

Speech by Liam Connellan, Director General,
Confederation of Irish Industry at Annual Dinner &
20th Anniversary of Cootehill Chamber of Commerce at
The White Horse Hotel on Friday, 10th February 1984
at 8.p.m.

The Business of Ireland

I am very pleased to be here this evening to join in the celebrations of the 20th Anniversary of Cootehill Chamber of Commerce. With over 300 people engaged in industry, and a population of some 2,000 people, Cootehill is a microcosm of modern industrial Ireland. The six industries in the town comprise a wide range of products from baby foods, poultry, footwear, rubber hoses and furniture to metal products.

I would like to speak to you this evening about the "business of Ireland".

The "business of Ireland" is everyone's concern. It determines our living standards and employment prospects. It determines the services we enjoy and are likely to enjoy. It determines our ranking among the economies of the world.

Ireland is not a poor country by international standards. It has the 32nd highest income per capita of 152 countries in the United Nations. Among the industrialised countries it has had, over the last twentyfive years, one of the fastest growth rates but it has also one of the highest rates of unemployment. There has been a major improvement in living standards since the late fifties. We have better housing, more cars, better hospitals and schools. Emigration, which had averaged 50,000 per year in the 1950s, was not only halted in the 60s but reversed during the 1970s. The population has grown from 2.8 million in 1960 to 3.5 million this year. Our aspirations are to achieve improved living standards and to provide the opportunity for work and self reliance for everyone.

Our living standards and employment depend on the total value of productive output i.e. the output of goods and services which can be exported or used to replace imported goods.

At the end of the 1950s, a new emphasis was placed on the encouragement of exports and the attraction of overseas industries to set up plants in Ireland to manufacture for the world market. In the mid-1960s, the process of dismantling tariff barriers commenced and was finally completed in 1977, when the five year transition period, following Ireland's entry to the European Community, ended. Since then, Irish industry has been competing in a free trade area with some of the most advanced industrialised countries and has grown more rapidly.

Irish industry has gained significantly from the decision to join the European Community. Since the early 1970s about 600 overseas firms - 2 in Cootehill - have set up manufacturing operations in Ireland, mainly for the purpose of supplying the European market. Foreign owned firms now account for over 80,000 employees and close to half of all Irish manufacturing output - more than that here in Cootehill. They are mainly in the fast growing new technology industries such as electronics, computers, chemicals and pharmaceuticals. They have provided, not only jobs, but also access to modern technology and to overseas markets. They provide high quality jobs and now account for about half of the total annual third level recruitment by Irish industry.

A study published by the National Economic and Social Council last year demonstrated that the closure rate of foreign owned companies in Ireland during the 1970s was similar to the closure rate of Irish owned firms. This contradicts the assertion that these firms are "fly by night", and less stable than their Irish owned counterparts. The understandable disappointment when a foreign owned firm closes because it has become uncompetitive, should not be allowed to mask the fact that all manufacturing firms, irrespective of ownership, are subject to similar competitive pressures in free trade conditions and must operate profitably if they are to survive. Protectionism cannot provide an alternative solution. It is a two-edged weapon. All manufacturers must produce products which can compete either on the large international market or on the home market.

Of course it would be desirable if more products based on local raw materials - such as Abbot, Whelan Boot and Coop Poultry Products - could be manufactured economically, and sold profitably. But these criteria must be met. The reality is that there are many constraints on increasing agricultural output and sales. This does not mean that we should give up the effort. On the contrary, we must try even harder to develop sectors of the food industries where demand is expanding.

However, the main contribution to industrial growth over the last decade has come from high technology industries where output and exports have grown by 15% or more per annum and employment has increased even throughout the recession. We must build on these strengths and increase the capacity of firms in these industries to maintain a rapid growth rate.

The output of traditional industries has declined by 3% per annum because of a combination of the international recession, the declining cost competitiveness of the economy, and competition from low cost countries. With the international recession lifting and greater product specialisation, there are indications that the decline in these sectors has now been halted.

In summary, Irish industrial output has grown by an average of 3% per annum since tariff barriers were eliminated. This was the highest growth rate in the European Community and compares with the European average of less than 1% per annum over the same period. Last year manufacturing output increased by 6% compared with no growth in the EEC. There is a strong relationship between growth in industrial output and growth in employment in the whole economy. The decline in manufacturing employment stopped in 1983. The current high unemployment rate conceals the fact that employment in the Irish economy has grown faster than in most other European economies since 1977. The exceptional level of unemployment reflects a situation where the labour force has increased even more rapidly.

Technology

Many people are concerned about the impact of technological development on employment. I would make two points on this issue. Firstly, if we don't adopt new technologies as rapidly as our competitors, our industries will collapse. Secondly, throughout the centuries technological development has created the demand for a myriad of new products and services. I have no reason to believe the situation will be otherwise in the 1980s.

Ireland is currently undergoing a new industrial revolution. This is based on a combination of high technology industries and the emergence of the information society.

The revolution gathered pace in the early 1970s with the advent of a large number of firms manufacturing high technology products such as electronics, instrument engineering, computers, chemicals and pharmaceuticals. Today these sectors account for about a third of total manufacturing production and about 40,000 jobs. They are growing at a rate ten times faster than the output of the whole economy.

Ireland has a higher proportion of new technology exports to total exports than any other EEC country. Almost all of the "Know How" for these industries has been imported from abroad. The major challenge we must now face is for Irish scientists and engineers to develop new products and processes which will contribute to the dynamism of these firms and enable them to expand rapidly in response to the changes in the market place.

In 1983 computers became the largest single export from Ireland, larger even than meat exports. However, the manufacture of computers is only the start. The real growth over the next decade is expected to be in providing services which enable householders and businesses to apply computers to everyday tasks and to develop new products and services based on computer applications. At present, one household in fifteen in Britain has a home computer; in the United States, the proportion is one household in eighteen; and in Ireland the proportion is one household in forty. Schoolchildren are learning to programme home computers for different tasks. The computer may be linked to the television set in the home and can also be linked to the telephone network.

This combination of the home computer, television set and the telephone network will transform our society over the next decade. It will create a demand for thousands of new products and services in the home, in banking, in retailing and in industry. Already there are about 150 computer "software" firms engaged in the development of new computer applications in Ireland, employing a total of 2,000 people.

Last February, the French telecommunications authorities distributed computer terminals with keyboard and display screens free of charge, instead of telephone directories, to 100,000 homes in Britany. The subscribers have access to a wide range of information services, including, of course, a computerised telephone directory. It is intended to distribute 3 million of these terminals to French households by the end of 1986. In this way, millions of families will become familiar with the use of computers and it is expected that they will seek a wide range of new services, varying from computerised shopping to electronic mail.

The pace of change is accelerating. Tens of thousands of new jobs will be created in high technology manufacturing industries and in the provision of computer based services. The expected completion of the modernisation programme for the telephone system in 1984 will stimulate these developments. The telephone network will be the backbone on which Ireland can develop an Information Network System linking computers, video machines, telephones, electronic mail, telecopying machines, and word processors in Ireland and abroad. The expansion of an Information Network System will be similar to that of the electricity system thirty years ago, but much more rapid. The next decade will be an exciting and stimulating one as the computer revolution gathers momentum.

Environment for Enterprise

The "business of Ireland" must be to expand the productive output of the economy, which alone will create an increase in living standards and provide more sustainable jobs. Real living standards can only increase in line with output per person. If output per capita in the whole population increases by 4% per annum, as it did in the 1960s, then real living standards can increase by a similar amount less any provision necessary to service foreign debt.

There has been an undue emphasis on direct Government action to create lasting jobs. The real task of Government is to create the conditions in which enterprise can flourish. It must ensure that enterprise, risk, initiative and hard work is rewarded.

I would like to see an Ireland where everyone with spare cash would automatically think of investing it in producing more internationally traded goods and services, rather than in risk free Government stock or in property. People who invest in industry will "follow their money", and will ensure that it is used well, and that conditions are created for expansion.

Jonathan Swift said it all in characteristic pungent fashion two and a half centuries ago when he held that "whoever could make two ears of corn or two blades of grass to grow upon a spot of ground where only one grew before would deserve better of mankind and do more essential service to his country than the whole race of politicians put together."

Conclusion

The "business of Ireland" must be to create the conditions which will foster the more rapid growth of the productive sectors of the economy. The emergence from recession has been in progress for many months. Manufacturing output expanded by 6% in 1983. As slack capacity is taken up, investment and employment will begin to grow. The rate of increase in unemployment has halved in the last nine months compared to the previous period; and in the same period advertised vacancies for executive staff have increased by 8%. There is a long way to go before unemployment falls to an acceptable level but the process of halting its rise is well under way.

We must have confidence in our ability to succeed. Faster industrial growth must be the primary objective. This growth must be built on exports, new technology, an environment for enterprise and the containment of inflation. Industrial expansion will support more jobs in the economy.

Our industrial sector is lean, modern and efficient. It has grown faster than any other Member State of the European Community. It has the capacity to grow faster still. The "business of Ireland" is to provide the conditions which will enable this expansion to occur.

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