

# Reviving the Border Region Economy in a time of Peace, Devolved Government and International Recession

An 'emerging findings' conference from the research project  
by Dr John Bradley and Professor Michael Best

**Radisson Blu Farnham  
Estate Hotel, Cavan  
17th-18th November 2011**



**European Union**  
European Regional  
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- 10.40-13.00**     **Uncovering the border region economy**  
**Chair: Mr. Aidan Gough,**  
Director of Policy and Strategy,  
InterTradeIreland, Newry
- 10.45-11.30**     **The border region economy and its challenges: Dr. John Bradley**
- 11.30-12.15**     **A future for manufacturing in the border region economy:**  
**Professor Michael Best,** University of  
Massachusetts Lowell
- 12.15-12.25**     Discussant: **Mr. Michael D'Arcy,**  
Principal, DSA, Dublin
- 12.25-13.00**     Open discussion

# The origins of the project

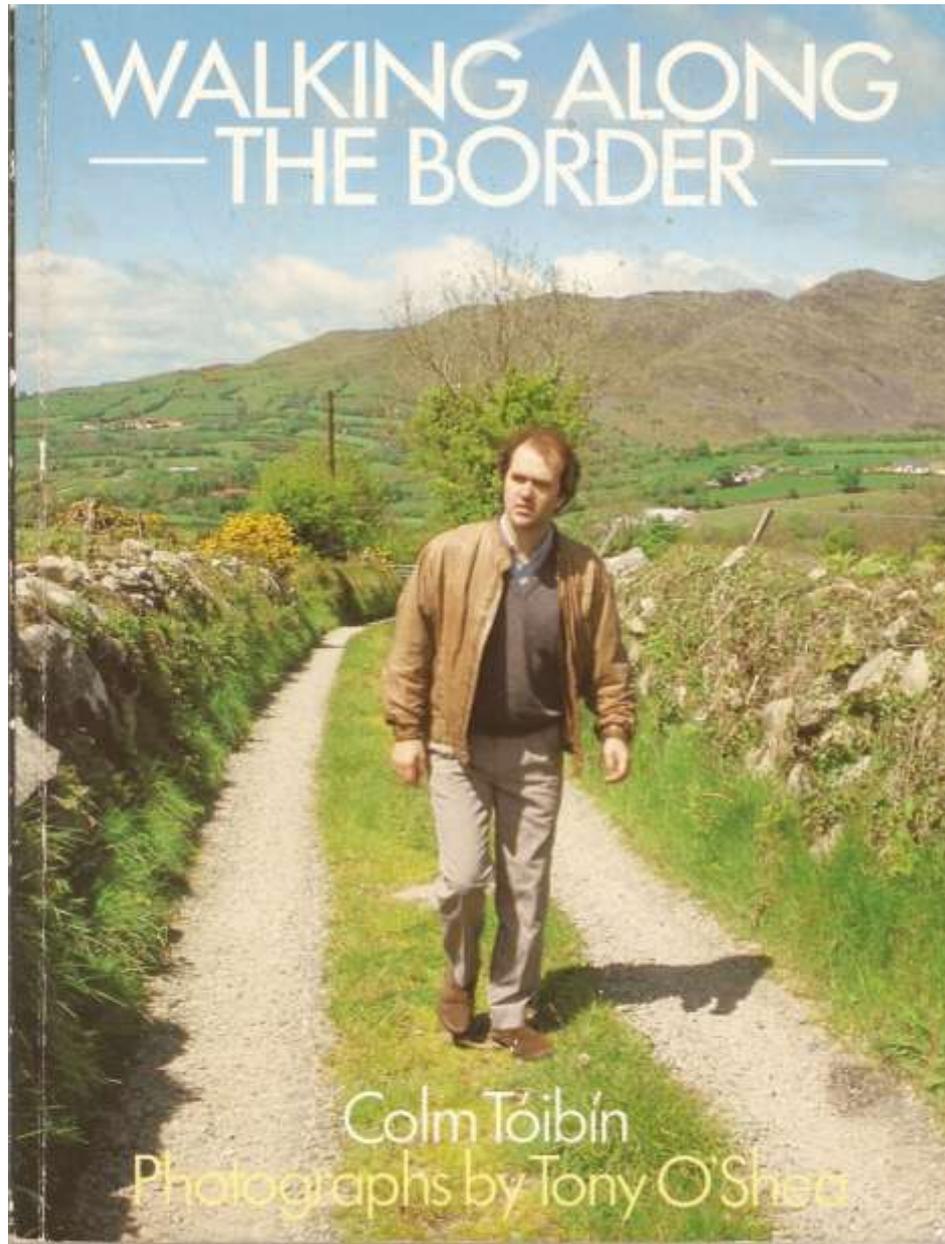
- **Designed in mid-2007 (pre-recession!)**
- **Funding envelope approved by SEUPB late 2008**
- **Project Call for Tenders in July 2009**
- **Awarded autumn 2009 (during recession)**
- **Work started in early 2010**
- **Completion end 2011**

# **The big question:**

**There is obviously a “border”,  
and a “border region”.**

**But is there a distinctive  
“border region economy”?**

# WALKING ALONG — THE BORDER —



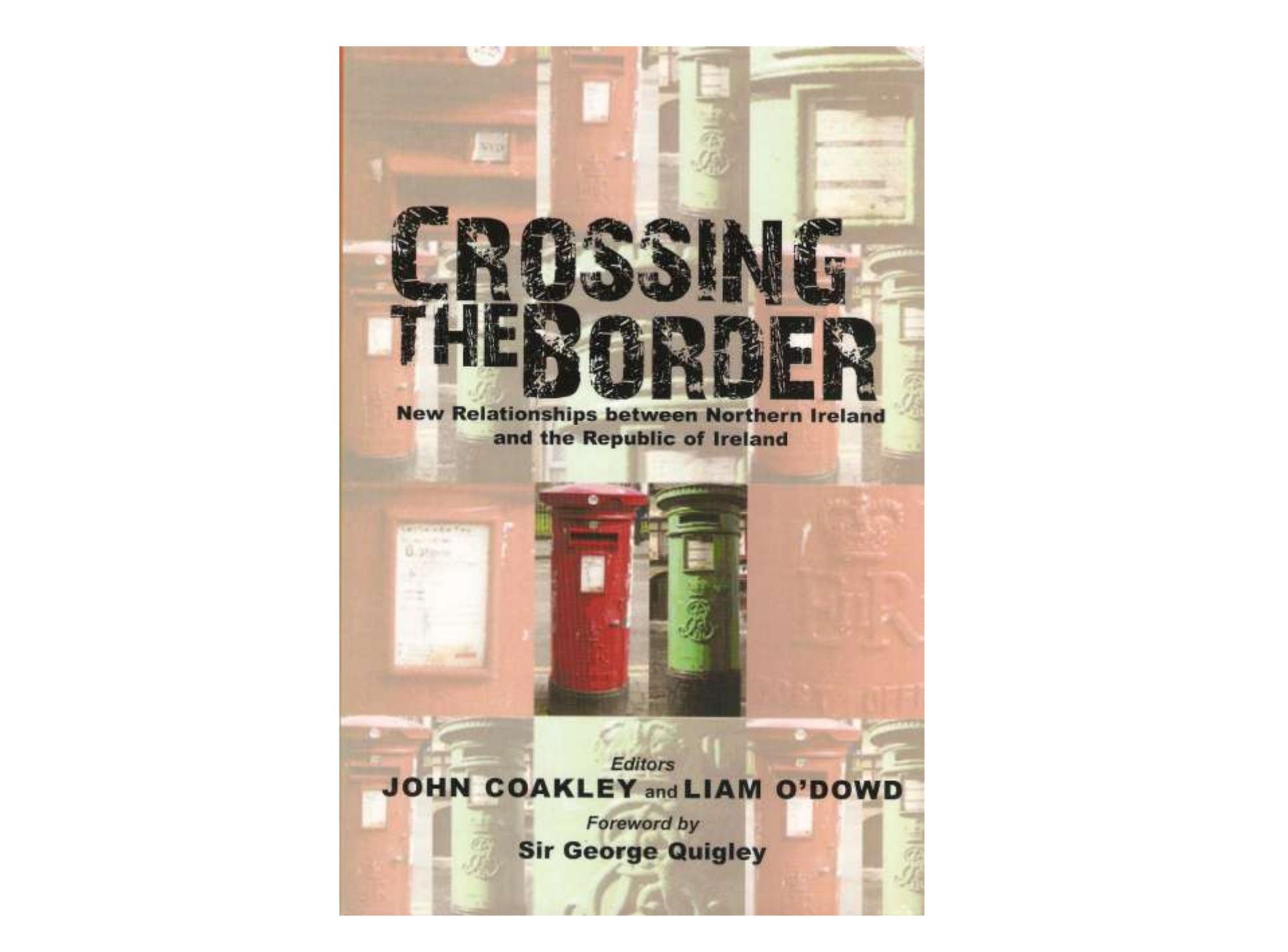
Colm Tóibín  
Photographs by Tony O'Shea

# BORDER CROSSINGS

**Developing Ireland's  
Island Economy**



Editors  
Michael D'Arcy & Tim Dickson



# CROSSING THE BORDER

**New Relationships between Northern Ireland  
and the Republic of Ireland**

*Editors*

**JOHN COAKLEY and LIAM O'DOWD**

*Foreword by*

**Sir George Quigley**

# **Border region economy**

**Unlikely to be defined precisely by existing international or internal national administrative boundaries.**

**Local economies flow over these boundaries.**

**Some maps of the  
region being studied**

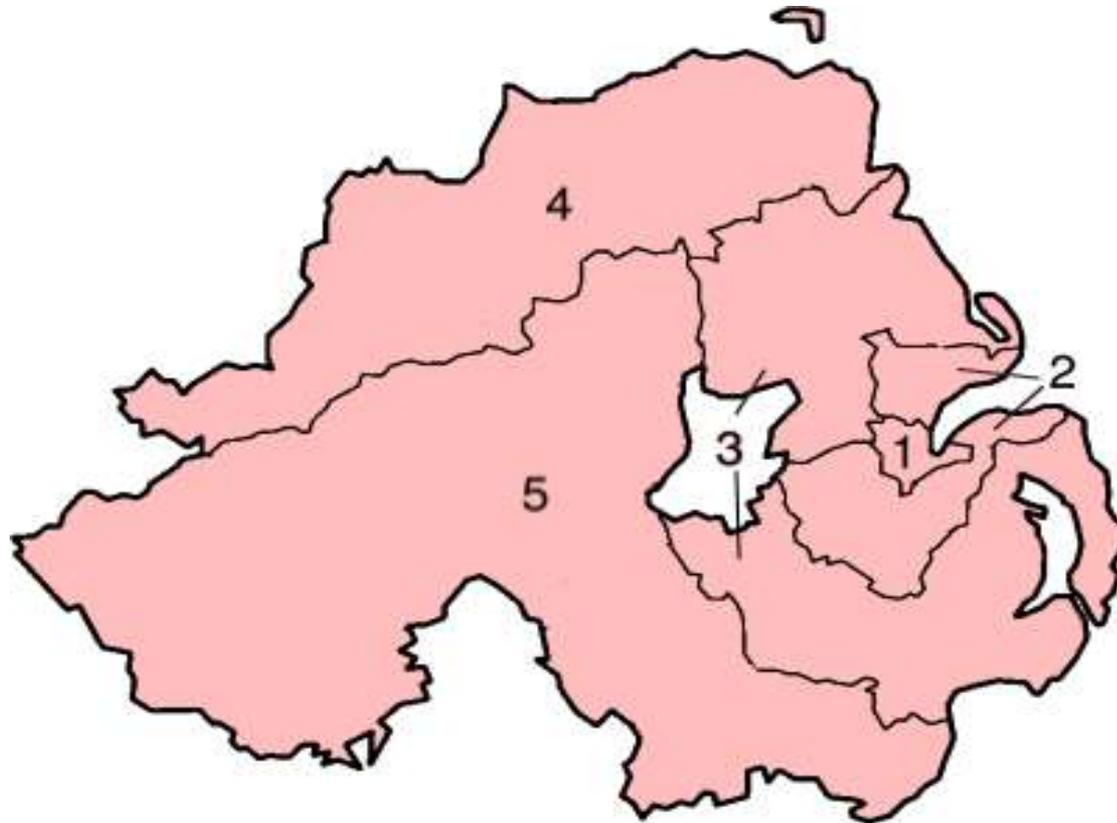
# The Border Counties



# Spatial governance-NI



# NUTS-2 Regions in NI



# BMW Region - Rol



# Welcome to the Republic of Ireland!

7-11



**DISCOVERIRELAND.IE**

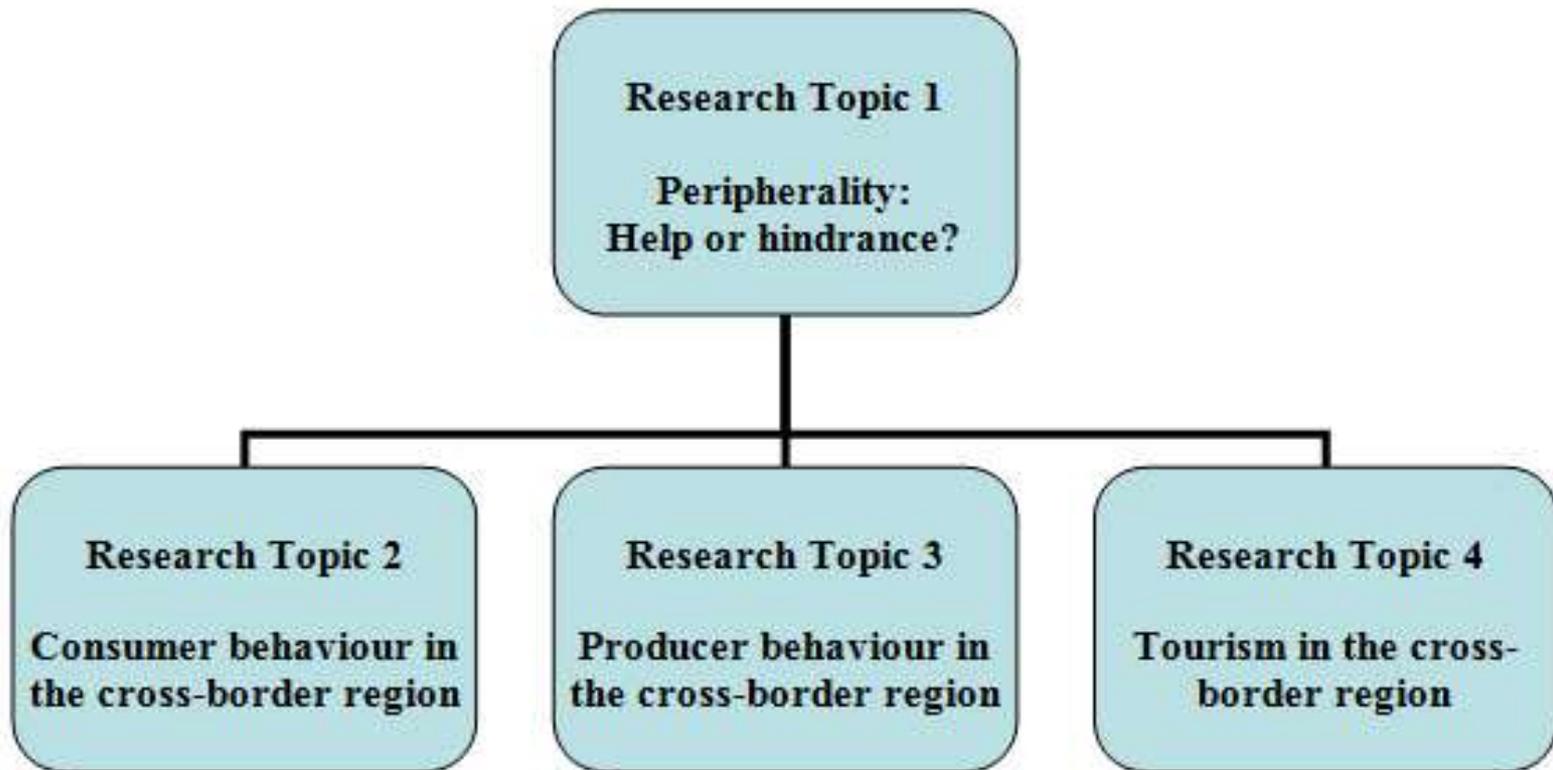


# In quest of the “border region economy”

## The basic research strategy

- **Bradley**: Start at the most general level (The UK and Ireland) and work inwards to the two “island” economies and – finally – to the Border region economy
- **Best**: Start with an understanding of the kinds of individual enterprises operating in the border region and work outwards to the wider arrangements and policies needed for enterprise to grow and prosper.

# Organisation of project



# Issues addressed in Topic 2 (Consumer markets)

1. Shops: The “supply-side” of border consumer markets
2. Shopping: The “demand-side” of cross-border consumption
3. How important is cross-border shopping to the border region economy?
4. Is cross-border shopping a serious problem to wider regional development?

## Topic 2: Findings

- **Official data are thin on the ground! But possible to examine structure of market service sector enterprises using commercial databases such as FAME.**
- **Number of “shopping-related” enterprises per unit of population fairly constant in NI counties, but is both higher and rises with population density in RoI counties.**
- **Normal market forces that bring about diversification in supply of consumer-related establishments in the RoI may be weaker in NI**
- **The mainly South -> North flow of cross-border shopping is primarily a “demand-side” phenomenon.**



Figure 2.3: Cross-border shopping, piled high!

# Topic 2: Findings (cont.)

Three main bouts of cross-border shopping during past three decades:

- **Mid-1980s (mainly S -> N)**: RoI joined the EMS exchange rate linkage system; UK didn't. RoI mired in recession and tax rates on consumer expenditure were increased dramatically to address a fiscal crisis.
- **Mid-1990s (S <--> N)**: Period of relatively fast growth and development in the RoI and of emerging peace in NI; two-way cross-border shopping grew steadily in the aftermath of the Single European Market from 1992.
- **After 2008 (mainly S -> N)**: Onset of the current recession; RoI cost competitiveness collapsed; sterling initially weakened against the euro; rapid build-up of cross-border shopping mainly by RoI consumers travelling to NI.

## **Topic 2: Findings (cont.)**

- **Exchange rate differentials are the main driving force of cross-border shopping. Excise and VAT differentials are a secondary driver.**
- **But these differentials often conceal a more serious underlying competitiveness gap within what are normally “non-internationally traded” activities.**
- **Dramatic exchange rate and tax shifts can be very disruptive, and have undesirable medium-term consequences on both sides of the border (the border “trading-post” phenomenon)**
- **Few of the goods sold in the border region are produced in that region.**

# **Issues addressed in Topic 1 (Peripherality)**

- 1. The international and nation contexts for the border region economy**
- 2. The island economy context for the border region**
- 3. Structure and performance of the border region economy**
- 4. Border region development potential**

# Topic 1: Findings

- **Massive shifts in the production structure of the UK and Ireland since the 1980s**
- **Deindustrialisation in the UK, with the rise of the “service” economy (including financial services)**
- **Decline of NI traditional manufacturing specialities (clothing & Textiles, Shipbuilding, Engineering) with a decline in manufacturing generally**
- **Modernisation of the ROI industrial base, with focus on computers, pharmaceuticals, software and food processing**

# Topic 1: Findings

- **The weakness of regional development policy in both NI and the RoI has left some parts of the border area “stranded”**
- **The major infrastructural improvements have eased Belfast-Dublin communication on the East Coast “Corridor”, but not changed much else.**
- **The mismatch between the NI and RoI manufacturing structures resulted in a skewed N-S trade pattern (few “modern” but more “traditional” goods)**

# Topic 1: Findings (cont.)

- **Border policy fault line (e.g., corporation tax) placed constraints on the evolution of NI manufacturing ; resulted in a continuing British orientation of NI inward investment and export destinations**
- **Significant real support for island cross-border activities, but less understanding of the structure of the border region economy and the challenges that it faces due to its peripheral character and rural structure**
- **Structural characteristics of the less advanced border counties of the RoI derive mainly from their peripherality, low level of urbanisation and “missing” hinterland.**

# **Issues addressed in Topic 3 (Production structures)**

- 1. What frameworks can be used to guide us in elaborating regional development strategies**
- 2. What are the characteristics of the existing enterprise sector in the border region?**
- 3. What can we learn from the individual experiences of specific enterprises?**
- 4. How can we evaluate the “productive potential” of the border region economy?**

# Topic 3: Findings

## Development strategy frameworks: What do they tell us?

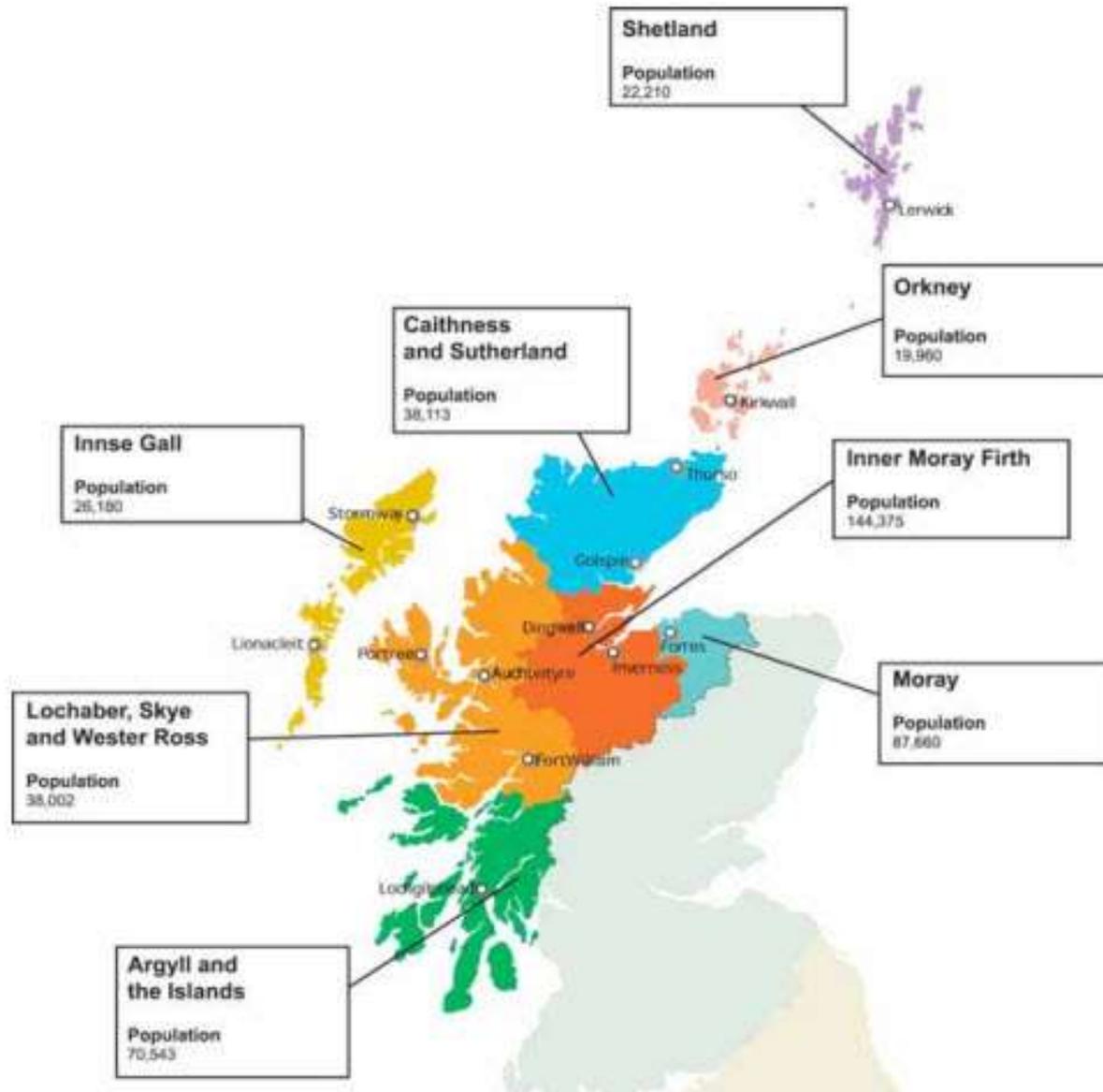
- **Regional “macro-economies”**  
*(The region as a whole)*
- **“Product life-cycles” and inward investment**  
*(Raymond Vernon)*
- **Stages of development and enterprise “clusters”**  
*(Michael Porter)*
- **Development of “capabilities” by enterprises**  
*(Michael Best)*
- **Cities, towns and their economic hinterlands**  
*(Jane Jacobs)*

## **Topic 3: Findings**

### **Macro-regional producer characteristics**

- Possible to look at producer characteristics in ROI counties in terms of official data for broad sectors (Agriculture, B&C, Manufacturing, Market Services, Public sector)
- Not as easy to do this for NI sub-regions using official data
- Results suggest three broad sub-divisions of border economy, with rather different production characteristics:
  - NE sub-region (Down & Louth)
  - Mid-border sub-region (Monaghan, Cavan, Leitrim & Fermanagh, Armagh and S-Tyrone)
  - NW sub-region (Donegal, Sligo & Derry, N-Tyrone)

Figure 1: Population by HIE Area Office: 2009



# Topic 3: Findings

## The three border sub-regions

### 1. NE sub-region (Down & Louth)

Advanced manufacturing, participating in spillovers from Dublin and Belfast “poles”

### 2. Mid-border sub-region (Monaghan, Cavan, Leitrim & Fermanagh, Armagh and S-Tyrone)

More “traditional” manufacturing, but traces of pre-partition manufacturing specialities

### 3. NW sub-region (Donegal, Sligo & Derry, N-Tyrone)

Underdeveloped manufacturing, with Derry not playing a role commensurate with its size

# **Topic 3: Findings**

## **Business activities in the border region**

- **To go deeper, we needed an enterprise database**
- **FAME: Database of financial information and business intelligence covering companies in the UK and Ireland, allocating enterprises to different sectors**
- **Contains precise geographical location information and permits us to study the population of all business enterprises by county**
- **Allows us search for sectoral clusters in the border region**
- **Facilitates the study of a “control” region to compare to border region analysis**

# Topic 3: Findings

## Business case studies in the border region

- We needed to visit individual enterprises to obtain deeper insight into current trading conditions, business strategy, production facilities, networking behaviour, etc.
- With limited time and resources, our case study approach is organised in three parts
  - **Stage 1**: Representative selection of enterprises within each of the three sub-regions of the border economy (NE, Mid, and NW)
  - **Stage 2**: Selected “clusters” of related activities for systematic study
  - **Stage 3**: Selected small towns for comprehensive study of the production base

# Business case studies in the border region

## Stage 2: “clusters” of related activities

- **NE Region**: Analysis suggested manufacturing base dominated by FDI. Emerging financial services “cluster” in Newry. High-Tech activities, but this region is dominated by Dublin and Belfast “poles”
- **NW Region**: Analysis suggested the general absence of cluster development in a context of a weak manufacturing base
- **Mid-Border region**: Clear identification of “wood processing/furniture”; “food processing”; “light engineering”

# **Business case studies in the border region**

## **Stage 3: The production base of small border towns**

- **NE Region**: Dominance of Belfast-Dublin corridor makes role of border of secondary importance to towns, which are quite well integrated into the east coast population agglomeration
- **NW Region**: Weak role played by Derry and its satellite smaller towns in NW region
- **Mid-Border region**: Continued tradition of manufacturing clusters near larger towns.
- **Control towns**: Mayo (Westport) suggests difficult to foster manufacturing near towns with population below about 3,000 where tradition is absent and far from 3<sup>rd</sup> level institutions

# SWOT analysis of the border region

## External threats to the cross-border economy

- [1] National spatial development policy is weak and specific border region development needs are handled by the “centre” in an ad-hoc way
- [3] The cross-border region faces an increasingly competitive external economic environment
- [4] Problematic future availability of targeted funding and threat of the fiscal crisis in the RoI and UK fiscal adjustments.
- [6] The currency and taxation fault lines

# SWOT analysis of the border region

## External opportunities for the cross-border economy

- [1] Achieve maximum benefit from improving north-south communication infrastructure
- [2] Increased proactive engagement of NI and RoI governments
- [3] Belfast Agreement cross-border bodies may target border region problems
- [4] Regions are emerging as a new focal point of next EU budget programming period

# SWOT analysis of the border region

## Internal weaknesses of the cross-border economy

- [1] Peripherality of border region (“psychological” distance and physical distance)
- [2] Absence of relevant sub-regional economic data
- [3] Fragmented regional governance system with weak strategic development planning
- [4] Low population density, low rate of urbanisation and limited number and role of border region third level education establishments
- [6] Weak regional production structure (declining traditional sectors; too few dynamic firms; high reliance on agriculture; lack of kinds of market services required to sustain modern manufacturing base.

# **SWOT analysis of the border region**

## **Internal strengths of the cross-border economy**

- [1] Industrial heritage that could be revived and a manufacturing base that could be expanded**
- [2] Continuing and deepening co-operation between the local authorities, and extension into economic development areas**
- [3] The all island success and expertise of InterTradeIreland relevant if re-focused on the challenges of the immediate cross-border region.**
- [4] Cross-border enterprise co-operation may arbitrage the currency and other policy-induced fault lines.**

## Summary and conclusions

- [1] The border region faces more threats and to suffers more internal structural and organisational weaknesses, than it enjoys by way of opportunities and internal strengths.**
- [2] Spatial development strategy for this region has been minimal.**
- [3] Essential to reconcile “top-down” national development strategies with “bottom-up” desire of regional authorities and local communities to have a greater say in determining their destinies.**
- [4] The revitalisation of the border region is essential both for itself and if the wider island economy is to achieve its potential.**