than the actual policies which

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<sup>571</sup> Barry et al (2017) suggest that, given the political landscape the Republic wished to use non-UK based consultants.

<sup>572</sup> In the same year as the South commissioned the IBEC report (1952), the Northern Ireland authorities commissioned a working group to examine the employment challenges faced in the North. The Cuthbert and Isles Report (1957) was undertaken by economists from QUB. The first 'external' evaluation in the North was the 1959 ADL survey, commissioned by the NIDC.

<sup>573</sup> This was due to the establishment of the NIDC. The increased profile of Northern Ireland in respect of its initial success in attracting US investment may have been the result of a conflation of the promotional efforts of the Northern Ireland Development Council, (whose Chairman, Lord Chandos, appears to have been adept at marketing and branding).

were being implemented there. However, when the South's economy started noticeably improving, the North became increasingly interested in Southern policy developments. Haas (2009) contends that for international epistemic communities, the control that they exert over knowledge and information is an important dimension of power, and that '*the diffusion of new ideas and data can lead to new patterns of behaviour and prove to be an important determinant of international policy coordination*' (Haas, 1: 2009). During this phase, the transfer of ideas between the North of Ireland and the Republic might best be theorised as a form of convergence known as *Emulation* – the concept of borrowing ideas (Bennet, 1991). More recently, Rodrik (2014) notes that if a policy is believed to be effective, then this is a good reason to copy it.

### **6.6.3 1965 - 1973**

The relationship between the two regions began to alter during the 1960s. The appointment of Terence O'Neill as Prime Minister and his subsequent official meeting with Lemass in 1965, serves to illustrate improving relations. By the end of the 1960s, North and South were in more regular contact and attempting to share information and knowledge regarding inward investment policies. Behind the scenes, however, some officials in the Northern Ireland Ministry of Commerce displayed concern over sharing too many '*secrets*'. A more amicable appraisal of the South was apparent in the summary of Mr. Bell (North Ministry of Trade) on his return from the 1970 visit to the IDA in Dublin:

*Mr. Killeen is keen to pay a visit to Northern Ireland<sup>574</sup> and to look at some recent developments, e.g. in the growth centres. It is clear that he is an enthusiast and confident that his organisation has the ability to compete effectively in present circumstances for external investment in new industry. I have no reason to believe that his confidence is misplaced.*

Political unrest in the North led to increasing disquiet regarding how this might affect inward investment towards the end of the 1960s, and the increasing fear among Northern officials that the South was, indeed 'stealing a march' (O'Gráda, 2008) became ever more apparent.

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<sup>574</sup> This suggested visit did not materialise in the following year. The Northern Ireland Ministry suggested that this may have been the results of increased social unrest in the North.

## 6.7 Conceptualising ‘Success’

Research by Moore et al. (1978) has quantified the relative success of the two regions in relation to inward investment.

*‘Success’ as O’Farrell (1979) rightly points out could be defined by reference to a number of criteria: achievement of targeted employment levels and fixed asset investment at full production, export performance, capacity to generate additional projects and jobs over time. Measurement of successful by any of these criteria, however, involves detailed analysis on a firm-by-firm basis (McAleese, 1977: 80).*

Breathnach states that by the 1970s

*not only had the gap between the two economics in the level of industrialization that prevailed at the time of partition been greatly narrowed, but the dependence of the two economies on externally-controlled branch plants had grown substantially. In the North, by 1973 more than half (53%) of all manufacturing employment was in externally controlled firms (Hamilton 1993); in the South the figure was 26% and rising rapidly (2007:137).*

However, the ‘story’ behind the headline figures often provides a more nuanced account of processual developments over time. How then might one describe the relative success of both economies in relation to inward investment up until 1973?

While both economics had, as their objective, an increase in inward investment, direct comparisons of success, up to 1973 prove difficult. A major challenge for Northern Ireland was the lack of fiscal autonomy so that policy instruments utilising low taxation that the South fruitfully used, was not available to the Northern authorities. Lord Chandos however, dismissed the potential of offering tax concessions, even if that option had been available:

*The Chairman stated that he regarded income tax concessions as unsound and there was not, in his opinion, any hope of the U.K. Government agreeing to them. Concessions encouraged the mushroom growth of firms who sought a tax holiday and the concessions did not lead to the establishment of soundly based permanent undertakings.*



In the 1970 meeting between the Northern Ireland Ministry of Commerce and the IDA chairman, Michael Killeen, the latter advises against political interference in individual cases:

*Mr. Killeen is greatly concerned with organising new projects according to their merit and keeping political and other influences to a minimum. He is also concerned at the ability of the Irish Republic to pay for all the industrial development it requires, particularly in the short term. He therefore intends to exploit the tax concession to the maximum and keep initial grants to the minimum.*

In this exchange, Killeen was sharing the South's experience posed by political interference, and over generous grant-aid. Ironically, Brownlow (2007) has shown that the over reliance on industrial grants in the absence of strict regulatory oversight, had led to sub-optimal outcomes and rent-seeking behaviours in the North. It appears that, in this context, the potential of over-generous grant aid, and political inference were two issues that the IDA suggested should be avoided.

Although little formal transfer of ideas were recorded at a macro level between the governments of the day, epistemic communities (Haas, 1992; Stone, 2004, 2008), played a role in facilitating policy transfer at both micro and meso levels. Civil servants and media commentators also played a role in the transfer of policy ideas. Close personal alliances coupled with cultural and geographic proximity can support policy transfer, but in the light of political tensions, convergence theory (Bennett, 1991; Knill, 2005), rather than policy transfer, may provide a better framework within which to explain the parallel investment policy decisions in the North and South. In addition to highlighting the contexts for inward investment, the paper sheds light on how ideas 'travel' when political tensions exist between two economies, albeit two economies that share close cultural, and historic ties. I conclude that the reason for the similarities North and South might best be theorised as a form of policy convergence and that informal networks, played a role in affecting the similar policies in both economies. Knowledge transfer, mediated via epistemic communities were instrumental in crafting these policies in the tense political climate of the day.

Moore et al. (1978) concluded that

*Industrial and regional policy, although working more effectively on manufacturing employment in the Republic, made a very substantial contribution to net job*

*creation in manufacturing in both parts of Ireland (about a quarter of total manufacturing in Northern Ireland and just over one-third in the Republic by 1974). Most of these jobs accrued as a result of inward investment and, in the case of the Republic, two-thirds were associated with inward foreign investment compared with one-third in Northern Ireland. There is evidence to suggest that this job creation was associated with an acceleration in the growth of output which would not have occurred in the absence of policy.*

In 1955, the failure of the relevant authorities to insist that an economist would be on the board of the newly established NIDC represented a lost opportunity for Northern Ireland. Professor Charles Carter had been the preferred option for this potential position, but the incoming chairman of the NIDC, Lord Chandos deemed the appointment of an Economist unnecessary. Carter subsequently in 1957 acted as economic advisor to T.K. Whitaker in the drafting of ‘Economic Development’ (1958).<sup>575</sup> This ultimately led to an overemphasis on promotional activities in the North, at the expense of sound economic policies. It took until 1964, with the formation of the Northern Ireland Economic Council that the importance of economic strategy was emphasised. The IDA also went through significant change, both in structure and remit, during the time-period.<sup>576</sup>

The ADL report (1959) recommended that

*The companies most likely to be attracted to Northern Ireland are in industries where the requirements for highly skilled labor are small, where capital requirements are substantial, where value added by manufacturing is a high proportion of total cost, where there is no necessity to be in proximity to customers or supplier, and that have an existing United Kingdom Market (ADL, 1959:2).*

Fitzgerald was particularly critical of the North’s attitude towards labour intensity, as articulated in an Irish Times article reporting on the Hall Report (1962):

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<sup>575</sup> NTA T229/895, It should be pointed out, however, that, in any case, it was unlikely that Carter would have been chosen as advisor, although, Sir Robert Hall (who subsequently went on to author the Hall Report 1962) referred to him as ‘a very sensible and energetic man’. He was a junior professor to Isles, who, as had seniority (although not the preferred candidate) and the Board of Trade felt it was thus easier to acquiesce to Lord Chandos, then to appoint a less preferred candidate for a position of economist.

<sup>576</sup> ADL who was responsible for the 1959 survey in Northern Ireland, were chosen as consultants for the internal restructuring of the IDA in 1968, highlighting the role of international consultants as arbiters of global policy at this time.

*Another interesting, but discouraging feature is the repeated emphasis placed on the desirability of concentrating all efforts on the encouragement of labour-intensive industries. This short-sighted economic simplification, from which we suffered for several decades, has begun to give way in the Republic in recent years to a more sophisticated acceptance of the role of capital intensive industries as the nuclei of industrial complexes with a large ultimate employment potential, frequently involving high wage levels.<sup>577</sup>*

Although direct engagement might, due to political considerations, be limited between two economies, it does not automatically follow that their decision-makers are immune to the other's developments, policies and good 'ideas'. Indeed, the concept of the agora - a policy-making space, external to the domestic space where cultural learning can occur (Stone, 2001), is of particular relevance here. In the Ireland of the 1940s and 1950s, these epistemic communities inhabited a non-partisan space, outside the negative political sphere, and thus offered a neutral space in which ideas could more fruitfully and clearly be considered. This may explain why, from an official perspective, the Republic looked to the US rather than to UK, or Northern Ireland, for sources of advice in the 1950s (Groutel, 2016; Barry & O'Mahony, 2017). Groutel (2016) contends that American authorities were instrumental in advising Irish policy makers on what incentives were most likely to encourage US inward investment.

The example of Puerto Rico as a model of industrial policy was mentioned by a number of contemporaneous international management consultancies (Barry et al, 2017), and provided opportunities for Lesson Drawing, both North and South. Stone (2004:556) believes that consultancies have contributed to the globalisation of the core values of Western Culture generally, and the transmission of ideas of liberalisation specifically, with the global names of consultant firms acting as '*reputational intermediaries*'. The Northern Ireland Development Council explored policies in Puerto Rico, specifically in relation to that country's industrial promotional material which had come to international attention. The Council, in its attempt to actively promote Northern Ireland, had turned to the Ogilvy Advertising agency whose advertising campaign had gained a reputation in turning around the fortunes of Puerto Rico,

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<sup>577</sup>*The Irish Times*, Hall Report: A Depressing Document, Garrett Fitzgerald, 31 October 1962.

while the ADL report (1959) made reference to the protectorate, as had IBEC almost a decade earlier in the South.

As outlined at the beginning of this analysis, Ó'Gráda (2008) suggested that in the mid-1950s the Republic must have been aware of the incentives and policies which were being implemented in the North. Furthermore he suggests that *'If the South would later steal a march on the North with its policy of low taxes on corporation profits, then Northern industrial development policy was the more innovative in the 1950s'* (Ó'Gráda, 2008:10). Following these assertions, this paper explored the extent to which the two economies, were actively learning from each other, and considering the inward-investment policy instruments across the Border. While the North may have been more active in the late 1940s and early 1950s, archival records suggest that the exchange of policy ideas was reciprocal, even from the early post-war period, and that some of the policy initiatives in the North may have been influenced by developments in the South. For example, the Northern Ireland Development Council, established in 1955, bore a resemblance to the Industrial Development Authority (IDA) which had been established six years earlier in the South. The Cuthbert and Isles (1957) report recommended that Northern Ireland should consider the establishment of a credit organisation similar to the Industrial Credit Corporation (ICC) in the South,<sup>578</sup> while the Department of Finance in the South in 1957 strongly recommended a close examination of the Northern Ireland Development Council's strategy due to the perceived success of that organisation in attracting Foreign Direct Investment.<sup>579</sup>

Simultaneously, both sides of the border were being influenced by international knowledge-based experts. In searching for new ideas in the international 'agora', both regions were subject to many of the same influences, and this international diffusion of ideas may also have influenced policy choices. We see therefore, that in the context of the South and North of Ireland, the transfer of policies was not uni-directional, nor did it necessarily come from one source. The way in which policies were learned, shared, disregarded, or indeed implemented was significantly influenced by the provenance of key ideas/policies, by the political relations between the two regions, by the intellectual spaces from which they originated, and ultimately

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<sup>578</sup> Economic Survey of Northern Ireland (Cuthbert and Isles Report). Chapter xvii Economic Interdependence with Great Britain. Limited Constitutional Powers and Related Institutions (paras. 3-9), 37.

<sup>579</sup> UCDA P/175/46, Whitaker Papers, Some Comments On The Current Economic Position (March 1957). Department of the Taoiseach.

by the processual, evolving nature of both economies as they competed for a share in international global capital.

## 7 CONCLUSION

*'While the business history literature is strong on the drivers of the growth of global business and its organizational structures and diversity, there remains much to be understood about the historical impact of multinational firms on their host economies'.*

*(Jones, 2015: 404)*

*'The campaign to bring new industries to Ulster has been inadequate, unplanned and haphazard. The Government has gone about the task of collecting new industries like a magpie, spreading its activities over the whole range of industries without adequate consideration of their capacity for growth.'*<sup>580</sup>

*(NI Labour Party Pamphlet, Early 1960s)*

This thesis makes an empirical contribution to knowledge about historic inward investment into Northern Ireland. The objective is to provide a detailed and nuanced account of the issues that shaped the economic trajectory of Northern Ireland's post war investment space and furthermore to explore the nature of the relationship between the two parts of Ireland as it applied to inward investment policy transfer.

The archival method is used to explore the issues that shaped the economic development of Ireland during the third quarter of the 20<sup>th</sup> Century. Primarily the aim is to provide a descriptive narrative of inward investment into Northern Ireland's and to consider the evolving relationship between North and South in terms of economic policy towards inward investment.

A growing body of literature concerns itself with how the underlying ontological and methodological principles of the '*historical*' method is compatible with other academic disciplines such as International Business, Management Studies and Economics, inter alia (Jones and Khanna, 2006; Decker, 2013; 2016; 2021, Lawson, 1994; 1997; Brownlow, 2018). While there has been a call for Business History to focus more on theory-building and theory-testing (de Jong et al, 2015), the importance of the archival method and historical narratives have also been recognised (Decker, 2019; Decker et al., 2015). Brownlow (2018, 356) notes that '*The strengths of history and economics are complimentary*'. '*Historiographical*

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<sup>580</sup> PRONI D/3233/5/1 Ulster Labour and the Sixties. Pamphlet. Undated (circa 1960-1963)

*reflexivity*' has been suggested as a way of theorizing about history in the context of Organizational Studies (Decker et al, 2021; Rowlinson et al., 2014). '*Historiographical reflexivity is defined as an engagement with history as a source of theorizing as well as a repertoire of methods for researching the past*' (Decker et al., 2021:1125).

In undertaking my research, particular attention was given to the methodology framework and this is presented in chapter three. Chapter three presents a framework whereby the methodological journey within the archival method is clearly articulated. Firstly, the practice of documenting each stage of the research process is discussed, secondly a model which builds on the existing works of Archer (2007); Decker (2019) and Kipping et. al (2014) is presented (see page 78) which privileges on-going reflexivity in terms of researcher engagement with historical sources. As outlined in Kipping's (2014) framework, '*hermeneutics*' is envisaged in the context of its literal meaning of '*interpretation*'. Chapter three presents a methodological framework which is positioned within the wider ontological space of Critical Realism. Decker (2013:8) argues that '*doing history*' involves maintaining a careful balance between the present – the research questions, the constructs, the narrative – and a sound anchoring in the past – the evidence, the archival record, the oral history'.

*'Historians interrogating primary sources, of whatever form, do not think there is a simple, single, unalterably 'true' meaning to such sources. They acknowledge, moreover, that we cannot simply impose any interpretation we wish either'* (Brownlow, 2018:357). This suggests the need for a very clear explication of methodology, a commitment to process and an engagement with personal reflexivity. For that reason, the key methodological framework underpins each of the three research papers and provides the blueprint for the subsequent research. The methodology developed in chapter three thus provides the framework for '*doing history*', and the corresponding research papers are presented in chapter four, five and six.

Chapters four, five and six present a detailed analyses of the Northern Ireland economy after 1945. The region faced many challenges during the time-period under investigation. Brownlow and Birnie (2018:5) note that the issues facing Northern Ireland were three-fold. Firstly, in the post-war era NI shared the weaknesses of Great Britain in terms of industrial weaknesses and

lagging innovation. Secondly, these weaknesses were magnified in relation to the UK overall, and thirdly, the region faced its own unique challenges.

Chapter four explored key economic documents which were published during the 1950s-1960s. I conclude that many of the policies suggested within these documents were unworkable in practice, particularly in relation to the provision of fiscal incentives. In addition the Northern Ireland Development Council (NIDC), both in its composition and remit, reflected the overall lack of clarity in relation to responsibilities and authority within the core-periphery space.

The importance of '*ideas*' as an engine of potential economic growth was addressed in chapter four (Rodrik, 2014; Romer, 1993; Hall, 1993). Confronted with an array of (for the most part anodyne) policy solutions, often contradictory in nature (the Hall Report, for example, remained unconvincing in its recommendations), the NI government chose a reactive, rather than proactive economic strategy. The Government sought to distance itself from economic reports which were critical of the NI Government's track record (i.e. the Government delayed the publication of the Cuthbert & Isles (1955) Report for two years). This reactive strategy consisted, for the most part of continuing to support new industry with generous grants. In terms of idea generation, the NIDC looked to so-called '*policy entrepreneurs*' (Stone, 2004;2008) for advice in shaping policy, particularly with respect of attracting new US inward investment but the resultant report carried out by the ADL consultancy group (1959) further reinforced the lack of clear policy suggestions and '*ideas*'. The role of consultants is echoed by Lee (1985) in relation to the South who noted: '*Consultants have become quite the fashion since the 1960s. There have been a few interesting reports. But foreign consultants, however intelligent, however intellectually excited by the Irish problem, cannot acquire a fundamental feel for the nature of the society during their inevitably fleeting sojourns. Consultancy work is, virtually by definition, applied work only*' (Lee, 1985: 634).

Chapter five provided a detailed account of the foreign companies which invested in the region from 1945 to 1973.

*In many ways over the years, as business history has become increasingly interdisciplinary, students of the history of multinational enterprise were in the vanguard (or perhaps should*



*have been). Actually, not enough has been done. There were (and are still) many gaps. The general and multiple roles of the multinational still need to be defined and understood. Too many relevant studies ignored or minimized the importance of the historical role of multinational enterprise (Wilkins, 2015: 409).*

The region was successful in attracting a number of petrochemical and engineering firms, however, there were limited linkages between the newly investing companies and firms within the region. The framework identified in chapter three facilitated this in-depth exploration of FDI. Perhaps one of the most striking findings of the archival enquiry in chapter five was the willingness of the regional government to acquiesce to the demands of incoming companies. Chapter two drew upon the literature regarding the role and function of MNEs and their subsidiaries, suggesting that MNEs which encourage subsidiary evolution in relation to key functional roles can gain a significant advantage. Similarly, subsidiaries which engage in higher level functions can have a positive effect on the host economy (Young et al, 1989). In addition to providing detailed firm-level information on the individual firms which located in the region, it is clear that the subsidiaries in the region remained, for the most part, in the ‘*branch plant*’ (Dimitratos et al. 2009) or ‘*Off-shore*’ (Feadows, 1997) categories – i.e. a subsidiary located in a region primarily to avail of cheap labour, or proximity to main markets. Furthermore, Dimitratos et al (2009) note that the evolution from *branch plant*’ to ‘*entrepreneurial subsidiary*’ was one that evolved during the latter part of the 20<sup>th</sup> Century as MNEs began to realise the potential benefits of tapping into innovations at subsidiary level and that it was from this progression that the potential for increased local benefits also began to emerge. Unfortunately for Northern Ireland however, these so-called ‘*entrepreneurial subsidiaries*’ were not a major feature of the post-war inward investors. Rowthorn and Wayne go as far as to suggest that the type of subsidiaries in the region acted against the development of a spirit of entrepreneurship in the region’: *As this type of plant [Branch plant] came to dominate the economy, the entrepreneurial, marketing and innovative skills of the local population withered. In this way the province lost its capacity to generate internally its own manufacturing growth*’ (1988:83).

In addition, in order to appease traditional (often declining) industries, generous subsidies were also made available. ‘*Neither report [Isles & Cuthbert and The Hall Report] was very complimentary about traditional industry or government policy, Isles and Cuthbert making it abundantly clear that the lack of investment in the linen industry was due not to confiscatory*

*levels of taxation but to an archaic industrial structure and the conservatism and timidity of local capitalists*' (Buckland, 1981:93). In this way, financial supports were directed towards inward investment or towards declining industries, thus undermined any possibility of stimulating an entrepreneurial mindset among the region's citizens.

Commenting specifically on NI, Harris (1988:20) notes that *'The importance of technical change, through innovations was not recognized in the 1950s as it is today.'* However, archival evidence suggests that the concept of innovation had been mooted as far back as the early 1960s. The Wilson Report noted for example noted that *'the comparative lack of research and development in Northern Ireland may be one explanation of the fact that so few new indigenous manufacturing concerns have been established since the war'* (Wilson, 1965:85). Again, the NI Labour Party had also provided commentary on potential innovative strategies and policies: *'The difficulties facing the Ulsterman who has ideas and initiative are twofold: firstly, he may not have the technical or managerial know-how necessary to get his ideas to the stage of industrial development, and secondly, he generally does not have, and cannot get, the necessary capital.....no attempt has ever been made to channel these funds regional savings] into local industry, and in consequence the money is issued for industrial development elsewhere'*.<sup>581</sup>

As outlined at the beginning of this analysis, chapter six was inspired by Ó'Gráda's (2008) suggestion that in the mid-1950s the Republic must have been aware of the incentives and policies which were being implemented in the North *'If the South would later steal a march on the North with its policy of low taxes on corporation profits, then Northern industrial development policy was the more innovative in the 1950s'* (Ó'Gráda, 2008:10). This chapter uses archival sources to chart the changing nature of policy transfer between the two economies and explores the relationship between the two regions. I conclude that there was significant bilateral policy transfer between the two regions, and that the nature of the policy transfer evolved over time. This is a topic which is ripe for further investigation and potential theory-building with respect to the nature of policies being transferred, and the relationship between the transferring agents.

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<sup>581</sup> PRONI D/3233/5/1 Ulster Labour and the Sixties. Pamphlet. Undated (circa 1960-1963)

In chapter one, I refer to Teague (1987:163) who suggests that '*there is little that is particularly significant about this industrial profile [i.e. the nature and sectoral breakdown of FDI into Northern Ireland – 1958 to 1975] – it broadly reflects the trend at the time of national (mainly US) medium technology companies building up networks of subsidiaries and affiliates outside their home country in an attempt to exploit large economies of scale and to penetrate new markets*'. This thesis argues that it is by scrutiny of the *unspectacular* that insights are obtained which, however mundane on the surface, can by their very ordinariness, contribute to our understanding of the often messy and complex global world in which we have operated over the last (circa) 75 years. In addition, new perspectives are put forward in terms of the evolving relationship between both parts of Ireland in the latter part of the 20<sup>th</sup> Century.

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The Economist

Stern

Der Spiegel

## APPENDIX ONE

### Employment Figures for US investment 1945 -1973

<b>Footwear and Clothing</b>	
NI Company	Employment Figures
Berkshire international (UK) Ltd/Berkshire Knitting Ltd	1948 (320); 1956 (442); 1957 (600); 59 (750); 1967 (1,200)
Warner Brother	1962 (180)
S.H. Camp	1968 (12)

<b>Textiles</b>	
NI Company	Employment Figures
Ulster Textile Mill Ltd.	1962 (300)
Nichols (Fibres) Ltd.	1965 (125, est.)
Ballymoney Manufacturing Company	1966 (180)

<b>Chemicals</b>	
NI Company	Employment Figures
Behr Manning (Norton Abrasives Ltd.)	1953 (200)

<b>Petrochemical/Production of Man-Made Fibres</b>	
NI Company	Employment Figures
Chemstrand Ltd.	1958 (200); 1968 (750)
E.I Du Pont de Nemours & Co.	1960 (400); 1968 (1100); 1969 (1500); 1971 (1490); 1972 (1650)

<b>Mechanical Engineering</b>	
NI Company	Employment Figures
Hughes Tools Company Ltd.	1954 (300); 1955 (500)
Mission Manufacturing Ltd.	1956 (70); 1959 (100)
Camco Ltd.	1959 (150)
Fafnir Bearings Company Ltd.	1964 (250); 1965 (300)
The Worchester Value Company Ltd.	1964 (70)
Autolite Motor Products Ltd.	1965 (700)
Walker (UK) Ltd.	1965 (100, est.); 1967 (180)
Ric-Wil Ltd.	1967 (15); 1968 (35)
A.M.F. Beaird Belfast Ltd.	1968 (250)

<b>Electrical and Electronic Engineering</b>	
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NI Company	Employment Figures
Standard Telephones and Cables	1962 (300); 1963 (500); 1964 (1200); 1965 (2000)
Centralab Ltd.	1966 (300)
Ceramic Products Ltd.	1966 (20); 1967 (50)
Mameo International Co	1967 (50)
Plastic Capacitors	1970 (50)
Essex International	1969 (170)
International Rectifiers (GB)	1969 (250)

<b>Instrument Engineering</b>	
NI Company	Employment Figures
Sherwood Medical Supplies	1967 (130); 1970 (170); 1972 (400)

<b>Manufacturing of Metal Goods not Elsewhere specified</b>	
NI Company	Employment Figures
Oneida Silversmiths	1961 (400)

<b>Rubber and Plastics</b>	
NI Company	Employment Figures
Kent Plastics (UK) Ltd.	1967 (200)
Bridgeport Brass Ltd.	1961 (400)
Goodyear Tyre and Rubber Company	1967 (1000)

<b>Other Manufacturing Industries</b>	
NI Company	Employment Figures
A.G. Spalding Brothers Ltd.	1961 (400)

NI Company	Employment Figures
Ulster Swift	1966 (335)
Pickerings Foods	1969 (500)
Gallaher Ltd.	1971 (5600)

NI Company	Employment Figures
T.P.T Ltd	1972 (125)
Ulster Paper Company	1967 (40); 1968 (80)