

IRISH INDUSTRY NOW

Industry has been the major growth sector of the Irish economy for many years. Can it continue to fill this role? What are its opportunities for growth, and what obstacles will have to be overcome? Let us examine the present position, opportunities and potential obstacles. I expect that all of these points will be treated in the Fourth Programme due for publication in the new year.

1. PRESENT POSITION

The GNP is growing at a rate of 3½% in 1972 compared to 3% last year. Manufacturing production is growing at 4½% compared to 4% last year. Approximately one third of the gross output of Irish industry is exported, and industrial exports are increasing at a rate of 18% this year compared to 14% last year.

These figures will appear favourable but must be viewed in the context of 70,000 people or 6% of our workforce unemployed, and a standard of living which is the lowest in the European Community. WE must obviously accelerate our rate of growth dramatically if we are to achieve full employment, that elusive first step on the path of developing the full

economic and social potential of the country. This is becoming increasingly difficult as productivity in agriculture and industry accelerates, and fewer people are required per unit of output. Thus productivity in manufacturing industry is increasing by approximately 6% per annum - latest British figures show a current productivity increase of 8%. Thus despite a rising output, employment may be stable. At present the U.S. and Japan have industrial growth rates of 9½% per annum. It is clear we must set our sights at similar levels.

## 2. OPPORTUNITIES

At the moment Ireland exports £355 million to Britain. This represents 3.5% of British imports of £10,000 million. The Community import bill is £55,230 million. Is there any technical reason why by 1980 Ireland couldn't provide 3.5% of the total Community market? We are probably entering the most favourable climate for the Irish economy since the foundation of the State. Why can't the economy now grow by 9% per annum? After all, the Spanish economy has expanded by 6½% in the 60's and the Japanese have maintained an 11% growth; and Ireland itself achieved an 11% growth in 1968.

Attainment of growth targets of this magnitude would demand a very special and coordinated effort by everyone concerned with industry - employer, worker and support services. It

would also demand major financial commitments both in developing industry and its support services.

This is a most appropriate time to plan for developments such as this. For many years the agricultural sector has been depressed with per capita incomes one-third below that in industry. This situation is now changing dramatically with food prices increasing @ 15%. No one quite knows what the multiplier effect of a prosperous agricultural sector will be on the rest of the economy. Many industrial sectors should benefit - food processing, construction, fertilisers, agricultural machinery. There will certainly be a major increase in home demand for industrial products.

There will inevitably be a major restructuring required in the economy when going through a major growth phase. The movement of workers from agriculture to manufacturing, from declining manufacturing sectors to growth sectors will place a high premium on efficient training and retraining. The new European Social Fund can supply valuable assistance for that purpose. The fund currently stands at £20 million per year. We should have a plan prepared for this purpose.

The European Investment Bank supplies low interest loans, usually at least £200,000 @ 7½% interest rates for major

development projects and private organisations. Since these loans are never more than 40% of the fixed asset cost of a project, the majority are provided in a consortium arrangement with a local bank. Last year this bank loaned £180 million. How much can we entice to Ireland as additional development capital? We need not fear foreign domination because this is a Community development institution, and Ireland has already made her commitment to be part of that Community.

There are other Community funds such as the Community Development Contracts, and that part of FEOGA which related to resettlement of farmers in industry which can further help to accelerate the development of Irish industry. Yesterday in Brussels it was agreed that this resettlement fund should be £100 million for 1973, and involve payment of about £650 per farmer resettled in industry.

Finally, the recent summit agreed to have a Regional Fund in operation by 1974. This can only benefit Ireland.

### 3. OBSTACLES TO GROWTH

Like many countries at our stage of development, we have still got remnants of the attitudes of a production or product, rather than a customer oriented economy. We sometimes ask who will buy my product rather than can I supply what the customer wants,

and what does he want anyway? I talked earlier of selling in the French, German and Italian markets. Customer requirements may vary considerably from market to market. The criterion of success is the profitable provision of customer needs, which does not necessarily coincide with long production runs of existing products.

There are many entrepreneurs working in Ireland but still not enough. These are the people with initiative, drive, prepared to set their sights high, confident in their ability to succeed, who are motivated by the challenge of achievement. They want to prove to themselves that they can succeed, and success acts as a stimulus to further achievement. All of us have these characteristics to a greater or lesser degree. The entrepreneurial spirit can be smothered or developed by our education and our environment.

Taxation is one of the elements in our environment. The recent White Paper provided some interesting comparisons. Company taxation and personal taxation are both high in Ireland compared to other Community countries. Yet the White Paper indicated that company pre-tax profits are 8% capital employed. When this low rate of profitability is combined with a high rate of company taxation, this does not provide an environment for enterprise.

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Profitability is low because industry has had to go through a major process of adaptation. Industry is hungry for capital. It will certainly need it to achieve the type of growth we referred to earlier. The effects of last years reduction in taxation was to increase retentions in publicly quoted manufacturing companies by 90% at a time when pre-tax profits increased by 28%. A reduction of company tax for manufacturing organisations is another way for building our strengths, and ensuring the most rapid growth of our profitable and, therefore, successful companies, and the reward is as a result of past performance. Export profits tax relief helps the large company but not his smaller sub contractor. We are thus preventing growth of manufacturing industry from within, and smothering entrepreneurship.

It is difficult to restructure industry in a stagnant economy - much easier in an economy growing by 9% per annum. Yet the new situation demands that old moulds are broken, that there are new alignments of firms, mergers and joint action where this is to mutual benefit. The European Community is currently perfecting the form of the European Company to facilitate cross border mergers. It is also expected that a legal formula whereby small and medium size firms can associate across national boundries will be finalised by mid 1973. This is called a G.I.E. or Economic Interest Group and will provide a means for, say,

nine firms - one in each country - to come together for a common purpose e.g. marketing, research, know-how, information, possibly even production, without losing their individual autonomy.

Allied to this idea is a "marriage bureau" which is really only an introduction bureau and which will be in operation in the Commission in January 1973. The Confederation is currently working closely with this office.

Smaller firms must engage in joint action where this is to their mutual benefit. Groups within the Confederation have currently got joint purchasing, training, marketing, and consultancy schemes in operation.

The preceding remarks indicate that there are many areas in which industry itself must have developed a clear policy. These policies are required on how industrial growth can best be achieved, on taxation, training, design, marketing, economic policy, science, restructuring of sectors etc. Each sector of industry must be organised to examine its own needs, and make recommendations accordingly. The alternative is passive or reactionary acceptance or policies developed elsewhere, whether in Dublin or Brussels. An organisation representing entrepreneurial industry must take the initiative itself.

The Confederation with the FUE and Chambers are jointly funding the Irish Business Envoy in Brussels. He has telex communication with Dublin, and represents Irish industry in UNICE, at the Permanent Conference of Chambers of Commerce, and at the Commission. He requires continuing briefing from industry on its attitude towards policies and legislation being developed in Brussels. We must be involved. We must state our point of view. We have far greater power than a pro rata population influence would justify. We must use it.

The minimum joint action which any firm should take is to join his relevant trade association, and ensure that it in turn is linked to the Confederation and to its European counterpart. This will provide a structure for obtaining information, and influencing policy both at a trade and general industry level. Inevitably if you do join you will find that there are a diversity of views. We must develop the art of compromise to ensure that we achieve the strength of unity.

#### CONCLUSION

By 1980 Ireland could have as high a degree of penetration in the rest of the Community as we currently have in the British market. This, however, would require a much greater growth per annum with consequent demand on resources.

This type of growth is necessary if we are to achieve full employment, since the rate of increase in productivity is increasing. Can we obtain the resources?

I believe this country could be entering eight years of unprecedented growth. The challenge is ours. Can we take it?

Obstacles to growth include production and product orientation rather than customer orientation, too few entrepreneurs, high taxation, and a continuing requirement to restructure the industry. Irish industry must take the initiative in developing policies which will assist its growth. Each individual firm should first become involved in its trade association as a prelude to joint action at home and abroad.

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